RESOLUTION NO. 21288

Background

It is necessary and desirable for The Illinois State Toll Highway Authority (the "*Tollway*") to retain certain financial firms to provide, on an as-needed basis, underwriting services in connection with the issuance of new bonds.

The Tollway issued the Request for Proposals #16-0155 for Bond Underwriting Services (the "*RFP*") to establish two pools of financial firms to be available to provide, on an as-needed basis, bond underwriting services for Tollway financings for an initial term of three years with renewal options of up to two years.

Proposals received pursuant to the RFP were: (a) reviewed by the Procurement Department for administrative compliance and vendor responsibility; and (b) evaluated by an evaluation committee for Responsiveness (as defined in the RFP). As a result of the review and evaluation of the proposals, certain financial firms were determined to be qualified to provide the aforementioned bond underwriting services, after which pricing was negotiated with such firms. As a result of the review and evaluation of the proposals and subsequent price negotiation, it is deemed in the best interest of the Tollway to select the following financial firms to serve, on an as-needed basis, as Senior Managing Underwriter or Co-Senior Managing Underwriter for a Tollway bond issuance:

Citigroup Global Markets Inc.;
Goldman, Sachs & Co.;
Jefferies, LLC;
J.P. Morgan Securities LLC;
Loop Capital Markets LLC;
Merrill Lynch Pierce Fenner & Smith Incorporated;
Morgan Stanley & Co. LLC;
Piper Jaffray & Co.;
PNC Capital Markets LLC;
RBC Capital Markets, LLC;

RESOLUTION NO. 21288

Resolution-Continued

Chief Financial Officer is authorized to issue warrants in payment thereof. As needed for each bond issuance, the Chairman or the Executive Director is authorized to assign a bond underwriting group consisting of firms from the Senior Pool and Co-Manager Pool, each assignment to be made consistent with the considerations for making such assignments contained in the RFP. Firms in the Senior Pool are deemed eligible to serve as bond remarketing agent.

Approved by: [redacted]

Chairman

STATE OF ILLINOIS
CONTRACT

Illinois Tollway

Bond Underwriting Services

16-0155M

The Parties to this contract are the State of Illinois acting through the undersigned Agency (collectively the State) and the Vendor. This contract, consisting of the signature page and numbered sections listed below and any attachments referenced in this contract, constitute the entire contract between the Parties concerning the subject matter of the contract, and in signing the contract, the Contractor affirms that the Certifications and if applicable the Financial Disclosures and Conflicts of Interest attached hereto are true and accurate as of the date of the Contractor's execution of the contract. This contract supersedes any prior contracts between the Parties concerning the subject matter of this contract. This contract can be signed in multiple counterparts upon agreement of the Parties.

1. **DESCRIPTION OF SUPPLIES AND SERVICES**
2. **PRICING**
3. **TERM AND TERMINATION**
4. **STANDARD BUSINESS TERMS AND CONDITIONS**
5. **SUPPLEMENTAL PROVISIONS**
6. **FORMS A or FORMS B**
7. **TAXPAYER IDENTIFICATION NUMBER PAGE**
8. **VENDORS RESPONSE TO RFP #16-0155 AND RFP #16-0155**

NOTE: This contract establishes the terms and conditions under which the Vendor is available to be assigned by The Illinois State Toll Highway Authority (the "Tollway"), on an as-needed basis as determined by the Tollway, to underwrite Tollway bonds or other debt. Any such underwriting shall be pursuant to a bond purchase agreement or other appropriate form of agreement entered into by the Vendor and the Tollway at the time the Vendor underwrites the Tollway bonds or other debt. Such bond purchase agreement or other appropriate form of agreement shall be the exclusive agreement governing any such underwriting with respect to each party's performance, duties, rights, responsibilities, obligations and liabilities.

In consideration of the mutual covenants and agreements contained in this contract, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to the terms and conditions set forth herein and have caused this contract to be executed by their duly authorized representatives on the dates shown on the following CONTRACT SIGNATURES page.

VENDOR

Vendor Name: Wells Fargo Bank, N.A.	Address: Midwest Region, S. Wacker Drive, 15th Floor, Chicago, IL 60606
Phone: 312-920-3535	Fax: 312-762-9024
Signature: [redacted]	Date: 9/6/17
Printed Name: Lawrence J. Richardson	Email: larry.richardson1@wellsfargo.com
Title: Managing Director	

STATE OF ILLINOIS

Procuring Agency: Illinois Tollway	Phone: 630/241-6800
Street Address: 2700 Ogden Avenue	Fax: 630/795-7908
City, State ZIP: Downers Grove, IL 60515	
Official Signature: [redacted]	Date: 10/26/17
Printed Name: Greg Bedalov	
Official's Title: Executive Director	
Approved as to Form and Constitutionality Legal Signature: [redacted]	Date: 10-26-2017
Legal Printed Name: Robert Lane	
Legal's Title: Senior Assistant Attorney General	
Procurement Signature: [redacted]	Date: 10/25/17
Procurement Printed Name: John Donato	
Procurement's Title: Chief of Procurement	

AGENCY/UNIVERSITY USE ONLY **NOT PART OF CONTRACTUAL PROVISIONS**

Agency Reference #17-101081 Project Title: Bond Underwriting Services

Contract #16-0155M Procurement Method (IFB, RFP, Small, etc.): RFP

IPB Ref. # 22039948 IPB Publication Date: Award Code: B

Subcontractor Utilization? ☐ Yes ☐ No Subcontractor Disclosure? ☐ Yes ☐ No

Funding Source Obligation #

Small Business Set-Aside? ☐ Yes ☐ No

Minority Owned Business? ☐ Yes ☐ No Percentage

Female-Owned Business? ☐ Yes ☐ No Percentage

Persons With Disabilities Owned Business? ☐ Yes ☐ No Percentage

Other Preferences?

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1. DESCRIPTION OF SUPPLIES AND SERVICES

1.1. SUPPLIES AND/OR SERVICES REQUIRED: The Vendor agrees to be one of a pool of multiple firms (the "Senior Pool") available to provide services, on an as-needed basis as determined by the Tollway, as Senior Managing Underwriter or Co-Senior Managing Underwriter in connection with Tollway bond issues and for the compensation specified in Section 2. A Senior Managing Underwriter of a bond issue must be able to perform the following duties: book runner; leader of the underwriting syndicate; pricing coordinator; lead marketer of the bond issue; structuring the financing (in consultation with any applicable Tollway financial / municipal advisor(s), and Tollway management / staff); review all documentation related to the bond issuance; compliance with disclosure and other requirements of this contract and any Bond Purchase Agreement; investor liaison; preparation of rating materials and presentations; and all other services conventional for a senior managing underwriter. A Co-Senior Managing Underwriter must be able to be a co-leader of the underwriting syndicate; assist, as may be requested by the Tollway, with the structuring of the financing and review of documentation; assist the Senior Managing Underwriter(s) with the marketing of the issue; and provide any other services conventional for a Co-Senior Managing Underwriter. The Co-Senior Managing Underwriter is expected to be integral to the transaction and participate in any aspects of the financing as determined to be necessary by the Tollway. In addition to duties specific to bond issuances to which firms are assigned, firms in the Senior Pool are expected to keep the Tollway informed of fixed income market conditions, especially with respect to the municipal bond market, and other matters pertinent to public finance, and to meet with the Tollway upon request, and at least once annually, to provide detailed consideration of and recommendations regarding items the Vendor considers pertinent to the Tollway. Firms in the Senior Pool are eligible to provide remarketing services for Tollway variable rate bond issues.

1.2. MILESTONES AND DELIVERABLES: The timing of assignment(s), if any, of the Vendor to provide bond underwriting services and the amount of bonds, if any, for which such services are to be provided will depend on a variety of factors, including but not limited to: the extent, if any, to which the Tollway assigns the Vendor to provide such services; whether the Vendor completes any such assignment(s); the size(s) of the bond transaction(s), if any, to which the Vendor is assigned; the rate of progress of the Tollway's *Move Illinois Capital Program*; factors which may impact likelihood of refunding (e.g. fixed income market conditions, regulatory changes, changes among swap counterparties and/or credit enhancement providers, etc.); and other factors. The current, estimated projection of Tollway new money bond par amount issued during 2017 – 2022 is as follows: $300,000,000 IN 2017; $300,000,000 IN 2018; $400,000,000 IN 2019; $400,000,000 IN 2020; $200,000,000 IN 2021; AND $400,000,000 IN 2022. **This projection is subject to change.** The number and amounts of any refinancings will depend on market conditions and other factors. Two series of bonds will become callable at par during 2017-2022: (i) all $279.3M of Series 2010A-1; and (ii) a $100M portion of Series 2009A. Significant amounts of other bonds, including synthetic fixed rate bonds, may be refunded during 2017-2022, depending on market conditions and other factors.

1.3. VENDOR / STAFF SPECIFICATIONS: The Vendor must be registered, and remain registered and in good standing, as a broker dealer with the Municipal Securities Rulemaking Board. The Offeror and assigned personnel must remain current with any ongoing requirements for such registration to be maintained.

1.4. **TRANSPORTATION AND DELIVERY:** n.a.

1.5. **SUBCONTRACTING:**

Subcontractors are not allowed.

For purposes of this section, subcontractors are those specifically hired by the Vendor to perform all or part of the work covered by the contract. If subcontractors will be utilized, Vendor must identify below the names and addresses of all subcontractors it will be entering into a contractual agreement that has an annual value of $50,000 or more in the performance of this Contract, together with a description of the work to be performed by the subcontractor and the anticipated amount of money to the extent the information is known that each subcontractor is expected to receive pursuant to the Contract. Attach additional sheets as necessary.

1.5.1. Will subcontractors be utilized? ☐ Yes ☒ No

- Subcontractor Name: Click here to enter text

  Amount to be paid: Click here to enter text

  Address: Click here to enter text

  Description of work: Click here to enter text

- Subcontractor Name: Click here to enter text

  Amount to be paid: Click here to enter text

  Address: Click here to enter text

  Description of work: Click here to enter text

1.5.2. All contracts with the subcontractors identified above must include the Standard Certifications completed and signed by the subcontractor.

1.5.3. If the annual value of any the subcontracts is more than $50,000, then the Vendor must provide to the State the Financial Disclosures and Conflicts of Interest for that subcontractor.

1.5.4. If the subcontractor is registered in the Illinois Procurement Gateway (IPG) and the Vendor is using the subcontractor's Standard Certifications or Financial Disclosures and Conflicts of Interest from the IPG, then the Vendor must also provide a completed Forms B for the subcontractor.

1.5.5. If at any time during the term of the Contract, Vendor adds or changes any subcontractors, Vendor will be required to promptly notify, in writing, the State Purchasing Officer or the Chief Procurement Officer of the names and addresses and the expected amount of money that each

new or replaced subcontractor will receive pursuant to the Contract. Any subcontracts entered into prior to award of the Contract are done at the Vendor's and subcontractor's risk.

1.6. **WHERE SERVICES ARE TO BE PERFORMED:** Unless otherwise disclosed in this section all services shall be performed in the United States. If the Vendor performs the services purchased hereunder in another country in violation of this provision, such action may be deemed by the State as a breach of the contract by Vendor.

Vendor shall disclose the locations where the services required shall be performed and the known or anticipated value of the services to be performed at each location. If the Vendor received additional consideration in the evaluation based on work being performed in the United States, it shall be a breach of contract if the Vendor shifts any such work outside the United States.

Vendor may limit this information to the public finance office(s) and underwriting desk(s) from which it expects to provide services, and need not consider sales professionals.

- Location where services will be performed: Click here to enter text

  Value of services performed at this location: Click here to enter text

- Location where services will be performed: Click here to enter text

  Value of services performed at this location: Click here to enter text

2. PRICING

2.1 **TYPE OF PRICING:** The Illinois Office of the Comptroller requires the State to indicate whether the contract value is firm or estimated at the time it is submitted for obligation. The maximum rate of this contract for its initial three year term is firm at $2.00 per $1,000.00 par amount of bonds underwritten. This maximum rate is approved by the Tollway's Board of Directors. The total dollar value of this contract for its initial three year term is estimated at $200,000, and may be modified pursuant to Tollway Board approval as provided by written resolution or otherwise in accordance with authority delegated by the Board.

2.2 **EXPENSES ALLOWED:** The underwriting discount may include, subject to Tollway approval, expenses customary, reasonable and necessary for the issuance of revenue bonds by a governmental agency.

2.3 **DISCOUNT:** Not applicable. The State may receive a __% discount for payment within ___ days of receipt of correct invoice.

2.4 **VENDOR'S PRICING:** Attach additional pages if necessary.

2.4.1 Vendor's Price for the Initial Term:

Underwriting Takedowns *(expressed as $ per $1,000 par amount of bonds)*	
Bond Maturity*	**Underwriting Takedown**
Weekly Mode Variable Rate	$0.75
1 Yr Fixed Rate	$1.25
2 Yrs Fixed Rate	$1.25
3 Yrs Fixed Rate	$1.25
4 Yrs Fixed Rate	$1.50
5 Yrs Fixed Rate	$1.75
6 Yrs Fixed Rate	$2.00
7 Yrs Fixed Rate	$2.00
8 Yrs Fixed Rate	$2.00
9 Yrs Fixed Rate	$2.00
10+ Yrs Fixed Rate	$2.00

** Maturities to be rounded to nearest year for purposes of determining applicable takedown. For variable rate bonds with modes one year or greater, the mode will be deemed a "maturity" for purposes of determining applicable takedown per the above chart.*

The above takedown compensations will apply whether the bonds are tax-exempt or taxable, and whether the bonds are senior lien or junior lien. Any underwriter discount will consist of the applicable takedown per the above and customary underwriting expenses. No management fee will be included. Compensation and expense reimbursement for underwriting an assigned transaction will be included in the applicable bond purchase agreement or other appropriate form of agreement and will be fully contingent on the closing of such transaction.

2.4.2 Renewal Compensation: If the contract is renewed, the price shall be at the same maximum rate as for the initial term unless a different compensation or formula for determining the renewal compensation is stated in this section.

2.5 **MAXIMUM AMOUNT:** Vendor's compensation under this Contract shall not exceed $240,000.00 during the initial term without a formal amendment.

3. TERM AND TERMINATION

LJR 10/23/17 DL

3.1 TERM OF THIS CONTRACT: This contract has an initial term of October 27, 2017 to October 14, 2020. If a start date is not identified, the term shall commence upon the last dated signature of the Parties.

3.1.1 In no event will the total term of the contract, including the initial term, any renewal terms and any extensions, exceed 10 years.

3.1.2 Vendor shall not commence billable work in furtherance of the contract prior to final execution of the contract except when permitted pursuant to 30 ILCS 500/20-80.

3.2 RENEWAL:

3.2.1. Any renewal is subject to the same terms and conditions as the original contract unless otherwise provided in the pricing section. The State may renew this contract for any or all of the option periods specified, may exercise any of the renewal options early, and may exercise more than one option at a time based on continuing need and favorable market conditions, when in the best interest of the State. The contract may neither renew automatically nor renew solely at the Vendor's option.

3.2.2. Pricing for the renewal term(s), or the formula for determining price, is shown in the pricing section of this contract.

3.2.3. The State reserves the right to renew for a total of up to two years in any one of the following manners:

3.2.3.1 One renewal covering the entire renewal allowance;

3.2.3.2 Individual one-year renewals up to and including the entire renewal allowance; or

3.2.3.3 Any combination of full or partial year renewals up to and including the entire renewal allowance.

3.3 TERMINATION FOR CAUSE: The State may terminate this contract, in whole or in part, immediately upon notice to the Vendor if: (a) the State determines that the actions or inactions of the Vendor, its agents, employees or subcontractors have caused, or reasonably could cause, jeopardy to health, safety, or property, or (b) the Vendor has notified the State that it is unable or unwilling to perform the contract.

If Vendor fails to perform to the State's satisfaction any material requirement of this contract, is in violation of a material provision of this contract, or the State determines that the Vendor lacks the financial resources to perform the contract, the State shall either: (i) terminate the contract effective immediately; or (ii) provide written notice to the Vendor to cure the problem identified within the period of time specified in such written notice and, if not cured by that date, the State may either: (a) immediately terminate the contract without additional written notice or (b) enforce the terms and conditions of the contract.

immediately terminate the contract without additional written notice or (b) enforce the terms and conditions of the contract.

A termination of this contract will terminate the Vendor's ability to underwrite Tollway bonds or other debt from the date of such termination through the remaining term of the Senior Pool established by procurement process RFP#16-0155. A termination of this contract will not impact the Vendor's responsibilities in connection with any Tollway bond issuance or other transaction underwritten by the Vendor prior to any such termination of this contract.

For termination due to any of the causes contained in this Section, the State retains its rights to seek any available legal or equitable remedies and damages.

3.4 **TERMINATION FOR CONVENIENCE:** The State may, for its convenience and with 30 days prior written notice to Vendor, terminate this contract in whole or in part and without payment of any penalty or incurring any further obligation to the Vendor.

A termination of this contract will terminate the Vendor's ability to underwrite Tollway bonds or other debt from the date of such termination through the remaining term of the Senior Pool established by procurement process RFP#16-0155. A termination of this contract will not impact the Vendor's responsibilities in connection with any Tollway bond issuance or other transaction underwritten by the Vendor prior to any such termination of this contract.

3.5 **AVAILABILITY OF APPROPRIATION:** This contract is contingent upon and subject to the availability of funds. The State, at its sole option, may terminate or suspend this contract, in whole or in part, without penalty or further payment being required, if (1) the Illinois General Assembly or the federal funding source fails to make an appropriation sufficient to pay such obligation, or if funds needed are insufficient for any reason (30 ILCS 500/20-60), (2) the Governor decreases the Department's funding by reserving some or all of the Department's appropriation(s) pursuant to power delegated to the Governor by the Illinois General Assembly, or (3) the Department determines, in its sole discretion or as directed by the Office of the Governor, that a reduction is necessary or advisable based upon actual or projected budgetary considerations. Contractor will be notified in writing of the failure of appropriation or of a reduction or decrease.

4. STANDARD BUSINESS TERMS AND CONDITIONS

4.1 PAYMENT TERMS AND CONDITIONS:

4.1.1 Late Payment: Payments, including late payment charges, will be paid in accordance with the State Prompt Payment Act and rules when applicable. 30 ILCS 540; 74 Ill. Adm. Code 900. This shall be Vendor's sole remedy for late payments by the State. Payment terms contained on Vendor's invoices shall have no force and effect.

4.1.2 Minority Contractor Initiative: Any Vendor awarded a contract under Section 20-10, 20-15, 20-25 or 20-30 of the Illinois Procurement Code (30 ILCS 500) of $1,000 or more is required to pay a fee of $15. The Comptroller shall deduct the fee from the first check issued to the Vendor under the contract and deposit the fee in the Comptroller's Administrative Fund. 15 ILCS 405/23.9.

4.1.3 Expenses: The State will not pay for supplies provided or services rendered, including related expenses, incurred prior to the execution of this contract by the Parties even if the effective date of the contract is prior to execution.

4.1.4 Prevailing Wage: As a condition of receiving payment Vendor must (i) be in compliance with the contract, (ii) pay its employees prevailing wages when required by law, (iii) pay its suppliers and subcontractors according to the terms of their respective contracts, and (iv) provide lien waivers to the State upon request. Examples of prevailing wage categories include public works, printing, janitorial, window washing, building and grounds services, site technician services, natural resource services, security guard and food services. The prevailing wages are revised by the Department of Labor and are available on the Department's official website, which shall be deemed proper notification of any rate changes under this subsection. Vendor is responsible for contacting the Illinois Department of Labor to ensure understanding of prevailing wage requirements at 217-782-6206 or (http://www.state.il.us/agency/idol/index.htm).

4.1.5 Federal Funding: This contract may be partially or totally funded with Federal funds. If federal funds are expected to be used, then the percentage of the good/service paid using Federal funds and the total Federal funds expected to be used will be provided in the award notice.

4.1.6 Invoicing: By submitting an invoice, Vendor certifies that the supplies or services provided meet all requirements of the contract, and the amount billed and expenses incurred are as allowed in the contract. Invoices for supplies purchased, services performed and expenses incurred through June 30 of any year must be submitted to the State no later than July 31 of that year; otherwise Vendor may have to seek payment through the Illinois Court of Claims. 30 ILCS 105/25. All invoices are subject to statutory offset. 30 ILCS 210.

4.1.6.1 Vendor shall not bill for any taxes unless accompanied by proof that the State is subject to the tax. If necessary, Vendor may request the applicable Agency/University state tax exemption number and federal tax exemption information.

4.1.6.2 Vendor shall invoice at the completion of the contract unless invoicing is tied in the contract to milestones, deliverables, or other invoicing requirements agreed to in the contract.

Send invoices to:

Agency:	Illinois Tollway
Attn:	Finance Department
Address:	2700 Ogden Ave
City, State Zip	Downers Grove, Illinois 60515

4.2 **ASSIGNMENT:** This contract may not be assigned, transferred in whole or in part by Vendor without the prior written consent of the State.

4.3 **SUBCONTRACTING:** For purposes of this section, subcontractors are those specifically hired by the Vendor to perform all or part of the work covered by the contract. Vendor must receive prior written approval before use of any subcontractors in the performance of this contract. Vendor shall describe, in an attachment if not already provided, the names and addresses of all authorized subcontractors to be utilized by Vendor in the performance of this contract, together with a description of the work to be performed by the subcontractor and the anticipated amount of money that each subcontractor is expected to receive pursuant to this contract. If required, Vendor shall provide a copy of any subcontracts within 15 days after execution of this contract. All subcontracts must include the same certifications that Vendor must make as a condition of this contract. Vendor shall include in each subcontract the subcontractor certifications as shown on the Standard Subcontractor Certification form available from the State. If at any time during the term of the Contract, Vendor adds or changes any subcontractors, then Vendor must promptly notify, by written amendment to the Contract, the State Purchasing Officer or the Chief Procurement Officer of the names and addresses and the expected amount of money that each new or replaced subcontractor will receive pursuant to the Contract.

4.4 **AUDIT/RETENTION OF RECORDS:** Vendor and its subcontractors shall maintain books and records relating to the performance of the contract or subcontract and necessary to support amounts charged to the State pursuant the contract or subcontract. Books and records, including information stored in databases or other computer systems, shall be maintained by the Vendor for a period of three years, or longer if necessary to comply with regulatory requirements, from the later of the date of final payment under the contract or completion of the contract, and by the subcontractor for a period of three years, or longer if necessary to comply with regulatory requirements, from the later of final payment under the term or completion of the subcontract. If federal funds are used to pay contract costs, the Vendor and its subcontractors must retain its records for five years, or longer if necessary to comply with regulatory requirements. Books and records required to be maintained under this section shall be available for review or audit by representatives of: the procuring Agency/University, the Auditor General, the Executive Inspector General, the Chief Procurement Officer, State of Illinois internal auditors or other governmental entities with monitoring authority, upon reasonable notice and during normal business hours. Vendor and its subcontractors shall cooperate fully with any such audit and with any investigation conducted by any of these entities. Failure to maintain books and records as required by this section shall establish a presumption in favor of the State for the recovery of any funds paid by the State under the contract for which adequate books and records are not available to support the purported disbursement. The Vendor or subcontractors shall not impose a charge for audit or examination of the Vendor's books and records. 30 ILCS 500/20-65.

4.5 **TIME IS OF THE ESSENCE:** Time is of the essence with respect to Vendor's performance of this contract. Vendor shall continue to perform its obligations while any dispute concerning the contract is being resolved unless otherwise directed by the State.

4.6 **NO WAIVER OF RIGHTS:** Except as specifically waived in writing, failure by a Party to exercise or enforce a right does not waive that Party's right to exercise or enforce that or other rights in the future.

4.7 **FORCE MAJEURE:** Failure by either Party to perform its duties and obligations will be excused by unforeseeable circumstances beyond its reasonable control and not due to its negligence, including acts of nature, acts of terrorism, riots, labor disputes, fire, flood, explosion, and governmental prohibition. The non-declaring Party may cancel the contract without penalty if performance does not resume within 30 days of the declaration.

4.8 **CONFIDENTIAL INFORMATION:** Each Party, including its agents and subcontractors, to this contract may have or gain access to confidential data or information owned or maintained by the other Party in the course of carrying out its responsibilities under this contract. Vendor shall presume all information received from the State or to which it gains access pursuant to this contract is confidential. Vendor information, unless clearly marked as confidential and exempt from disclosure under the Illinois Freedom of Information Act, shall be considered public. No confidential data collected, maintained, or used in the course of performance of the contract shall be disseminated except as authorized by law and with the written consent of the disclosing Party, either during the period of the contract or thereafter. The receiving Party must return any and all data collected, maintained, created or used in the course of the performance of the contract, in whatever form it is maintained, promptly at the end of the contract, or earlier at the request of the disclosing Party. The foregoing obligations shall not apply to confidential data or information lawfully in the receiving Party's possession prior to its acquisition from the disclosing Party; received in good faith from a third Party not subject to any confidentiality obligation to the disclosing Party; now is or later becomes publicly known through no breach of confidentiality obligation by the receiving Party; is independently developed by the receiving Party without the use or benefit of the disclosing Party's confidential information. In connection with any offering of securities by the Tollway in which Vendor is involved as an underwriter, agent, dealer or similar participant, nothing in this contract shall: (i) prevent Vendor from complying with all applicable disclosure laws, regulations and principles in connection with such offering; (ii) restrict the ability of Vendor to consider information for due diligence purposes or share information with other underwriters, agents or dealers participating in such offering; (iii) prevent Vendor from retaining documents or other information in connection with due diligence; (iv) prevent Vendor from using any such documents or other information in investigating or defending itself against claims made or threatened by purchasers, regulatory authorities or others in connection with such offering. Any provision of this section that conflicts with the Vendor's disclosure obligations under state or federal securities laws or rules is excepted from this section.

4.9 **USE AND OWNERSHIP:** All work performed or supplies created by Vendor under this contract, whether written documents or data, goods or deliverables of any kind, shall be deemed work for hire under copyright law and all intellectual property and other laws, and the State of Illinois is granted sole and exclusive ownership to all such work, unless otherwise agreed in writing. Vendor hereby assigns to the State all right, title, and interest in and to such work including any related intellectual property rights,

and/or waives any and all claims that Vendor may have to such work including any so-called "moral rights" in connection with the work. Vendor acknowledges the State may use the work product for any purpose. Confidential data or information contained in such work shall be subject to confidentiality provisions of this contract.

4.10 **INDEMNIFICATION:** The Vendor shall indemnify and hold harmless the State of Illinois, The Illinois State Tollway Highway Authority, its officers, employees, and agents from any and all costs, demands, expenses, losses, claims, damages, liabilities, settlements, and judgments, including in-house and contracted attorneys' fees and expenses, arising out of: (a) any breach or violation by Vendor of any of its certifications, representations, warranties, covenants or agreements; (b) any actual or alleged death or injury to any person, damage to any real or personal property, or any other damage or loss claimed to result in whole or in part from Vendor's negligent performance; (c) any act, activity or omission of Vendor or any of its employees, representatives, subcontractors or agents; or (d) any actual or alleged claim that the services or goods provided under this contract infringe, misappropriate, or otherwise violate any intellectual property (patent, copyright, trade secret, or trademark) rights of a third party.

4.11 **INSURANCE:** The Vendor shall procure and maintain for the duration of the contract, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work by the Vendor, his/her agents, representatives, employees or subcontractors. Work shall not commence until insurance required by this section has been obtained and documentation submitted to the Tollway for acceptance. All coverages must be with Insurance Companies with an A.M. Best Company financial strength rating of "A minus" or better. Insurance coverage shall not limit Vendor's obligation to indemnify, defend or settle any claims.

A. Minimum Scope of Insurance Coverage shall be at least as broad as:
   1. Commercial General Liability coverage on an unmodified, Insurance Service Office "Occurrence" form, current edition or an alternative form providing equivalent protection.
   2. Automobile Liability on an unmodified, Insurance Service Office form, current edition or an alternative form providing equivalent protection.
   3. Worker's Compensation insurance as required by the State of Illinois and including Employers Liability.

B. Minimum Limits of Insurance Contractor or vendor shall maintain no less than:
   1. Commercial General Liability: $1,000,000 each occurrence for bodily injury, personal injury, and property damage and $2,000,000 general aggregate and $2,000,000 products/completed operations aggregate.
   2. Automobile Liability: $1,000,000 combined single limit per accident for bodily injury and property damage.
   3. Worker's Compensation and Employers Liability: Statutory Limits with Employers Liability limit of not less than $500,000 per occurrence.

In addition to the above, the Vendor shall maintain, for the duration of the contract, professional liability insurance in a minimum amount of the greater of $1,000,000 and any higher amount required by law or regulatory authority. Work shall not commence until documentation acceptable to the Tollway evidencing such professtional liability insurance has been provided.

The Illinois State Toll Highway Authority including all appointed officials and employees, shall be named "Additional Insured" as part of the commercial general liability and automobile liability coverage. This coverage shall be primary for the Additional Insured and not contributing with any other insurance or similar protection available to the Additional Insured, whether said other coverage be primary, contributing or excess.

All deductibles or self-insured retentions must be declared and recognized by the Authority. Proof of insurance shall include originals of the applicable "additional insured" endorsements for approval of the Authority. Any failure by the Authority to request proof of insurance will not waive the requirement of maintenance of minimum protection specified.

4.12 **INDEPENDENT CONTRACTOR:** Vendor shall act as an independent contractor and not an agent or employee of, or joint venture with the State. All payments by the State shall be made on that basis.

4.13 **SOLICITATION AND EMPLOYMENT:** Vendor shall not employ any person employed by the State during the term of this contract to perform any work under this contract. Vendor shall give notice immediately to the Agency's director if Vendor solicits or intends to solicit State employees to perform any work under this contract.

4.14 **COMPLIANCE WITH THE LAW:** The Vendor, its employees, agents, and subcontractors shall comply with all applicable federal, state, and local laws, rules, ordinances, regulations, orders, federal circulars and all license and permit requirements in the performance of this contract. Vendor shall be in compliance with applicable tax requirements and shall be current in payment of such taxes. Vendor shall obtain at its own expense, all licenses and permissions necessary for the performance of this contract.

4.15 **BACKGROUND CHECK:** Whenever the State deems it reasonably necessary for security reasons, the State may conduct, at its expense, criminal and driver history background checks of Vendor's and subcontractors officers, employees or agents. Vendor or subcontractor shall reassign immediately any such individual who, in the opinion of the State, does not pass the background check.

4.16 **APPLICABLE LAW:** This contract shall be construed in accordance with and is subject to the laws and rules of the State of Illinois. The Department of Human Rights' Equal Opportunity requirements (44 Ill. Adm. Code 750) are incorporated by reference. Any claim against the State arising out of this contract must be filed exclusively with the Illinois Court of Claims. 705 ILCS 505/1. The State shall not enter into binding arbitration to resolve any contract dispute. The State of Illinois does not waive sovereign immunity by entering into this contract. The official text of cited statutes is incorporated by reference. An unofficial version can be viewed at (www.ilga.gov/legislation/ilcs/ilcs.asp).

4.17 **ANTI-TRUST ASSIGNMENT:** If Vendor does not pursue any claim or cause of action it has arising under federal or state antitrust laws relating to the subject matter of the contract, then upon request of the Illinois Attorney General, Vendor shall assign to the State rights, title and interest in and to the claim or cause of action.

4.18 **CONTRACTUAL AUTHORITY:** The Agency that signs for the State of Illinois shall be the only State entity responsible for performance and payment under the contract. When the Chief Procurement Officer or

authorized designee signs in addition to an Agency, they do so as approving officer and shall have no liability to Vendor. When the Chief Procurement Officer or authorized designee, or State Purchasing Officer signs a master contract on behalf of State agencies, only the Agency that places an order with the Vendor shall have any liability to Vendor for that order.

4.19 **NOTICES:** Notices and other communications provided for herein shall be given in writing by registered or certified mail, return receipt requested, by receipted hand delivery, by courier (UPS, Federal Express or other similar and reliable carrier), by e-mail, or by fax showing the date and time of successful receipt. Notices shall be sent to the individuals who signed the contract using the contact information following the signatures. Each such notice shall be deemed to have been provided at the time it is actually received. By giving notice, either Party may change the contact information.

4.20 **MODIFICATIONS AND SURVIVAL:** Amendments, modifications and waivers must be in writing and signed by authorized representatives of the Parties. Any provision of this contract officially declared void, unenforceable, or against public policy, shall be ignored and the remaining provisions shall be interpreted, as far as possible, to give effect to the Parties' intent. All provisions that by their nature would be expected to survive, shall survive termination. In the event of a conflict between the State's and the Vendor's terms, conditions and attachments, the State's terms, conditions and attachments shall prevail.

4.21 **PERFORMANCE RECORD / SUSPENSION:** Upon request of the State, Vendor shall meet to discuss performance or provide contract performance updates to help ensure proper performance of the contract. The State may consider Vendor's performance under this contract and compliance with law and rule to determine whether to continue the contract, suspend Vendor from doing future business with the State for a specified period of time, or to determine whether Vendor can be considered responsible on specific future contract opportunities.

4.22 **FREEDOM OF INFORMATION ACT:** This contract and all related public records maintained by, provided to or required to be provided to the State are subject to the Illinois Freedom of Information Act (FOIA) (50 ILCS 140) notwithstanding any provision to the contrary that may be found in this contract.

4.23 **SCHEDULE OF WORK:** Any work performed on State premises shall be done during the hours designated by the State and performed in a manner that does not interfere with the State and its personnel.

4.24 **WARRANTIES FOR SUPPLIES AND SERVICES:**

4.24.1. Vendor warrants that the supplies furnished under this contract will: (a) conform to the standards, specifications, drawing, samples or descriptions furnished by the State or furnished by the Vendor and agreed to by the State, including but not limited to all specifications attached as exhibits hereto; (b) be merchantable, of good quality and workmanship, and free from defects for a period of twelve months or longer if so specified in writing, and fit and sufficient for the intended use; (c) comply with all federal and state laws, regulations and ordinances pertaining to the manufacturing, packing, labeling, sale and delivery of the supplies; (d) be of good title and be free and clear of all liens and encumbrances and; (e) not infringe any patent,

copyright or other intellectual property rights of any third party. Vendor agrees to reimburse the State for any losses, costs, damages or expenses, including without limitations, reasonable attorney's fees and expenses, arising from failure of the supplies to meet such warranties.

4.24.2. Vendor shall insure that all manufacturers' warranties are transferred to the State and shall provide a copy of the warranty. These warranties shall be in addition to all other warranties, express, implied or statutory, and shall survive the State's payment, acceptance, inspection or failure to inspect the supplies.

4.24.3. Vendor warrants that all services will be performed to meet the requirements of the contract in an efficient and effective manner by trained and competent personnel. Vendor shall monitor performances of each individual and shall reassign immediately any individual who is not performing in accordance with the contract, who is disruptive or not respectful of others in the workplace, or who in any way violates the contract or State policies.

4.25 REPORTING, STATUS AND MONITORING SPECIFICATIONS: Vendor shall immediately notify the State of any event that may have a material impact on Vendor's ability to perform the contract.

4.26 EMPLOYMENT TAX CREDIT: Vendors who hire qualified veterans and certain ex-offenders may be eligible for tax credits. 35 ILCS 5/216, 5/217. Please contact the Illinois Department of Revenue (telephone #: 217-524-4772) for information about tax credits.

5. SUPPLEMENTAL PROVISIONS

5.1. STATE SUPPLEMENTAL PROVISIONS

☐ Illinois Tollway Definitions

Click here to enter text.

☐ Required Federal Clauses, Certifications and Assurances

Click here to enter text.

☐ Public Works Requirements (construction and maintenance of a public work) 820 ILCS 130/4.

Click here to enter text.

☐ Prevailing Wage (janitorial cleaning, window cleaning, building and grounds, site technician, natural resources, food services, and security services, if valued at more than $200 per month or $2,000 per year or printing) 30 ILCS 500/25-60.

Click here to enter text.

☐ Illinois Tollway Specific Terms and Conditions

Click here to enter text.

☐ Other (describe)

Click here to enter text.

5.2. TOLLWAY SUPPLEMENTAL PROVISIONS:

☐ Definitions

☐ Required Federal Clauses, Certifications and Assurances

☐ ARRA Requirements (American Recovery and Reinvestment Act of 2009)

☐ Public Works Requirements (construction and maintenance of a public work) (820 ILCS 130/4)

☐ Prevailing Wage (janitorial cleaning, window cleaning, building and grounds, site technician, natural resources, food services, and security services, if valued at more than $200 per month or $2000 per year (30 ILCS 500/25-60)

☐ Prevailing Wage (all printing contracts) (30 ILCS 500/25-60)

☐ BEP Subcontracting Requirements (Utilization Plan and Letter of Intent)

☒ PAYMENT OF TOLLS: The Vendor shall be required to pay the full amount of tolls, if any, incurred by it during the duration of the contract. Said tolls will not be refunded by the Illinois Tollway. Furthermore, in the event that a final determination is made by the Illinois Tollway that the Contractor has failed to pay any required tolls and associated fines, the Illinois Tollway is authorized to take steps necessary to withhold the amounts of the unpaid tolls and fines from any payment due the contractor by the Illinois Tollway and/or other Tollway of Illinois office, department, commission, board or agency.

5.3 AGENCY SUPPLEMENTAL TERMS AND CONDITIONS:

5.3.1 Order of Precedence:

With respect to any inconsistency or conflict, the following order of precedence shall prevail:

1. Sections 1-7 of this Contract
2. The Vendor's Response to the RFP including Vendor submissions subsequent to the initial proposal that were part of the negotiation process, to the extent applicable and agreed upon (included in Section 8 of this Contract)
3. The RFP, including any addendum thereto (also included in Section 8 of this Contract)

NOTE: This contract establishes the terms and conditions under which the Vendor is available to be assigned by the Tollway, on an as-needed basis as determined by the Tollway, to underwrite Tollway bonds or other debt. Any such underwriting shall be pursuant to a bond purchase agreement or other appropriate form of agreement entered into by the Vendor and the Tollway at the time the Vendor underwrites the Tollway bonds or other debt. Such bond purchase agreement or other appropriate form of agreement shall be the exclusive agreement governing any such underwriting with respect to each party's performance, duties, rights, responsibilities, obligations and liabilities.

5.3.2 Agents and Employees:

Vendor shall be responsible for the negligent acts and omissions of its agents, employees and if applicable, subcontractors in their performance of Vendor's duties under this Contract. Vendor represents that it shall utilize the services of individuals skilled in the profession for which they will be used in performing services or supplying goods hereunder. In the event that the Tollway/Buyer determines that any individual performing services or supplying goods for Vendor hereunder is not providing such skilled services or delivery of goods, it shall promptly notify the Vendor and the Vendor shall replace that individual.

5.3.3 Publicity:

Vendor shall not, in any advertisement or any other type of solicitation for business, state, indicate or otherwise imply that it is under contract to the Tollway/Buyer nor shall the Tollway/Buyer's name be used in any such advertisement or solicitation without prior written approval except as required by law.

5.3.4 Consultation:

Vendor shall keep the Tollway/Buyer fully informed as to the progress of matters covered by this Contract. Where time permits and Vendor is not otherwise prohibited from so doing, Vendor shall offer the Tollway/Buyer the opportunity to review relevant documents prior to filing with any public body or adversarial party.

5.3.5 Third Party Beneficiaries:

There are no third party beneficiaries to this Contract. This Contract is intended only to benefit the Tollway/Buyer and the Vendor.

5.3.6 Successors in Interest:

All the terms, provisions, and conditions of the Contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives.

5.3.7 Vendor's Termination Duties:

The Vendor, upon receipt of notice of termination or upon request of the Tollway/Buyer, shall:

5.3.7.1 Cease work under this Contract and take all necessary or appropriate steps to limit disbursements and minimize costs, and furnish a report within thirty (30) days of the date of notice of termination, describing the status of all work under the Contract,

including, without limitation, results accomplished, conclusions resulting there from, any other matters the Tollway/Buyer may require;

5.3.7.2 Immediately cease using and return to the Tollway/Buyer any personal property or materials, whether tangible or intangible, provided by the Tollway/Buyer to the Vendor;

5.3.7.3 Comply with the Tollway/Buyer's instructions for the timely transfer of any active files and work product produced by the Vendor under this Contract;

5.3.7.4 Cooperate in good faith with the Tollway/Buyer, its employees, agents and contractors during the transition period between the notification of termination and the substitution of any replacement contractor;

5.3.7.5 Immediately return to the Tollway/Buyer any payments made by the Tollway/Buyer for services that were not rendered by the Vendor.

5.3.8. Inspector General:
The Vendor/Contractor hereby acknowledges that pursuant to Section 8.5 of the Toll Highway Act (605 ILCS 10/8.5) the Inspector General of The Illinois State Toll Highway Authority has the authority to conduct investigations into certain matters including but not limited to allegations of fraud, waste and abuse, and to conduct reviews. The Vendor/Contractor will fully cooperate in any OIG investigation or review. Cooperation includes providing access to all information and documentation related to the goods/services described in this Agreement, and disclosing and making available all personnel involved or connected with these goods/services or having knowledge of these goods/services. All subcontracts must inform Subcontractors of this provision and their duty to comply.

5.4 OVERTIME:
Not applicable. If overtime is contemplated and provided for in this contract, all work performed by Vendor at overtime rates shall be pre-approved by the Tollway/Buyer.

5.5 VENUE AND ILLINOIS LAW:
Any claim against the Tollway arising out of this contract must be filed exclusively with Circuit Court for the Eighteenth Judicial Circuit, DuPage County, Illinois for State claims and the U.S. District Court for the Northern District of Illinois for Federal claims.

5.5.1 Whenever "State" is used or referenced in this Contract, it shall be interpreted to mean the Illinois State Toll Highway Authority.

5.5.2 The State Prompt Payment Act (30 ILCS 40) does not apply to the Tollway. Therefore, the first two sentences of paragraph 4.1.1 are deleted.

5.5.3. The Tollway is not currently an annually appropriated agency. Therefore, to the extent paragraph 3.5 concerns the Tollway being an annually appropriated agency, it does not apply.

5.5.4. The second sentence ofparagraph 4.1.6 does not apply to the Tollway and is deemed stricken.

5.6 REPORT OF A CHANGE IN CIRCUMSTANCES:
The Vendor agrees to report to the Tollway as soon as practically possible, but no later than 21 days following any change in facts or circumstances that might impact the Vendor's ability to satisfy its legal or contractual responsibilities and obligations under this contract. Required reports include, but are not limited to, changes in the Vendor's Certification/Disclosure Forms, the Vendor's IDOT pre-qualification (if/as applicable), or any certification or licensing required for this project. Additionally, Vendor agrees to report to the Tollway within the above timeframe any arrests, indictments, convictions or other

matters involving the Vendor, or any of its principals, that might occur while this contract is in effect. This reporting requirement does not apply to common offenses, including but not limited to minor traffic/vehicle offenses.

Further, the Vendor agrees to incorporate substantially similar reporting requirements into the terms of any and all subcontracts relating to work performed under this agreement. The Vendor agrees to forward or relay to the Tollway any reports received from subcontractors pursuant to this paragraph within 21 days.

Finally, the Vendor acknowledges and agrees that the failure of the Vendor to comply with this reporting requirement shall constitute a material breach of contract which may result in this contract being declared void.

STATE OF ILLINOIS
FORMS A

A vendor responding to a solicitation by the State of Illinois must return the information requested within this section with their bid or offer if they are not registered in the Illinois Procurement Gateway (IPG). Failure to do so may render their bid or offer non-responsive and result in disqualification.

Please read this entire Forms A and provide the requested information as applicable and per the instructions. All forms and signature areas contained in this Forms A must be completed in full and submitted along with the bid in an Invitation for Bid; and completed in full and submitted along with the technical response and price proposal, which combined will constitute the Offer, in a Request for Proposal.

Vendor Name: Wells Fargo Bank, N.A. Municipal Products Group	Phone: 312-920-3535
Street Address: 10 S. Wacker Dr., 15th Floor	Email: : larry.richardson1@wellsfargo.com
City, State Zip: Chicago, IL 60606	Vendor Contact: Larry Richardson, Managing Director

In compliance with the State and Federal Constitutions, the Illinois Human Rights Act, the U.S. Civil Rights Act, and Section 504 of the Federal Rehabilitation Act, the State of Illinois does not discriminate in employment, contracts, or any other activity.

The State of Illinois encourages prospective vendors to consider hiring qualified veterans and Illinois residents discharged from any Illinois adult correctional center, in appropriate circumstances.

OUTLINE

FORMS A

Complete this section if you are not using an IPG (Illinois Procurement Gateway) Registration #

	Part
Business and Directory Information	1.
Illinois Department of Human Rights Public Contracts Number	2.
Authorized to Do Business in Illinois	3.
Standard Certifications	4.
State Board of Elections	5.
Disclosure of Business Operations in Iran	6.
Financial Disclosures and Conflicts of Interest	7.
Taxpayer Identification Number	8.

STATE OF ILLINOIS
BUSINESS AND DIRECTORY INFORMATION

1.1. Name of Business (official name and DBA)

Wells Fargo Bank, N.A. Municipal Products Group

1.2. Business Headquarters (address, phone and fax)

101 North Phillips Avenue, Sioux Falls, SD 57104

P. 605-575-6900

F. 312-762-9024

1.3. If a Division or Subsidiary of another organization provide the name and address of the parent

Wells Fargo Bank, National Association Municipal Products Group ("WFBNA MPG"), the party responding to this RFP, is a separately identifiable department of Wells Fargo Bank, National Association ("WFBNA"), a national banking association. WFBNA is a wholly-owned subsidiary of Wells Fargo & Company.

Wells Fargo & Company
420 Montgomery Street
San Francisco, CA 94104

1.4. Billing Address

301 S. College Street

Charlotte, NC 28288

1.5. Name of Chief Executive Officer

Timothy J. Sloan

1.6. Company Web Site Address

www.wellsfargo.com

1.7. Type of Organization (sole proprietor, corporation, etc.--should be same as on Taxpayer ID form below)

National Banking Association

1.8. Length of time in business

144+

1.9. Annual Sales for Offeror's most recently completed fiscal year

$88,300,000,000

1.10. Show number of full-time employees, on average, during the most recent fiscal year

261,626

1.11. Is your company at least 51% owned and controlled by individuals in one of the following categories? If "Yes," please check the category that applies:

1.11.1. Minority (30 ILCS 575/2(A)(1) & (3)) ☐ Yes

1.11.2. Female (30 ILCS 575/2(A)(2) & (4)) ☐ Yes

1.11.3. Person with Disability (30 ILCS 575/2(A)(2.05) & (2.1)) ☐ Yes

1.11.4. Disadvantaged (49 CFR 26) ☐ Yes

1.11.5. Veteran (30 ILCS 500/45-57) ☐ Yes

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF HUMAN RIGHTS PUBLIC CONTRACT NUMBER

2.1. If Offeror employed fifteen or more full-time employees at the time of submission of their response to this solicitation or any time during the previous 365-day period leading up to submission, it must have a current IDHR Public Contract Number or have proof of having submitted a completed application for one **prior** to the solicitation opening date. 775 ILCS 5/2-101. If the Agency/University cannot confirm compliance, it will not be able to consider a Vendor's bid or offer. Please complete the appropriate sections below:

Name of Company (and DBA): Wells Fargo Bank, N.A. Municipal Products Group

☐ (check if applicable) The number is not required as the company has not met or exceeded the number of employees that makes registration necessary under the requirements of the Human Rights Act described above.

IDHR Public Contracts Number: 106220-00 Expiration Date: : 9/17/2017.

2.2. If number has not yet been issued, provide the date a completed application for the number was submitted to IDHR: N/A

2.3. Upon expiration and until their Contractor Identification Number is renewed, companies will not be eligible to be awarded contracts by the State of Illinois or other jurisdictions that require a current IDHR number as a condition of contract eligibility. 44 ILL. ADM. CODE 750.210(a).

2.4. Numbers issued by the Department of Human Rights (or its predecessor agency, the Illinois Fair Employment Practices Commission) prior to July 1, 1998 are no longer valid. This affects numbers below 89999-00-0. Valid numbers begin with 900000-00-0.

2.5. If Offeror's organization holds an expired number, it must re-register with the Department of Human Rights.

2.6. Offeror may obtain an application form by:

2.6.1. Telephone: Call the IDHR Public Contracts Unit at (312) 814-2431 between Monday and Friday, 8:30 AM - 5:00 PM, CST. (TDD (312) 263-1579).

2.6.2. Internet: You may download the form from the Department of Human Rights' website at (http://www2.illinois.gov/dhr/PublicContracts/Pages/default.aspx).

2.6.3. Mail: Write to the Department of Human Rights, Public Contracts Unit, 100 West Randolph Street, Suite 10-100, Chicago, IL 60601.

STATE OF ILLINOIS
AUTHORIZED TO TRANSACT BUSINESS OR CONDUCT AFFAIRS IN ILLINOIS

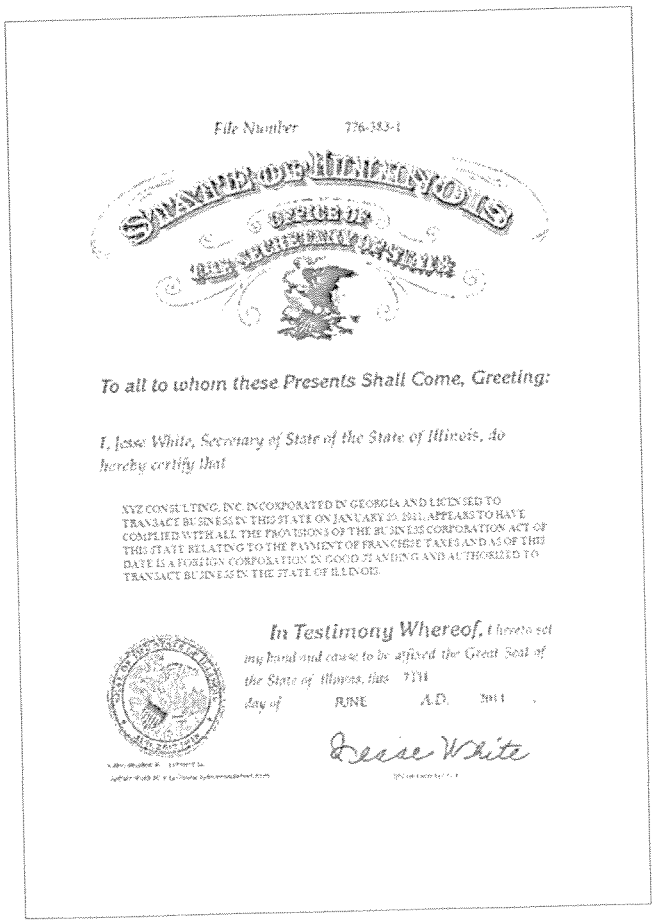
3. A person, other than an individual acting as a sole proprietor, must be a duly constituted legal entity and authorized to transact business or conduct affairs in Illinois prior to submitting an offer. 30 ILCS 500/20-43. Offerors must review and complete certification #4.32 in the Standard Certifications found in Forms A, Part 4.

   Certification #4.32 requires Vendor to check one of two boxes representing its status. The State may request evidence from a vendor that certifies it is authorized to do business in Illinois proving such authorization. Failure to produce evidence in a timely manner may be considered grounds for determining Vendor non-responsive or not responsible.

   For information on registering to transact business or conduct affairs in Illinois, please visit the Illinois Secretary of State's Department of Business Services at their website at (http://cyberdriveillinois.com/departments/business_services/home.html) or your home county clerk.

   * Wells Fargo Bank, N.A. is a federally chartered national bank, which by law is authorized to conduct the business of banking in any location in the United States.

EVIDENCE OF BEING AUTHORIZED TO TRANSACT BUSINESS OR CONDUCT AFFAIRS IS THE SECRETARY OF STATE'S CERTIFICATE OF GOOD STANDING



File Number 776-383-1

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

XYZ CONSULTING, INC. INCORPORATED IN GEORGIA AND LICENSED TO TRANSACT BUSINESS IN THIS STATE ON JANUARY 20, 2011, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES AND AS OF THIS DATE IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 7TH *day of* JUNE *A.D.* 2011

Jesse White

Office of the Comptroller of the Currency

Washington, DC 20219

CERTIFICATE OF CORPORATE EXISTENCE

I, Thomas J. Curry, Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq, as amended, and 12 USC 1, et seq, as amended, has possession, custody, and control of all records pertaining to the chartering, regulation, and supervision of all national banking associations.

2. "Wells Fargo Bank, National Association," Sioux Falls, South Dakota (Charter No. 1), is a national banking association formed under the laws of the United States and is authorized thereunder to transact the business of banking on the date of this certificate.

IN TESTIMONY WHEREOF, today, December 30, 2016, I have hereunto subscribed my name and caused my seal of office to be affixed to these presents at the U.S. Department of the Treasury, in the City of Washington, District of Columbia.

[redacted]

Comptroller of the Currency

Vendor acknowledges and agrees that compliance with this subsection in its entirety for the term of the contract and any renewals is a material requirement and condition of this contract. By executing this contract Vendor certifies compliance with this subsection in its entirety, and is under a continuing obligation to remain in compliance and report any non-compliance.

This subsection, in its entirety, applies to subcontractors used on this contract. Vendor shall include these Standard Certifications in any subcontract used in the performance of the contract using the Standard Certification form provided by the State.

If this contract extends over multiple fiscal years, including the initial term and all renewals, Vendor and its subcontractors shall confirm compliance with this section in the manner and format determined by the State by the date specified by the State and in no event later than July 1 of each year that this contract remains in effect.

If the Parties determine that any certification in this section is not applicable to this contract it may be stricken without affecting the remaining subsections.

4.1. As part of each certification, Vendor acknowledges and agrees that should Vendor or its subcontractors provide false information, or fail to be or remain in compliance with the Standard Certification requirements, one or more of the following sanctions will apply:

- the contract may be void by operation of law,
- the State may void the contract, and
- the Vendor and it subcontractors may be subject to one or more of the following: suspension, debarment, denial of payment, civil fine, or criminal penalty.

Identifying a sanction or failing to identify a sanction in relation to any of the specific certifications does not waive imposition of other sanctions or preclude application of sanctions not specifically identified.

4.2. Vendor certifies it and its employees will comply with applicable provisions of the United States Civil Rights Act, Section 504 of the Federal Rehabilitation Act, the Americans with Disabilities Act, and applicable rules in performance of this contract.

4.3. ~~Vendor, if an individual, sole proprietor, partner or an individual as member of a LLC, certifies he/she is not in default on an educational loan. 5 ILCS 385/3.~~

4.4. ~~Vendor, if an individual, sole proprietor, partner or an individual as member of a LLC, certifies it he/she has not received (i) an early retirement incentive prior to 1993 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code or (ii) an early retirement incentive on or after 2002 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code. 30 ILCS 105/15a; 40 ILCS 5/14-108.3; 40 ILCS 5/16-133.~~

4.5. Vendor certifies that it is a legal entity authorized to do business in Illinois prior to submission of a bid, offer, or proposal. 30 ILCS 500/1-15.80, 20-43. ***See attached certification***

4.6. ~~To the extent there was a current Vendor providing the services covered by this contract and the employees of that Vendor who provided those services are covered by a collective bargaining agreement, Vendor certifies (i) that it will offer to assume the collective bargaining obligations of the prior employer, including any existing collective bargaining agreement with the bargaining representative of any existing collective bargaining unit or units performing substantially similar work to the services covered by the contract subject to its bid or offer; and (ii) that it shall offer employment to all employees currently employed in any existing bargaining unit who perform substantially similar work to the work that will be performed pursuant to this contract. This does not apply to heating, air conditioning, plumbing and electrical service contracts. 30 ILCS 500/25-80.~~

4.7. Vendor certifies it has neither been convicted of bribing or attempting to bribe an officer or employee of the State of Illinois or any other State, nor made an admission of guilt of such conduct that is a matter of record. 30 ILCS 500/50-5.

4.8. If Vendor has been convicted of a felony, Vendor certifies* at least five years have passed after the date of completion of the sentence for such felony, unless no person held responsible by a prosecutor's office for the facts upon which the conviction was based continues to have any involvement with the business. 30 ILCS 500/50-10. **** to the best of our knowledge and subject to the attached litigation statement***

4.9. If Vendor or any officer, director, partner, or other managerial agent of Vendor has been convicted of a felony under the Sarbanes-Oxley Act of 2002, or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953, Vendor certifies at least five years have passed since the date of the conviction. Vendor further certifies* that it is not barred from being awarded a contract and acknowledges that the State shall declare the contract void if this certification is false. 30 ILCS 500/50-10.5. ****to the best of our knowledge and subject to the attached litigation statement***

4.10. Vendor certifies it is not barred from having a contract with the State based upon violating the prohibitions related to either submitting/writing specifications or providing assistance to an employee of the State of Illinois by reviewing, drafting, directing, or preparing any invitation for bids, a request for proposal, or request of information, or similar assistance (except as part of a public request for such information). 30 ILCS 500/50-10.5(e), *amended* by Pub. Act No. 97-0895 (August 3, 2012).

4.11. Vendor certifies that it and its affiliates are not delinquent in the payment of any debt to the State (or if delinquent has entered into a deferred payment plan to pay the debt), and Vendor and its affiliates acknowledge the State may declare the contract void if this certification is false or if Vendor or an affiliate later becomes delinquent and has not entered into a deferred payment plan to pay off the debt. 30 ILCS 500/50-11, 50-60.

4.12. Vendor certifies that it and all affiliates shall collect and remit Illinois Use Tax on all sales of tangible personal property into the State of Illinois in accordance with provisions of the Illinois Use Tax Act and acknowledges that failure to comply may result in the contract being declared void. 30 ILCS 500/50-12.

4.13. Vendor certifies that it has not been found by a court or the Pollution Control Board to have committed a willful or knowing violation of the Environmental Protection Act within the last five years, and is therefore not barred from being awarded a contract. 30 ILCS 500/50-14.

4.14. Vendor certifies it has neither paid any money or valuable thing to induce any person to refrain from bidding on a State contract, nor accepted any money or other valuable thing, or acted upon the promise of same, for not bidding on a State contract. 30 ILCS 500/50-25.

4.15. Vendor certifies it is not in violation of the "Revolving Door" provisions of the Illinois Procurement Code. 30 ILCS 500/50-30.

4.16. Vendor certifies that it has not retained a person or entity to attempt to influence the outcome of a procurement decision for compensation contingent in whole or in part upon the decision or procurement. 30 ILCS 500/50-38.

4.17. Vendor certifies that if it has hired a person required to register under the Lobbyist Registration Act to assist in obtaining any State contract, that none of the lobbyist's costs, fees, compensation, reimbursements, or other remuneration were billed to the State. 30 ILCS 500\50-38.

4.18. Vendor certifies it will report to the Illinois Attorney General and the Chief Procurement Officer any suspected collusion or other anti-competitive practice among any bidders, offerors, contractors, proposers, or employees of the State. 30 ILCS 500/50-40, 50-45, 50-50.

4.19. ~~Vendor certifies steel products used or supplied in the performance of a contract for public works shall be manufactured or produced in the United States, unless the executive head of the procuring Agency/University grants an exception. 30 ILCS 565.~~

4.20. Drug Free Workplace

4.20.1. If Vendor employs 25 or more employees and this contract is worth more than $5,000, Vendor certifies it will provide a drug free workplace pursuant to the Drug Free Workplace Act.

* Wells Fargo Bank, N.A. Drug-Free Workplace Policy does comply with almost all elements of the Illinois State Toll Highway certification regarding the Illinois Drug-free Workplace Act. Wells Fargo's Policy does not comply with two elements of the Act as described below:

- Section 3, (a), (3), (B) requiring employee notification of a drug-related conviction within five (5) calendar days after such conviction

- Section 3, (e) requiring an employee who has been convicted of drug abuse to satisfactorily participate in a drug abuse assistance or rehabilitation program

Wells Fargo makes every effort to strictly maintain a drug-free workplace to ensure the safety of all customers, clients, and team members. As stated in Wells Fargo's policy on Drugs and Alcohol, Wells Fargo is dedicated to maintaining a drug-free workplace. All team members are required to perform their job duties unimpaired by illegal drugs, alcohol, or the improper use of legal substances. Wells Fargo employees are prohibited from working or reporting to work when impaired by alcohol or drugs. The policy goes on to state that any team member who is unfit to work because of alcohol or drug use may be sent home. In addition, he or she is subject to corrective action, which may include termination of employment.

As a federally insured depository institution, Wells Fargo is prohibited from hiring or continuing the employment of a person who has a criminal record involving dishonesty, breach of trust, money laundering, or the distribution, manufacturing or trafficking in controlled substances. Criminal record includes convictions and entry into a pre-trial diversion or similar program with respect to such a crime. Wells Fargo also does not employ persons whom it determines may pose an unacceptable risk to the safety of its customers and team members, including persons convicted of certain serious crimes involving sex and/or violence. As such, all persons offered employment with Wells Fargo must undergo a criminal background check. There are no exceptions to this requirement. The fingerprint-based background screening includes a check against the FBI's National Criminal Information Center (NCIC) database as well as the OFAC\SDN list. If a background check reveals a conviction for a covered criminal offense, then that person is ineligible for employment with Wells Fargo unless he or she has received a written waiver from the FDIC. Similarly, if it subsequently becomes known to Wells Fargo that an employee has been convicted of a covered criminal offense, then that person's employment is terminated

4.20.2. If Vendor is an individual and this contract is worth more than $5000, Vendor certifies it shall not engage in the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance during the performance of the contract. 30 ILCS 580.

4.21. Vendor certifies that neither Vendor nor any substantially owned affiliate is participating or shall participate in an international boycott in violation of the U.S. Export Administration Act of 1979 or the applicable regulations of the United States. Department of Commerce. 30 ILCS 582.

4.22. Vendor certifies it has not been convicted of the offense of bid rigging or bid rotating or any similar offense of any state or of the United States. 720 ILCS 5/33 E-3, E-4. ****

****For informational purposes only, please be advised that during the fourth quarter of 2011, WFBNA entered into a settlement with various regulators regarding municipal derivatives contracts. Please see the legal Actions section of WFC's 2011 Annual Report for additional information regarding the municipal derivatives bid practices settlement with the Office of the Comptroller of the Currency, Securities and Exchange Commission, the U.S. Internal Revenue Service, U.S. Department of Justice and a group of state Attorneys General.

Please see link below for WFC's 2011 Annual Report:

https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2011-annual-report.pdf

4.23. Vendor certifies it complies with the Illinois Department of Human Rights Act and rules applicable to public contracts, which include providing equal employment opportunity, refraining from unlawful discrimination, and having written sexual harassment policies. 775 ILCS 5/2-105.

4.24. Vendor certifies it does not pay dues to or reimburse or subsidize payments by its employees for any dues or fees to any "discriminatory club." 775 ILCS 25/2.

4.25. ~~Vendor certifies that no foreign-made equipment, materials, or supplies furnished to the State under the contract have been or will be produced in whole or in part by forced labor or indentured labor under penal sanction. 30 ILCS 583.~~

4.26. ~~Vendor certifies that no foreign-made equipment, materials, or supplies furnished to the State under the contract have been produced in whole or in part by the labor of any child under the age of 12. 30 ILCS 584.~~

4.27. ~~Vendor certifies that any violation of the Lead Poisoning Prevention Act, as it applies to owners of residential buildings, has been mitigated. 410 ILCS 45.~~

4.28. ~~Vendor warrants and certifies that it and, to the best of its knowledge, its subcontractors have and will comply with Executive Order No. 1 (2007). The Order generally prohibits Vendors and subcontractors from hiring the then-serving Governor's family members to lobby procurement activities of the State, or any other unit of government in Illinois including local governments if that procurement may result in a contract valued at over $25,000. This prohibition also applies to hiring for that same purpose any former State employee who had procurement authority at any time during the one-year period preceding the procurement lobbying activity.~~

4.29. Vendor certifies that information technology, including electronic information, software, systems and equipment, developed or provided under this contract comply with the applicable requirements of the Illinois Information Technology Accessibility Act Standards as published at (www.dhs.state.il.us/iitaa) 30 ILCS 587.

4.30. Vendor certifies that it has read, understands, and is in compliance with the registration requirements of the Elections Code (10 ILCS 5/9-35) and the restrictions on making political contributions and related requirements of the Illinois Procurement Code. 30 ILCS 500/20-160 and 50-37. Vendor will not make a political contribution that will violate these requirements.

In accordance with section 20-160 of the Illinois Procurement Code, Vendor certifies as applicable:

☐ Vendor is not required to register as a business entity with the State Board of Elections.

or

☒ Vendor has registered with the State Board of Elections. As a registered business entity, Vendor acknowledges a continuing duty to update the registration as required by the Act.

4.31. ~~Vendor certifies that if it is awarded a contract through the use of the preference required by the Procurement of Domestic Products Act, then it shall provide products pursuant to the contract or a subcontract that are manufactured in the United States. 30 ILCS 517.~~

4.32. A person (other than an individual acting as a sole proprietor) must be a duly constituted legal entity and authorized to transact business or conduct affairs in Illinois prior to submitting a bid or offer. 30 ILCS 500/20-43. If you do not meet these criteria, then your bid or offer will be disqualified.

Vendor must make one of the following two certifications by checking the appropriate box.

A. ☐ Vendor certifies it is an individual acting as a sole proprietorand is therefore not subject to the requirements of section 20-43 of the Procurement Code.

B. ☒ Vendor certifies that it is a legal entity, and was authorized to transact business or conduct affairs in Illinois as of the date for submitting this bid or offer. The State may require Vendor to provide evidence of compliance before award.

4.33. Vendor certifies that, for the duration of this contract it will:

- post its employment vacancies in Illinois and border states on the Department of Employment Security's IllinoisJobLink.com website or its successor system; or
- will provide an online link to these employment vacancies so that this link is accessible through the IllinoisJobLink.com website it successor system; or
- is exempt from 20 ILCS 1005/1005-47 because the contract is for construction-related services as that term is defined in section 1-15.20 of the Procurement Code; or the contract is for construction and vendor is a party to a contract with a bona fide labor organization and performs construction. (20 ILCS 1005/1005-47).

Wells Fargo Supplemental Litigation Statement to Section 4.8 and 4.9:

Wells Fargo Bank N.A. ("WFBNA") is a subsidiary of Wells Fargo & Company ("WFC"), a corporation organized under the laws of Delaware. WFC's principal office is located in San Francisco, California. On December 31, 2008, WFC acquired the former Wachovia Corporation and its subsidiaries, including a predecessor firm, Wachovia Bank, N.A ("WBNA"). On March 20, 2010, WBNA merged into WFBNA.

As with any large diversified financial services company of its size in the highly-regulated banking and securities field, Wells Fargo Bank, N.A. and Wells Fargo & Company are subject to receiving inquiries and subpoenas from regulators and law enforcement from time to time, as well as being subject to civil litigation. Wells Fargo responds regularly to inquiries and investigations by governmental entities and, as a highly regulated diversified financial institution has in the past entered into settlements of some of those investigations, including those specified below. None have resulted in any material restrictions on Wells Fargo's ability to operate its businesses, and none are or have been material to the operation of the businesses.

During the first quarter of 2010, WBNA entered into agreements with the U.S. Department of Justice and banking regulators concerning WBNA's Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) compliance program between 2004 and 2007. See the press release dated March 17, 2010 at https://www.sec.gov/Archives/edgar/data/72971/000119312510059566/dex99.htm. The deferred prosecution agreement discussed in the press release was dismissed in 2011.

During the fourth quarter of 2011, WFBNA entered into a settlement with various regulators regarding municipal derivatives contracts. Please see the Legal Actions section of WFC's 2011 Annual Report for additional information regarding the municipal derivatives bid practices settlement with the Office of the Comptroller of the Currency, Securities and Exchange Commission, the U.S. Internal Revenue Service, U.S. Department of Justice and a group of state Attorneys General. See press release dated December 8, 2011 at https://www.wellsfargo.com/about/press/2011/20111208_WFReachesSettlement/.

WFBNA has paid municipal fines in connection with a small number of houses for alleged violations of local housing ordinances, some of which are characterized as misdemeanors.

During the third quarter of 2016, WFBNA entered into settlement agreements with the City of Los Angeles, the Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency regarding certain sales practices. See press release dated September 8, 2016 at https://www.wellsfargo.com/about/press/2016/sales-practices-agreements_0908.content (the "2016 Settlement").

Wells Fargo Bank, NA Municipal Products Group ("WFBNA MPG"), the party responding to this RFP, is a separately identifiable department of WFBNA and is registered with the Securities and Exchange Commission as a municipal securities dealer, authorized to provide underwriting and investment banking services in connection with municipal securities.

On February 2, 2016, WFBNA MPG entered into an agreement with the SEC resulting from a self-report submitted to the SEC by WFBNA MPG pursuant to the SEC's Municipalities Continuing Disclosure Cooperation Initiative ("MCDC") (see https://www.sec.gov/litigation/admin/2016/33-10028.pdf).

Following the announcement of the 2016 Settlement discussed above, certain state and local governmental bodies and municipal entities have temporarily suspended or removed WFBNA MPG as underwriter from certain of such issuers' municipal underwritings.

Furthermore, no member of the proposed deal team identified in this RFP has a reportable item on his or her broker check report, regarding investigations during his or her tenure with WFBNA Municipal Product Group available online through FINRA's Broker Check.

Access to the Legal Proceedings sections of Wachovia Corporation's 10-K dated February 28, 2008; and 10-Q's dated October 30, 2008, August 11, 2008, and May 12, 2008 are available via the internet link below:
http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000072971&type=10&dateb=20090101&owner=exclude&count=100

Copies of the Legal Proceedings sections from Wells Fargo & Company recent public filings are available via the internet link below: https://www.wellsfargo.com/invest_relations/filings

Wells Fargo & Company Annual Report Link: https://www.wellsfargo.com/invest_relations/annual

SECRETARY'S CERTIFICATE

WELLS FARGO BANK, NATIONAL ASSOCIATION

I, Linda Yang, an Assistant Secretary of Wells Fargo Bank, National Association, a national banking association organized pursuant to the laws of the United States of America (the "Bank") hereby certify that:

1. Attached hereto as Exhibit A is a true, complete and correct copy of a certificate issued by the Office of the Comptroller of the Currency on December 30, 2016, evidencing the Bank's authority to transact the business of banking and exercise fiduciary powers, and as of the date hereof, there has been no change of fact or circumstance affecting such certificate.

2. Wells Fargo Bank, National Association is a national banking association formed and existing under the laws of the United States of America, and is authorized to conduct the business of banking in any location in the United States of America as evidenced by Exhibit A.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of the Bank this 26th day of January, 2017.

(Bank Seal)

[redacted]

Assistant Secretary

Exhibit A

Office of the Comptroller of the Currency

Washington, DC 20219

CERTIFICATE OF CORPORATE EXISTENCE

I, Thomas J. Curry, Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq, as amended, and 12 USC 1, et seq, as amended, has possession, custody, and control of all records pertaining to the chartering, regulation, and supervision of all national banking associations.

2. "Wells Fargo Bank, National Association," Sioux Falls, South Dakota (Charter No. 1), is a national banking association formed under the laws of the United States and is authorized thereunder to transact the business of banking on the date of this certificate.

IN TESTIMONY WHEREOF, today, December 30, 2016, I have hereunto subscribed my name and caused my seal of office to be affixed to these presents at the U.S. Department of the Treasury, in the City of Washington, District of Columbia.

[redacted]

Comptroller of the Currency

STATE OF ILLINOIS
STATE BOARD OF ELECTIONS

5. Section 50-37 of the Illinois Procurement Code prohibits political contributions of certain vendors, bidders and offerors. Additionally, section 9-35 of the Illinois Election Code governs provisions relating to reporting and making contributions to state officeholders, declared candidates for State offices and covered political organizations that promote the candidacy of an officeholder or declared candidate for office. The State may declare any resultant contract void if these Acts are violated.

Generally, if a vendor, bidder, or offeror is an entity doing business for profit (i.e. sole proprietorship, partnership, corporation, limited liability company or partnership, or otherwise) and has contracts with State agencies that annually total more than $50,000 or whose aggregate pending bids or proposals and current State contracts that total more than $50,000, the vendor, bidder, or offeror is prohibited from making political contributions and must register with the State Board of Elections. 30 ILCS 500/20-160.

EVIDENCE OF REGISTRATION WITH THE STATE BOARD OF ELECTIONS IS THE CERTIFICATE OF REGISTRATION

Certificate of Registration

STATE BOARD OF ELECTIONS

Registration No. 138

ABC Corporation
123 Main Street
Anywhere, IL USA 62707

Information for this business last updated on
Wednesday, October 13, 2010

Certificate of Registration

STATE BOARD OF ELECTIONS

Registration No. 15581

Wells Fargo Bank, N.A.

101 N. Phillips Avenue

Sioux Falls SD 57104

Information for this business last updated on:

Thursday, November 10, 2016

Certificate produced on Thursday, November 10, 2016 at 9:33 AM

Registered Business

STATE OF ILLINOIS
DISCLOSURE OF BUSINESS OPERATIONS WITH IRAN

6. In accordance with 30 ILCS 500/50-36, each bid, offer, or proposal submitted for a State contract, other than a small purchase defined in Section 20-20 of the Illinois Procurement Code, will include a disclosure of whether or not the bidder, offeror, or proposing entity, or any of its corporate parents or subsidiaries, within the 24 months before submission of the bid, offer, or proposal had business operations that involved contracts with or provision of supplies or services to the Government of Iran, companies in which the Government of Iran has any direct or indirect equity share, consortiums or projects commissioned by the Government of Iran and:

   - more than 10% of the company's revenues produced in or assets located in Iran involve oil-related activities or mineral-extraction activities; less than 75% of the company's revenues produced in or assets located in Iran involve contracts with or provision of oil-related or mineral – extraction products or services to the Government of Iran or a project or consortium created exclusively by that Government; and the company has failed to take substantial action; or

   - the company has, on or after August 5, 1996, made an investment of $20 million or more, or any combination of investments of at least $10 million each that in the aggregate equals or exceeds $20 million in any 12- month period that directly or significantly contributes to the enhancement of Iran's ability to develop petroleum resources of Iran.

   A bid or offer that does not include this disclosure may be given a period after the bid or offer is submitted to cure non-disclosure. A chief procurement officer may consider the disclosure when evaluating the bid or offer or awarding the contract.

   ☒ There are no business operations that must be disclosed to comply with the above cited law.

   ☐ The following business operations are disclosed to comply with the above cited law:

   Click here to enter text.

STATE OF ILLINOIS
FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

The Financial Disclosures and Conflicts of Interest form ("form") must be accurately completed and submitted by the vendor, parent entity(ies), and subcontractors. There are **nine** steps to this form and each must be completed as instructed in the step heading and within the step. A bid or offer that does not include this form shall be considered non-responsive. The Agency/University will consider this form when evaluating the bid or offer or awarding the contract.

The requirement of disclosure of financial interests and conflicts of interest is a continuing obligation. If circumstances change and the disclosure is no longer accurate, then disclosing entities must provide an updated form.

Separate forms are required for the vendor, parent entity(ies), and subcontractors.

This disclosure is submitted for:

☒ Vendor

☐ Vendor's Parent Entity(ies) (100% ownership)

☐ Subcontractor(s) >$50,000 (annual value)

☐ Subcontractor's Parent Entity(ies) (100% ownership) > $50,000 (annual value)

Project Name	Bond Underwring Services
Illinois Procurement Bulletin Number	22039948
Contract Number	16-0155
Vendor Name	Wells Fargo Bank, N.A.
Doing Business As (DBA)	N/A
Disclosing Entity	Wells Fargo Bank, N.A.
Disclosing Entity's Parent Entity	Wells Fargo & Company
Subcontractor	N/A
Instrument of Ownership or Beneficial Interest	Other ☐ If you selected Other, please describe: National Banking Association

STEP 1
SUPPORTING DOCUMENTATION SUBMITTAL

(All vendors complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

You must select one of the six options below and select the documentation you are submitting. You must provide the documentation that the applicable section requires with this form.

☒ Option 1 – Publicly Traded Entities

1.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

1.B. ☒ Attach a copy of the Federal 10-K or provide a web address of an electronic copy of the Federal 10-K, and skip to Step 3.

Please see following link:

https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/sec-filings/2015/10k.pdf

☐ Option 2 – Privately Held Entities with more than 100 Shareholders

2.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

2.B. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership share in excess of 5% and attach the information Federal 10-K reporting companies are required to report under 17 CFR 229.401.

☐ Option 3 – All other Privately Held Entities, not including Sole Proprietorships

3.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

☐ Option 4 – Foreign Entities

4.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

4.B. ☐ Attach a copy of the Securities Exchange Commission Form 20-F or 40-F and skip to Step 3.

☐ Option 5 – Not-for-Profit Entities

☐ Complete Step 2, Option B.

☐ Option 6 -- Sole Proprietorships

☐ Skip to Step 3.

STEP 2
DISCLOSURE OF FINANCIAL INTEREST OR BOARD OF DIRECTORS

(All vendors, except sole proprietorships, must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Complete **either** Option A (for all entities other than not-for-profits) or Option B (for not-for-profits). Additional rows may be inserted into the tables or an attachment may be provided if needed.

OPTION A -- Ownership Share and Distributive Income

Ownership Share -- If you selected Option 1.A., 2.A., 2.B., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of ownership if said percentage exceeds 5%, or the dollar value of their ownership if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE -- X			
Name	**Address**	**Percentage of Ownership**	**$ Value of Ownership**
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

Distributive Income -- If you selected Option 1.A., 2.A., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of the disclosing vendor's total distributive income if said percentage exceeds 5% of the total distributive income of the disclosing entity, or the dollar value of their distributive income if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE -- Y			
Name	**Address**	**% of Distributive Income**	**$ Value of Distributive Income**
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

STATE OF ILLINOIS
FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

Please certify that the following statements are true.

I have disclosed all individuals or entities that hold an ownership interest of greater than 5% or greater than $106,447.20.

☐ Yes ☐ No

I have disclosed all individuals or entities that were entitled to receive distributive income in an amount greater than $106,447.20 or greater than 5% of the total distributive income of the disclosing entity.

☐ Yes ☐ No

OPTION B – Disclosure of Board of Directors (Not-for-Profits)

If you selected Option 5 in Step 1, list members of your board of directors. Please include an attachment if necessary.

TABLE – Z	
Name	**Address**
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A

STEP 3
DISCLOSURE OF LOBBYIST OR AGENT
(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

☒ Yes ☐ No. Is your company represented by or do you employ a lobbyist required to register under the Lobbyist Registration Act (lobbyist must be registered pursuant to the Act with the Secretary of State) or other agent who is not identified through Step 2, Option A above and who has communicated, is communicating, or may communicate with any State/Public University officer or employee concerning the bid or offer? If yes, please identify each lobbyist and agent, including the name and address below.

If you have a lobbyist that does not meet the criteria, then you do not have to disclose the lobbyist's information.

Name	Address	Relationship to Disclosing Entity
Lawrence J. Richardson	10 S. Wacker Drive, 15th Floor, Chicago, IL 60606	Managing Director
Leslie Ng	10 S. Wacker Drive, 15th Floor, Chicago, IL 60606	Vice President
Nicole Michienzi	10 S. Wacker Drive, 15th Floor, Chicago, IL 60606	Vice President
Victor Chang	10 S. Wacker Drive, 15th Floor, Chicago, IL 60606	Senior Vice President

Describe all costs/fees/compensation/reimbursements related to the assistance provided by each representative lobbyist or other agent to obtain this Agency/University contract: The lobbyists listed above do not receive any compensation above their normal salaries for lobbyist duties.

STEP 4
PROHIBITED CONFLICTS OF INTEREST
(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 4 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above. Please provide the name of the person for which responses are provided: N/A

1. Do you hold or are you the spouse or minor child who holds an elective office in the State of Illinois or hold a seat in the General Assembly? ☐ Yes ☐ No
2. Have you, your spouse, or minor child been appointed to or employed in any offices or agencies of State government and receive compensation for such employment in excess of 60% ($106,447.20) of the salary of the Governor? ☐ Yes ☐ No
3. Are you or are you the spouse or minor child of an officer or employee of the Capital Development Board or the Illinois Toll Highway Authority? ☐ Yes ☐ No
4. Have you, your spouse, or an immediate family member who lives in your residence currently or who lived in your residence within the last 12 months been appointed as a member of a board, commission, authority, or task force authorized or created by State law or by executive order of the Governor? ☐ Yes ☐ No
5. If you answered yes to any question in 1-4 above, please answer the following: Do you, your spouse, or minor child receive from the vendor more than 7.5% of the vendor's total distributable income or an amount of distributable income in excess of the salary of the Governor ($177,412.00)? ☐ Yes ☐ No
6. If you answered yes to any question in 1-4 above, please answer the following: Is there a combined interest of self with spouse or minor child more than 15% in the aggregate of the vendor's distributable income or an amount of distributable income in excess of two times the salary of the Governor ($354,824.00)? ☐ Yes ☐ No

STEP 5
POTENTIAL CONFLICTS OF INTEREST RELATING TO PERSONAL RELATIONSHIPS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 5 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above.

Please provide the name of the person for which responses are provided: N/A

1.	Do you currently have, or in the previous 3 years have you had State employment, including contractual employment of services?	☐ Yes ☐ No
2.	Has your spouse, father, mother, son, or daughter, had State employment, including contractual employment for services, in the previous 2 years?	☐ Yes ☐ No
3.	Do you hold currently or have you held in the previous 3 years elective office of the State of Illinois, the government of the United States, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois?	☐ Yes ☐ No
4.	Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding elective office currently or in the previous 2 years?	☐ Yes ☐ No
5.	Do you hold or have you held in the previous 3 years any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that office?	☐ Yes ☐ No
6.	Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding appointive office currently or in the previous 2 years?	☐ Yes ☐ No
7.	Do you currently have or in the previous 3 years had employment as or by any registered lobbyist of the State government?	☐ Yes ☐ No
8.	Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) that is or was a registered lobbyist?	☐ Yes ☐ No
9.	Do you currently have or in the previous 3 years had compensated employment by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections?	☐ Yes ☐ No
10.	Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) who is or was a compensated employee of any registered election or reelection committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections?	☐ Yes ☐ No

STEP 6
EXPLANATION OF AFFIRMATIVE RESPONSES
(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you answered "Yes" in Step 4 or Step 5, please provide on an additional page a detailed explanation that includes, but is not limited to the name, salary, State agency or university, and position title of each individual.

STEP 7
POTENTIAL CONFLICTS OF INTEREST RELATING TO DEBARMENT & LEGAL PROCEEDINGS
(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided: Wells Fargo Bank, NA

1.	Within the previous ten years, have you had debarment from contracting with any governmental entity?	☐ Yes ☒ No
2.	Within the previous ten years, have you had any professional licensure discipline?	☐ Yes ☒ No
3.	Within the previous ten years, have you had any bankruptcies?	☐ Yes ☒ No
4.	Within the previous ten years, have you had any adverse civil judgments and administrative findings?	☒ Yes ☐ No
5.	Within the previous ten years, have you had any criminal felony convictions?	☐ Yes ☒ No

If you answered "Yes", please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual.

Wells Fargo Bank N.A. ("WFBNA") is a subsidiary of Wells Fargo & Company ("WFC"), a corporation organized under the laws of Delaware. WFC's principal office is located in San Francisco, California. On December 31, 2008, WFC acquired the former Wachovia Corporation and its subsidiaries, including a predecessor firm, Wachovia Bank, N.A ("WBNA"). On March 20, 2010, WBNA merged into WFBNA. As with any large diversified financial services company of its size in the highly-regulated banking and securities field, Wells Fargo Bank, N.A. and Wells Fargo & Company are subject to receiving inquiries and subpoenas from regulators and law enforcement from time to time, as well as being subject to

civil litigation. Wells Fargo responds regularly to inquiries and investigations by governmental entities and, as a highly regulated diversified financial institution has in the past entered into settlements of some of those investigations, including those specified below. None have resulted in any material restrictions on Wells Fargo's ability to operate its businesses, and none are or have been material to the operation of the businesses. During the first quarter of 2010, WBNA entered into agreements with the U.S. Department of Justice and banking regulators concerning WBNA's Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) compliance program between 2004 and 2007. See the press release dated March 17, 2010 at https://www.wellsfargo.com/about/press/2011/20111208_WFReachesSettlement/. The deferred prosecution agreement discussed in the press release was dismissed in 2011. During the fourth quarter of 2011, WFBNA entered into a settlement with various regulators regarding municipal derivatives contracts. Please see the Legal Actions section of WFC's 2011 Annual Report for additional information regarding the municipal derivatives bid practices settlement with the Office of the Comptroller of the Currency, Securities and Exchange Commission, the U.S. Internal Revenue Service, U.S. Department of Justice and a group of state Attorneys General. See press release dated December 8, 2011 at https://www.wellsfargo.com/about/press/2011/20111208_WFReachesSettlement/. WFBNA has paid municipal fines in connection with a small number of houses for alleged violations of local housing ordinances, some of which are characterized as misdemeanors. During the third quarter of 2016, WFBNA entered into settlement agreements with the City of Los Angeles, the Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency regarding certain sales practices. See press release dated September 8, 2016 at https://www.wellsfargo.com/about/press/2016/sales-practices-agreements_0908.content (the "2016 Settlement"). Wells Fargo Bank, NA Municipal Products Group ("WFBNA MPG"), the party responding to this RFP, is a separately identifiable department of WFBNA and is registered with the Securities and Exchange Commission as a municipal securities dealer, authorized to provide underwriting and investment banking services in connection with municipal securities. On February 2, 2016, WFBNA MPG entered into an agreement with the SEC resulting from a self-report submitted to the SEC by WFBNA MPG pursuant to the SEC's Municipalities Continuing Disclosure Cooperation Initiative ("MCDC") (see https://www.sec.gov/litigation/admin/2016/33-10028.pdf). Following the announcement of the 2016 Settlement discussed above, certain state and local governmental bodies and municipal entities have temporarily suspended or removed WFBNA MPG as underwriter from certain of such issuers' municipal underwritings. Furthermore, no member of the proposed deal team identified in this RFP has a reportable item on his or her broker check report, regarding investigations during his or her tenure with WFBNA Municipal Product Group available online through FINRA's Broker Check. Access to the Legal Proceedings sections of Wachovia Corporation's 10-K dated February 28, 2008; and 10-Q's dated October 30, 2008, August 11, 2008, and May 12, 2008 are available via the internet link below: http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000072971&type=10&dateb=20090101&owner=exclude&count=100 Copies of the Legal Proceedings sections from Wells Fargo & Company recent public filings are available via the internet link below: https://www.wellsfargo.com/invest_relations/filings Wells Fargo & Company Annual Report Link: https://www.wellsfargo.com/invest_relations/annual

Please provide the name of the person or entity for which responses are provided:

Lawrence J. Richardson
Leslie Ng
Nicole Michienzi
Victor Chang

1. Within the previous ten years, have you had debarment from contracting with any governmental entity? ☐ Yes ☒ No

2. Within the previous ten years, have you had any professional licensure discipline? ☐ Yes ☒ No

3. Within the previous ten years, have you had any bankruptcies? ☐ Yes ☒ No

4. Within the previous ten years, have you had any adverse civil judgments and administrative findings? ☐ Yes ☒ No

5. Within the previous ten years, have you had any criminal felony convictions? ☐ Yes ☒ No

STEP 8

DISCLOSURE OF CURRENT AND PENDING CONTRACTS

(Complete only if bid, offer, or contract has an annual value over $50,000)

(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you selected Option 1, 2, 3, 4, or 6 in Step 1, do you have any contracts, pending contracts, bids, proposals, subcontracts, leases or other ongoing procurement relationships with units of State of Illinois government?

☒ Yes ☐ No.

If "Yes", please specify below. Additional rows may be inserted into the table or an attachment may be provided if needed.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

Agency/University	Project Title	Status	Value	Contract Reference/P.O./Illinois Procurement Bulletin #
Illinois Finance Authority	Medicaid Program Receivables Program	Awarded	$400,000	22021059
Illinois State Toll Highway Authority	Bond Underwriting Services	Qualified – Senior Manager Pool	Issue Dependent	22024004
State of Illinois	Capital Markets – Underwriting	Qualified – Senior Manager Pool	Issue Dependent	22022081
Illinois Finance Authority	State of Illinois Revolving Fund Program – Underwriting Services	Qualified – Co-Manager Pool	Issue Dependent	22028183
Illinois State Treasurer's Office	Electronic Funds Transfer Services	Pending Decision (Incumbent)	$500,000	370-500-17-005
State of Illinois	Custody/Safekeeping	Awarded	$69,000	5542153
University of Illinois	Insurance Services	Awarded	$186,000	RFP No. 1DJL1629
University of Illinois	Money Market Fund	Awarded		318210
Illinois Housing Development Authority	Municipal Housing Investment Banking Firms	Qualified Co-Manager Pool	Issue Dependent	2013-HDA-FI-010 / 22031799
Illinois State Treasurer	Banking Account Service for Concentration Accounts	Awarded	$150,000	RFP No. 1DJL203
RTA	Working Cash Notes	Awarded	$100,000	n/a
University of Illinois	Remarketing Agent	Awarded		n/a
University of Illinois	1997B and 2008 Direct Pay Letter of Credit	Awarded	$13,554,191.99	n/a
University of Illinois	2008 Direct Pay Letter of Credit	Awarded	$31,786,603.45	n/a

As of January 18, 2017, to the best of the knowledge of the undersigned these are all the outstanding contracts of Wells Fargo. There could be contracts in other parts of the company the undersigned is unaware of.

Please explain the procurement relationship: Financial Services Provider

STEP 9
SIGN THE DISCLOSURE

(All vendors must complete regardless of annual bid, offer, or contract value)

(Subcontractors with subcontract annual values of more than $50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offeror pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity: Wells Fargo Bank, N.A.

Signatur[redacted] Date: February 1, 2017

Printed Name: Lawrence J. Richardson

Title: Managing Director

Phone Number: 312-920-3535

Email Address: larry.richardson1@wellsfargo.com

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

The Financial Disclosures and Conflicts of Interest form ("form") must be accurately completed and submitted by the vendor, parent entity(ies), and subcontractors. There are **nine** steps to this form and each must be completed as instructed in the step heading and within the step. A bid or offer that does not include this form shall be considered non-responsive. The Agency/University will consider this form when evaluating the bid or offer or awarding the contract.

The requirement of disclosure of financial interests and conflicts of interest is a continuing obligation. If circumstances change and the disclosure is no longer accurate, then disclosing entities must provide an updated form.

Separate forms are required for the vendor, parent entity(ies), and subcontractors.

This disclosure is submitted for:

☐ Vendor

☒ Vendor's Parent Entity(ies) (100% ownership)

☐ Subcontractor(s) >$50,000 (annual value)

☐ Subcontractor's Parent Entity(ies) (100% ownership) > $50,000 (annual value)

Project Name	Bond Underwring Services Request for Proposal – #16-0155
Illinois Procurement Bulletin Number	22039948
Contract Number	16-015
Vendor Name	Wells Fargo Bank, N.A.
Doing Business As (DBA)	N/A
Disclosing Entity	Wells Fargo & Company
Disclosing Entity's Parent Entity	N/A
Subcontractor	N/A
Instrument of Ownership or Beneficial Interest	Corporate Stock (C-Corporation, S-Corporation, Professional Corporation, Service Corporation) ☐ If you selected Other, please describe: Click here to enter text.

STEP 1
SUPPORTING DOCUMENTATION SUBMITTAL

(All vendors complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

You must select one of the six options below and select the documentation you are submitting. You must provide the documentation that the applicable section requires with this form.

☒ Option 1 – Publicly Traded Entities

1.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

1.B. ☒ Attach a copy of the Federal 10-K or provide a web address of an electronic copy of the Federal 10-K, and skip to Step 3.

Please see the following link:

https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/sec-filings/2015/10k.pdf

☐ Option 2 – Privately Held Entities with more than 100 Shareholders

2.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

2.B. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership share in excess of 5% and attach the information Federal 10-K reporting companies are required to report under 17 CFR 229.401.

☐ Option 3 – All other Privately Held Entities, not including Sole Proprietorships

3.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

☐ Option 4 – Foreign Entities

4.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

4.B. ☐ Attach a copy of the Securities Exchange Commission Form 20-F or 40-F and skip to Step 3.

☐ Option 5 – Not-for-Profit Entities

☐ Complete Step 2, Option B.

☐ Option 6 – Sole Proprietorships

☐ Skip to Step 3.

STEP 2
DISCLOSURE OF FINANCIAL INTEREST OR BOARD OF DIRECTORS

(All vendors, except sole proprietorships, must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Complete **either** Option A (for all entities other than not-for-profits) or Option B (for not-for-profits). Additional rows may be inserted into the tables or an attachment may be provided if needed.

OPTION A – Ownership Share and Distributive Income

Ownership Share – If you selected Option 1.A., 2.A., 2.B., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of ownership if said percentage exceeds 5%, or the dollar value of their ownership if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – X			
Name	**Address**	**Percentage of Ownership**	**$ Value of Ownership**
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

Distributive Income – If you selected Option 1.A., 2.A., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of the disclosing vendor's total distributive income if said percentage exceeds 5% of the total distributive income of the disclosing entity, or the dollar value of their distributive income if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – Y			
Name	**Address**	**% of Distributive Income**	**$ Value of Distributive Income**
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

Please certify that the following statements are true.

I have disclosed all individuals or entities that hold an ownership interest of greater than 5% or greater than $106,447.20.

☐ Yes ☐ No

I have disclosed all individuals or entities that were entitled to receive distributive income in an amount greater than $106,447.20 or greater than 5% of the total distributive income of the disclosing entity.

☐ Yes ☐ No

OPTION B – Disclosure of Board of Directors (Not-for-Profits)

If you selected Option 5 in Step 1, list members of your board of directors. Please include an attachment if necessary.

TABLE – Z	
Name	**Address**
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A

STEP 3
DISCLOSURE OF LOBBYIST OR AGENT
(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

☐ Yes ☒ No. Is your company represented by or do you employ a lobbyist required to register under the Lobbyist Registration Act (lobbyist must be registered pursuant to the Act with the Secretary of State) or other agent who is not identified through Step 2, Option A above and who has communicated, is communicating, or may communicate with any State/Public University officer or employee concerning the bid or offer? If yes, please identify each lobbyist and agent, including the name and address below.

If you have a lobbyist that does not meet the criteria, then you do not have to disclose the lobbyist's information.

Name	Address	Relationship to Disclosing Entity
N/A	N/A	N/A

Describe all costs/fees/compensation/reimbursements related to the assistance provided by each representative lobbyist or other agent to obtain this Agency/University contract: Click here to enter text.

STEP 4
PROHIBITED CONFLICTS OF INTEREST

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 4 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above. Please provide the name of the person for which responses are provided: N/A

7. Do you hold or are you the spouse or minor child who holds an elective office in the State of Illinois or hold a seat in the General Assembly? ☐ Yes ☐ No

8. Have you, your spouse, or minor child been appointed to or employed in any offices or agencies of State government and receive compensation for such employment in excess of 60% ($106,447.20) of the salary of the Governor? ☐ Yes ☐ No

9. Are you or are you the spouse or minor child of an officer or employee of the Capital Development Board or the Illinois Toll Highway Authority? ☐ Yes ☐ No

10. Have you, your spouse, or an immediate family member who lives in your residence currently or who lived in your residence within the last 12 months been appointed as a member of a board, commission, authority, or task force authorized or created by State law or by executive order of the Governor? ☐ Yes ☐ No

11. If you answered yes to any question in 1-4 above, please answer the following: Do you, your spouse, or minor child receive from the vendor more than 7.5% of the vendor's total distributable income or an amount of distributable income in excess of the salary of the Governor ($177,412.00)? ☐ Yes ☐ No

12. If you answered yes to any question in 1-4 above, please answer the following: Is there a combined interest of self with spouse or minor child more than 15% in the aggregate of the vendor's distributable income or an amount of distributable income in excess of two times the salary of the Governor ($354,824.00)? ☐ Yes ☐ No

STEP 5
POTENTIAL CONFLICTS OF INTEREST RELATING TO PERSONAL RELATIONSHIPS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 5 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above.

Please provide the name of the person for which responses are provided: N/A

11. Do you currently have, or in the previous 3 years have you had State employment, including contractual employment of services? ☐ Yes ☐ No

12. Has your spouse, father, mother, son, or daughter, had State employment, including contractual employment for services, in the previous 2 years? ☐ Yes ☐ No

13.	Do you hold currently or have you held in the previous 3 years elective office of the State of Illinois, the government of the United States, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois?	☐ Yes ☐ No
14.	Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding elective office currently or in the previous 2 years?	☐ Yes ☐ No
15.	Do you hold or have you held in the previous 3 years any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that office?	☐ Yes ☐ No
16.	Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding appointive office currently or in the previous 2 years?	☐ Yes ☐ No
17.	Do you currently have or in the previous 3 years had employment as or by any registered lobbyist of the State government?	☐ Yes ☐ No
18.	Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) that is or was a registered lobbyist?	☐ Yes ☐ No
19.	Do you currently have or in the previous 3 years had compensated employment by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections?	☐ Yes ☐ No
20.	Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) who is or was a compensated employee of any registered election or reelection committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections?	☐ Yes ☐ No

STEP 6
EXPLANATION OF AFFIRMATIVE RESPONSES
(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with a subcontract annual value of more than $50,000 must complete)

If you answered "Yes" in Step 4 or Step 5, please provide on an additional page a detailed explanation that includes, but is not limited to the name, salary, State agency or university, and position title of each individual. N/A

STEP 7
POTENTIAL CONFLICTS OF INTEREST
RELATING TO DEBARMENT & LEGAL PROCEEDINGS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided: Wells Fargo & Company

6.	Within the previous ten years, have you had debarment from contracting with any governmental entity?	☐ Yes ☒ No
7.	Within the previous ten years, have you had any professional licensure discipline?	☐ Yes ☒ No
8.	Within the previous ten years, have you had any bankruptcies?	☐ Yes ☒ No
9.	Within the previous ten years, have you had any adverse civil judgments and administrative findings?	☒ Yes ☐ No
10.	Within the previous ten years, have you had any criminal felony convictions?	☐ Yes ☒ No

If you answered "Yes", please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual.

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Internal Revenue Service, U.S. Department of Justice and a group of state Attorneys General. See press release dated December 8, 2011 at https://www.wellsfargo.com/about/press/2011/20111208_WFReachesSettlement/. WFBNA has paid municipal fines in connection with a small number of houses for alleged violations of local housing ordinances, some of which are characterized as misdemeanors. During the third quarter of 2016, WFBNA entered into settlement agreements with the City of Los Angeles, the Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency regarding certain sales practices. See press release dated September 8, 2016 at https://www.wellsfargo.com/about/press/2016/sales-practices-agreements_0908.content (the "2016 Settlement"). Wells Fargo Bank, NA Municipal Products Group ("WFBNA MPG"), the party responding to this RFP, is a separately identifiable department of WFBNA and is registered with the Securities and Exchange Commission as a municipal securities dealer, authorized to provide underwriting and investment banking services in connection with municipal securities. On February 2, 2016, WFBNA MPG entered into an agreement with the SEC resulting from a self-report submitted to the SEC by WFBNA MPG pursuant to the SEC's Municipalities Continuing Disclosure Cooperation Initiative ("MCDC") (see https://www.sec.gov/litigation/admin/2016/33-10028.pdf). Following the announcement of the 2016 Settlement discussed above, certain state and local governmental bodies and municipal entities have temporarily suspended or removed WFBNA MPG as underwriter from certain of such issuers' municipal underwritings. Furthermore, no member of the proposed deal team identified in this RFP has a reportable item on his or her broker check report, regarding investigations during his or her tenure with WFBNA Municipal Product Group available online through FINRA's Broker Check. Access to the Legal Proceedings sections of Wachovia Corporation's 10-K dated February 28, 2008; and 10-Q's dated October 30, 2008, August 11, 2008, and May 12, 2008 are available via the internet link below: http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000072971&type=10&dateb=20090101&owner=exclude&count=100 Copies of the Legal Proceedings sections from Wells Fargo & Company recent public filings are available via the internet link below: https://www.wellsfargo.com/invest_relations/filings Wells Fargo & Company Annual Report Link: https://www.wellsfargo.com/invest_relations/annual

STEP 8
DISCLOSURE OF CURRENT AND PENDING CONTRACTS
(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you selected Option 1, 2, 3, 4, or 6 in Step 1, do you have any contracts, pending contracts, bids, proposals, subcontracts, leases or other ongoing procurement relationships with units of State of Illinois government?

☐ Yes ☒ No.

If "Yes", please specify below. Additional rows may be inserted into the table or an attachment may be provided if needed.

Agency/University	Project Title	Status	Value	Contract Reference/P.O./Illinois Procurement Bulletin #
N/A	N/A	N/A	N/A	N/A

Please explain the procurement relationship: Click here to enter text.

STEP 9
SIGN THE DISCLOSURE

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offeror pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity: Wells Fargo & Company

Signature: [redacted]

Date: February 1, 2017

Printed Name: Lawrence J. Richardson

Title: Managing Director

Phone Number: 312-920-3535

Email Address: larry.richardson1@wellsfargo.com

STATE OF ILLINOIS
TAXPAYER IDENTIFICATION NUMBER

I certify that:

The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and

I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and

I am a U.S. person (including a U.S. resident alien).

- If you are an individual, enter your name and SSN as it appears on your Social Security Card.
- If you are a sole proprietor, enter the owner's name on the name line followed by the name of the business and the owner's SSN or EIN.
- If you are a single-member LLC that is disregarded as an entity separate from its owner, enter the owner's name on the name line and the D/B/A on the business name line and enter the owner's SSN or EIN.
- If the LLC is a corporation or partnership, enter the entity's business name and EIN and for corporations, attach IRS acceptance letter (CP261 or CP277).
- For all other entities, enter the name of the entity as used to apply for the entity's EIN and the EIN.

Name: Wells Fargo Bank, N.A.

Business Name: Wells Fargo Bank, N.A.

Taxpayer Identification Number

Social Security Number: N/A

or

Employer Identification Number: : [redacted]

Legal Status (check one):

☐ Individual	☐ Governmental
☐ Sole Proprietor	☐ Nonresident alien
☐ Partnership	☐ Estate or trust
☐ Legal Services Corporation	☐ Pharmacy (Non-Corp.)
☐ Tax-exempt	☐ Pharmacy/Funeral Home/Cemetery (Corp.)
☐ Corporation providing or billing medical and/or health care services	☐ Limited Liability Company (select applicable tax classification)
☐ Corporation NOT providing or billing medical and/or health care services	☐ C = corporation
☒ Other: National Bank Association	☐ P = partnership

Signature of Authorized Representative: [redacted]

Date: February 1, 2017

WELLS FARGO SECURITIES

Illinois State Toll Highway Authority

Response to Request for Proposals for Underwriting Services
RFP#16-0155 Bond Underwriting Services
IPB Reference#: 22039948

Packet 1

February 3, 2017

Important Information & Disclaimer
This document and any other materials accompanying this document (collectively, the "Materials") are provided for general informational purposes only. By accepting any Materials, the recipient acknowledges and agrees to the matters set forth below.

Wells Fargo Bank, N.A. ("WFBNA"), as proposed derivatives provider, and Wells Fargo Securities ("WFS")*, as proposed underwriter or placement agent, (collectively, for purposes hereof, "we", or "Wells Fargo") are providing the information contained in the Materials for discussion purposes only in anticipation of engaging in arm's length commercial transactions with you in which Wells Fargo would be acting solely as a principal or agent, as applicable, and not as a municipal advisor, financial advisor or fiduciary to you or any other person or entity regardless of whether we, or an affiliate has or is currently acting as such on a separate transaction (the use of the term "agent" does not imply any fiduciary relationship).

These Materials are being provided to you for the purpose of working with you as an underwriter or placement agent (collectively referred to herein as "underwriter") and/or derivatives provider on the transaction(s) described in the Materials. As part of its services as underwriter, WFS may provide information concerning the structure, timing, terms, and other similar matters concerning the issue of municipal securities that WFS proposes to underwrite as described in the Materials. The Materials may also contain such information. Any such information has been, and would be, provided by WFS in the context of serving as an underwriter and not as your municipal or financial advisor. Additionally, WFBNA, as derivatives provider, and WFS, as underwriter, have financial and other interests that differ from your interests (or those of the issuer). In its capacity as underwriter, WFS' primary role would be to purchase securities from you (or the issuer in the case of a conduit transaction) for resale to investors, or arrange for the placement of securities with investors on your behalf. Wells Fargo will not have any duties or liability to any person or entity in connection with the information being provided in the Materials.

The information provided herein is not intended to be and should not be construed as advice within the meaning of Section 15B of the Securities Exchange Act of 1934, and Wells Fargo will not be acting as your municipal advisor under the municipal advisor rules ("Muni Advisor Rules") of the Securities and Exchange Commission ("SEC").

The SEC exempts from the definition of municipal advisor "any person providing a response in writing or orally to a request for proposals or qualifications from a municipal entity or obligated person for services in connection with a municipal financial product or the issuance of municipal securities; provided however, that such person does not receive separate direct or indirect compensation for advice provided as part of such response." In submitting this proposal, we have relied upon the RFP exemption provided by the Rules, and on your conduct of this RFP through a competitive process.

Municipal underwriting, commercial paper and remarketing rankings referenced herein represent combined totals for Wells Fargo Bank, N.A. Municipal Products Group ("WFBNA MPG") and WFSLLC. Non-municipal underwriting, commercial paper and remarketing rankings referenced herein represent totals for WFSLLC only. Source information for any ranking information not otherwise provided herein is available on request.

In the event that the Materials include information related to a bank-purchased bond transaction ("Direct Purchase"), please be advised that Direct Purchase is a product offering of WFBNA or a subsidiary thereof ("Purchaser") as purchaser / investor. WFS will not participate in any manner in any Direct Purchase transaction between you and Purchaser, and Wells Fargo employees involved with a Direct Purchase transaction are not acting on behalf of or as representatives of WFS. The information contained herein regarding Purchaser's Direct Purchase is being provided to you by WFS only for purposes of providing you, pursuant to your RFP, financing alternatives that may be available to you from WFC and its affiliates. Information contained in this document regarding Direct Purchase is for discussion purposes only in anticipation of engaging in arm's length commercial transactions with you in which Purchaser would be acting solely as a principal to purchase securities from you or a conduit issuer, and not as a municipal advisor, financial advisor or fiduciary to you or any other person or entity regardless of whether Purchaser, or an affiliate has or is currently acting as such on a separate transaction. Additionally, Purchaser has financial and other interests that differ from your interests. Purchaser's sole role would be to purchase securities from you (or the issuer in the case of a conduit transaction). Any information relating to a Direct Purchase transaction is being provided to you pursuant to and in reliance on the "bank exemption" under the Muni Advisor Rules or the SEC's guidance in its Registration of Municipal Advisors Frequently Asked Questions dated May 19, 2014 and the general information exclusion to advice under the Muni Advisor Rules.

In the event that the information contained herein includes savings threshold levels, please be advised that WFS is not recommending nor providing advice regarding which maturities should be refunded by you.

The party responding to this RFP is Wells Fargo Bank, National Association Municipal Products Group. Wells Fargo Securities ("WFS") is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, N.A., acting through its Municipal Products Group. Municipal derivatives services are provided by WFBNA, a swap dealer registered with the CFTC and member of the NFA. Commercial banking products and services are provided by WFBNA. Investment banking and capital markets products and services provided by WFS, are not a condition to any banking product or service.

Responses to all questions, certifications, attestations, information requests, and similar in the RFP to which this response relates are specifically limited to, in context of, and as applied to, WFBNA MPG in its capacity as a separately identifiable department of a national bank that is registered as a municipal securities dealer with the Securities and Exchange Commission, Office of the Comptroller of the Currency, and Municipal Securities Rulemaking Board; and not on behalf of Wells Fargo Bank, N.A., unless specified otherwise in our response.

Important Information
The Materials are provided for general information about the transactions described herein. Although we believe that market data and other information contained in the Materials is reliable, it is not warranted as to completeness or accuracy, is subject to change without notice, and we accept no responsibility for its use or to update or keep it current. The Materials are not an offer or commitment for any products or transactions. Our willingness to enter into any transaction is subject to final credit approval, agreement on transaction terms and compliance to our satisfaction with all applicable legal and regulatory requirements, including without limit, onboarding and swap trading relationship documentation.

Terms, rates, prices and structure in the Materials are indicative only, and should not be relied upon as the terms, rates, prices or structure on which we or anyone else would be willing to enter into, terminate or transfer any transaction with you, including without limit, the swap, bond or loan, letter of credit and/or remarketing agreement (if applicable), or relied upon for any other purpose. Actual rates and prices may be higher or lower depending on market conditions at the time of execution, and are subject to market conditions at deal time, final credit approval and agreement on deal terms. Any historical information provided in the Materials is for information only, and past performance may not be relied upon as a guarantee of future results. Assumptions stated herein may or may not be valid.

Arm's Length Relationship
All transactions described in the Materials are arm's length transactions to be negotiated by each party acting in its own best interests. The price and other terms of any transaction will be individually negotiated, and there is no assurance that they will represent the best price or terms available to you from us or other sources. The decision whether you should enter into any transaction upon mutually agreed terms rests solely with you. Before entering into any transaction described in the Materials, you should consider whether it is appropriate for you in light of your objectives, experience, financial and operational resources, legal capacity and authority, and other relevant circumstances, and you should conduct a thorough and independent evaluation of the financial, tax, accounting, legal and regulatory characteristics, consequences, costs and risks of the transaction in light of your particular circumstances, based upon the advice of your own financial, legal, tax, accounting, and other professional advisors. Neither we nor any of our affiliates will be providing any such advice in connection with any such transaction, and neither we nor they will be acting as your agent, broker, financial advisor, municipal advisor, or fiduciary in connection with any such transaction, whether or not we or they may otherwise be engaged to act in such capacity in connection with other products or services.

Risks to Consider

While certain transactions described in the Materials may be used for hedging purposes to reduce or eliminate certain risks associated with your assets or liabilities, the effectiveness of hedging may depend upon holding these transactions to maturity and not reducing or disposing of all or any portion of the asset or liability during the term of the hedge. If a swap transaction is terminated early, or if you reduce or dispose of all or a portion of the underlying asset or liability before the transaction matures (such as prepaying a floating rate loan you hedge with a swap), you may incur a substantial loss. You may also incur a substantial loss if you enter into a swap transaction in anticipation of hedging an asset or liability that does not materialize. You should understand that significant potential amounts could become payable by you for modifying a swap transaction, terminating it early or transferring your position in the transaction to another person or entity, depending upon then existing market conditions. You should also consider that prepaying your loan or disposing of an asset or other liability does not relieve you of your obligations under a swap transaction, which may be terminated early only in accordance with the terms of the swap trading relationship documentation (such as an ISDA Master Agreement) or other transaction documents, or otherwise by mutual agreement. Such termination may require payment by you of an early termination amount, which amount may be substantial. Whether you use a swap transaction for hedging or another purpose, you should satisfy yourself that you understand these and other risks relative to the benefits you are seeking to achieve and that the transaction and risks are suitable for you. These risks are discussed in greater detail in disclosures provided to you through the following website: www wellsfargo com/swapdisclosures

Independent Obligation
Although the Materials describe how a swap transaction may be used to hedge against increases in the interest expense of a loan or other financing, the swap transaction would be a separate and independent obligation and would not be contingent on whether or not any loan or other financing closes, is outstanding, or is repaid, in whole or in part, at any time, subject to any contractual requirement to terminate and settle the transaction early upon prepayment of the loan or for other loan-related events. In addition, if you provide any existing or future collateral or other credit support to secure the transaction and any loan or other financing, then you would be entitled to the release of such collateral or credit support only if certain conditions contained in the related collateral agreement or credit support document are completely satisfied for both the transaction and any such loan or other financing, or we otherwise reach agreement with you on alternative collateral, credit support or other arrangements.

Unmatched Terms & Conventions
If the principal amount or duration of a loan or financing differs from that of a transaction used to hedge such loan or financing, you may be exposed to risk of loss from such over-hedging or under-hedging. If any other economic terms or characteristics of a loan or financing differ from those of the related hedge, then in addition to any losses that you could incur from such differences, the hedge may create unanticipated accounting exposure or tax liability for you. To the extent fair value accounting applies to the hedge, you may have to reflect unrealized gains and losses (i.e., the so-called "mark-to-market" value of the hedge) over the life of the hedge on your balance sheet and/or income statement. If hedge accounting applies, any ineffectiveness in the hedge resulting from such differences may likewise need to be taken into account and reflected in your financial results. These swap valuation considerations may also be important to you for tax purposes, including any tax laws that may require unrealized gains or losses on swaps to be taken into account in determining your income tax liability.

Conventions used in the loan or other financing and swap markets may differ, and we are under no obligation to ensure that any swap we offer is a perfect hedge for your financing even if we provide you with both products. For example, if the method for determining a loan's floating rate differs from that for a swap's floating rate, the loan floating rate payments could diverge from those of the swap. Such divergence may occur by convention or as the result of contractual differences, such as, for illustration purposes only, in the definition of or the reset timing (e.g., 1-month or 3-month) for the London Interbank Offered Rate (LIBOR), the dates or times at which LIBOR is set, the number of days in the payment periods, the fallback floating rate specified if the method for determining LIBOR fails, or the floating rate rounding convention

Applicability of Certain Regulations
WFBNA is a "swap dealer" as defined in the Commodity Exchange Act ("CEA"), and one or more transactions described in the Materials are "swaps" as defined in the CEA and regulations of the Commodity Futures Trading Commission ("CFTC") or "security based swaps" as defined in the CEA and the Securities Exchange Act of 1934 and regulations of the U.S. Securities and Exchange Commission ("SEC"). From time to time, we may furnish you with certain information or request that you furnish us with certain information or representations or take other action we consider necessary or appropriate to comply with applicable legal or regulatory requirements, including the requirement that, in order to enter into a swap with us, you must be an Eligible Contract Participant (as defined in 17 C.F.R. §1.3(m)). Nothing herein or in the Materials constitutes legal advice or purports to be a complete statement of regulations applicable to swaps, matters which you should address with your own legal advisors. For purposes of CFTC Regulations 1.71 and 23.605, please note that the Materials are a "solicitation" of a swap and not a "research report" as defined therein. To the extent the Materials include a scenario analysis, such inclusion shall not supersede your right under CFTC Regulation 23.431(b) to request and consult in the design of a scenario analysis. Nothing in the Materials should be construed as a recommendation or opinion with respect to any swap or trading strategy involving a swap for purposes of CFTC Regulations Part 23 or the CEA. The Materials do not take into account your particular investment objectives, financial condition or needs and are not intended to serve as a basis for entering into a swap or to suggest, through opinion, recommendation, or otherwise, that you should enter into a particular swap or trading strategy involving a swap. You should consult with your own advisors for opinions on whether to enter into any swap or trading strategy involving a swap.

In certain cases, the transactions described in the Materials may be subject to regulations that have not yet been proposed, adopted in final form or become effective, and some or all of such regulations may have a direct or indirect impact on the substantive terms set forth hereunder. Accordingly, the parties acknowledge partial and/or incomplete information with respect to the requirements of such regulations, but acknowledge that to the extent any term contemplated hereunder is in violation of or subject to any current or future regulation, as amended from time to time, we reserve the right to amend the terms contemplated hereby or cease to offer the transaction described herein.

Relative Compensation
As you evaluate alternative swaps or swap strategies, please note that Wells Fargo's relative compensation may vary from one such alternative to the next. For the alternatives presented herein, Wells Fargo has ranked its relative compensation as: **generally equivalent**. Further information is available at www.wellsfargo.com/swapdisclosures through our "Relative Compensation Disclosure Supplement".

About Wells Fargo
Transactions described in the Materials are not bank deposits or FDIC insured, may expose you to the credit risk of WFBNA and therefore involve risk of loss to you apart from the market risk associated with the underlying rate, price or other economic measure on which the transaction is based. Financial information WFBNA is available at:
https://www.wellsfargo.com/invest_relations/investor_relations

Additional Information
In addition to the information furnished above, you should not enter into any swap transaction described in the Materials without reviewing and understanding our "Disclosure of Material Information for Swaps" and accompanying documents available to you at: www.wellsfargo.com/swapdisclosures

Updating the Materials
We reserve the right to amend, supplement or replace the Materials at any time, and your use of the Materials constitutes your agreement to update the Materials with any such amendments, supplements or replacements we furnish you.

Confidentiality
The information in the Materials is confidential and may not be disclosed by you to anyone without our written consent, other than to your advisors, and judicial or other governmental authorities or regulators having jurisdiction over you (including, without limitation, federal, state or local tax authorities). Notwithstanding anything to the contrary contained in the Materials, all persons may disclose to any and all persons, without limitations of any kind, the U.S. federal, state or local tax treatment or tax structure of any transaction, any fact that may be relevant to understanding the U.S. federal, state or local tax treatment or tax structure of any transaction, and all materials of any kind (including opinions or other tax analyses) relating to such U.S. federal, state or local tax treatment or tax structure, other than the name of the parties or any other person named herein, or information that would permit identification of the parties or such other persons, and any pricing terms or nonpublic business or financial information that is unrelated to the U.S. federal, state or local tax treatment or tax structure of the transaction to the taxpayer and is not relevant to understanding the U.S. federal, state or local tax treatment or tax structure of the transaction to the taxpayer.

Limitation of Liability
In no event shall Wells Fargo be liable to you or any third party for any direct or indirect, special, incidental, or consequential damages, losses, liabilities, costs or expenses arising directly or indirectly out of or in connection with the Materials.

Tax Matters
IRS Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that any advice contained in the Materials does not constitute tax advice and shall not be used for the purpose of (i) avoiding tax penalties or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

If you have any questions or concerns about the disclosures presented herein, you should make those questions or concerns known immediately to Wells Fargo

STATE OF ILLINOIS
SPECIFICATIONS/QUALIFICATIONS/STATEMENT OF WORK

D. SPECIFICATIONS/QUALIFICATIONS/STATEMENT OF WORK

D.1. GOAL: The Tollway seeks to select: (i) a **"Senior Pool"** of up to fourteen (14) firms to serve, on an as-needed basis as determined and assigned by the Tollway as described in Section B.7, as Senior Managing Underwriter or Co-Senior Managing Underwriter on Tollway bond issues; and (ii) a **"Co-Manager Pool"** of up to fifteen (15) firms to serve, on an as-needed basis as determined and assigned by the Tollway as described in Section B.7, as Co-Manager on Tollway bond issues, both for an initial term of three years with renewal options for up to an additional two years. Inclusion in either of the pools described above does not guarantee participation in any or all Tollway bond financings. The Tollway may, in its sole discretion, remove any member from either pool or discontinue the pools in their entirety.

D.2. SUPPLIES AND/OR SERVICES REQUIRED:

(1) Firms in the Senior Pool must be able to provide the following services.

A Senior Managing Underwriter of a bond issue must be able to perform the following duties: book runner; leader of the underwriting syndicate; pricing coordinator; lead marketer of the bond issue; structuring the financing (in consultation with the Tollway's financial/municipal advisor(s), if any, and Tollway management / staff); review all documentation related to the bond issuance; compliance with disclosure standards; investor liaison; preparation of rating materials and presentations; and all other services conventional for a senior managing underwriter.

A Co-Senior Managing Underwriter must be able to be a co-leader of the underwriting syndicate; assist, as may be requested by the Tollway, with the structuring of the financing and review of documentation; assist the Senior Managing Underwriter(s) with the marketing of the issue; and provide any other services conventional roles for a Co-Senior Managing Underwriter. The Co-Senior Managing Underwriter is expected to be integral to the transaction and participate in any aspects of the financing as determined to be necessary by the Tollway.

In addition to duties specific to bond issuances to which firms are assigned, firms in the Senior Pool are expected to keep the Tollway informed of fixed income market conditions, especially with respect to the municipal bond market, and other matters pertinent to public finance, and to meet with the Tollway at least once annually to provide detailed consideration of and recommendations regarding items the Vendor considers pertinent to the Tollway. Firms in the Senior Pool are eligible to provide remarketing services for Tollway bond issues that have variable interest rates.

(2) Firms in the Co-Manager Pool must be able to provide the following services.

The Co-Managing Underwriter must be able to assist in the marketing of the bond issue and to provide discrete "niches" in the marketing of the bonds. The Co-Manager's primary responsibility is to broaden the market for the Tollway's bonds in order to help ensure that the Tollway achieves the lowest possible interest cost on its bond issues. Co-Managers may be required to take part in one or more Underwriting Syndicate meetings in the weeks before the expected bond pricing and to submit marketing plans and estimated interest rate scales in the days before the expected bond pricing.

D.3. MILESTONES AND DELIVERABLES:

The current projection of Tollway new money bond issuance during 2017 – 2021 is listed below. **This projection is subject to change.**

YEAR	ESTIMATED NEW MONEY BOND ISSUANCE
2017	$300,000,000
2018	$400,000,000
2019	$200,000,000
2020	$200,000,000
2021	$500,000,000

The number and amounts of any refinancings will depend on market conditions and other factors. Two series of bonds will become callable at par during 2017-2021: (i) all $279.3M of Series 2010A-1; and (ii) a $100M portion of Series 2009A. Significant amounts of other bonds may be refunded during 2017-2021, depending on market conditions and other factors. The amount and extent of any derivatives transactions is unknown. The Tollway has used interest rate swap agreements in the past to manage the financing costs of large/lengthy capital programs and to obtain financing at a synthetic fixed interest rate below what was then-available at a traditional fixed interest rate.

Please access the Tollway's website (www.illinoistollway.com) for information on the Move Illinois Program and the Tollway's financial condition, including its debt portfolio. Additional information on Tollway debt may be found on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA").

D.4. OFFEROR / STAFF SPECIFICATIONS:

The Offeror must be registered, and remain registered and in good standing, as a broker dealer with the Municipal Securities Rulemaking Board. The Offeror and assigned personnel must remain current with any ongoing requirements to maintain registration.

D.5. TRANSPORTATION AND DELIVERY TERMS: not applicable

D.6. SUBCONTRACTING

D.6.1. Subcontractors are not allowed. A subcontractor is a person or entity that enters into a contractual agreement with a total value of $50,000 or more with a person or entity who has a contract subject to the Illinois Procurement Code pursuant to which the person or entity provides some or all of the goods, services, real property, remuneration, or other monetary forms of consideration that are the subject of the primary State contract, including subleases from a lessee of a State contract. If subcontractors are to be utilized, Offeror must identify subcontractors expected to receive $50,000 or more annually under the contract and disclose

the expected amount of money each will receive in the Subcontractor Disclosure form found in Section 3 Part I.

D.6.2. The Offeror shall notify the State of any additional or substitute subcontractors hired during the term of the contract. If required, Offeror shall provide the State a copy of all such subcontracts within fifteen (15) days after execution of the contract or the subcontract, whichever occurs later.

D.6.3. Any subcontracts entered into prior to award of the contract are done at the sole risk of the Offeror and subcontractor(s).

D.7. WHERE SERVICES ARE TO BE PERFORMED

D.7.1. Unless otherwise disclosed in this section, all services shall be performed in the United States. This information and the economic impact on Illinois and its residents may be considered in the evaluation. If the Offeror performs the services purchased hereunder in another country in violation of this provision, such action may be deemed by the State as a breach of the contract by Offeror.

D.7.2. Offeror shall disclose the locations where the services required shall be performed and the known or anticipated value of the services to be performed at each location. If the Offeror received additional consideration in the evaluation based on work being performed in the United States, it shall be a breach of contract if the Offeror shifts any such work outside the United States.

D.7.3. Location where services will be performed: Chicago, Illinois and New York City, New York.

D.7.4. Percentage of contract of services performed at this location: 50% at each location.

D.8. OFFEROR'S PROPOSED SOLUTION TO MEET THE STATE'S REQUIREMENTS (Packet 1): Please respond in the following prescribed format:

The Proposal volumes shall be organized and formatted in separately bound volumes (using three-ring or loose-leaf binders). All hardcopies shall be submitted on 8.5-inch by 11-inch paper. Legibility, clarity, and completeness are essential. Any page limits must be strictly adhered to. Respondents are advised to adhere to the submittal requirements of this RFP. Failure to comply with the instructions of this RFP may be cause for rejection of a non-compliant proposal. Offerors are encouraged to provide adequate details for any request for information as noted in this RFP.

The Offeror shall tab and title the sections of their response as noted below. **PAGE LIMIT: The sum of the pages in Tabs 3, 4, 5 and 6 may not exceed 17 pages – exceeding the page limit may result in disqualification.** Proposal scoring will be based on the Respondent's submittal for the following elements:

Tab 1 - Table of Contents: The Offeror shall include a table of contents in its Offer. Offers shall be page numbered sequentially from front to back.

Tab 2 - Transmittal Letter: An individual authorized to legally bind the Offeror shall sign the transmittal letter. The person who signs the transmittal letter will be considered the contact person for all matters pertaining to the Offer unless the Offeror designates another person as such contact in the letter. The letter shall include the Offeror's mailing address, e-mail address, fax number and telephone number.

Any request for confidential treatment of information shall be included in the transmittal letter in addition to the specific statutory basis supporting the request, an explanation of why disclosure of the information is not in the best interest of the public, and the specific basis in the Illinois Freedom of Information Act (5 ILCS 140/7) for the exemption from disclosure of such information. The transmittal letter shall also contain the name, address, email address, and telephone number of the individual authorized to respond to the Illinois Tollway about the confidential nature of the information.

Tab 3 - Executive Summary: The Offeror shall prepare an Executive Summary that includes statements that: (i) identify whether the Offeror is responding for the Senior Pool or the Co-Manager Pool **(RESPONDENTS MAY NOT APPLY TO BOTH POOLS)**; (ii) demonstrate the Offeror understands the services specified in the RFP; (iii) the Offeror is registered and in good standing as a broker dealer with the Municipal Securities Rulemaking Board; (iv) the Offeror will agree with Section 3 F "Standard Terms and Conditions" and that any exceptions to such agreement are included in Section 3 G; and (iv) provide a brief (one paragraph) overview of qualifications.

Tab 4 – Experience/Qualifications: Please note that for questions or information requests related to personnel, applicants to the Senior Pool must provide information on personnel related to all aspects of public finance (deal origination, underwriting, marketing), whereas applicants to the Co-Manager Pool may provide information limited to marketing and distribution. Personnel will be evaluated by their length of experience in the industry, experience with transportation and large governmental issuers, and other experience deemed relevant for the pool for which you applied, and references to the extent obtained.

Tab 4(a) Experience/Qualifications of the Firm

- Identify: the location of the firm headquarters and the principal place(s) of business related to public finance; the locations and number of employees of each of the public finance offices and underwriting desks located in the United States; and the number of U.S. Sales professionals, differentiating between retail and institutional. For purposes of the Senior Pool, a Chicago-area public finance office is preferred.
- Provide a brief overview of your firm including its business operations, organizational structure, and total number of employees.
- Indicate if your firm is a minority, female, veterans or disabled – owned business enterprise.
- Provide a listing of your transportation clients within the past three years, noting the services provided.
- Provide a listing of up to five additional clients for which you have served as senior managing underwriter, co-senior managing underwriter, or co-managing underwriter that you deem particularly representative of the services requested by this RFP for the pool for which you have applied.
- Please describe your firm's underwriting experience for tax-exempt obligations of issues of $100 million or more of transportation revenue bonds from January 1, 2014 to present in tabular form. Include, at a minimum, the issuer, sale date, size of issue, security (e.g. toll road revenue, sales tax revenue), interest rate type (fixed/variable), issuer credit ratings at the time of issue, your firm's role and your firm's percentage of takedown compensation. Limit this list to the thirty (30) transactions you deem most representative of your abilities to provide the services requested by this RFP for the pool for which you have applied. To the extent your list, when limited to transportation revenue bonds, is less than thirty (30) transactions, you may list other transactions you deem representative of your firm's abilities to provide the services requested for the pool for which you have applied. *This list requested in this Tab 4(a) may be included in Tab 9 without counting against the page limit for Tabs 3-6.*

Tab 4(b) Experience/Qualifications of Personnel

- Identify the firm representative who would be directly responsible for overseeing this engagement.
- Provide a staffing plan listing the individuals who would be assigned to the Tollway. In summary form, list their name, title, engagement role, office location, time with the firm, and summarize their qualifications and experience. Key personnel's relevant experience at prior firms may be included. Information relating to personnel responsible for marketing the Bonds may be provided on an aggregate rather than an individual basis. The respondent may (but is not required to) divide such aggregate information into sub-categories (e.g. institutional vs retail, tax-exempt vs. taxable, geographically, etc.). Information relating to marketing personnel should be accompanied by narrative describing the plan for utilizing such marketing personnel and how the respondent's marketing resources provide value to the Tollway in the context of the pool for which the respondent is applying. *Note, resumes of key personnel may be attached in Tab 9 without counting towards the 17-page limit for response to Tabs 3-6.*
- The Offeror shall provide references for three transactions within the past twelve months for which: (a) the Offeror served as bond underwriter; and (b) the primary contact person designated in the Transmittal Letter served as the primary contact for the Offeror. If the primary contact designated in the Transmittal Letter has not worked on three such transactions, then other transactions for which the Offeror served as bond underwriter may be included. Submit references per the form included in Section 3, Part J. *The references may be included in Tab 9 without counting against the 17-page limit for response to Tabs 3-6.* The Tollway may contact one or more of these references for each Offeror and reserves the right to contact additional references, and information from such references may be factored into scoring.

Planned Changes: Describe any potential or planned changes or initiatives that, in the next twelve months, could significantly change any of the information provided regarding the firm and its personnel. Include any plans for significant restructuring of staff. The Tollway reserves the right to reconsider award if, subsequent to award, there are changes related to key personnel.

Tab 5 – Financial Capacity

The Tollway will allocate up to 10 points to financial capacity for applicants to the Senior Pool and up to 5 points for applicants to the Co-Manager Pool. In addition to the information requested below, the Tollway may consider information from the Offeror's financial statements and/or credit rating agencies in assessing financial capacity.

Provide your firm's total capital and uncommitted excess net capital as of each of the most recent quarter ends available and the most recent two fiscal year ends available. As of each of those dates, specify any limitations that existed on utilizing such capital for public finance.

Tab 6 - Technical Approach

Tab 6(a) – Technical Approach – Structuring (only Senior Pool applicants to respond)

- Identify and describe recommendations and strategies your firm would propose to best position the Tollway to achieve a favorable cost of borrowing during the years 2017-2021 on its estimated $1.6 *billion* of projected new money bond issuance (per the schedule included in section D.3 of this RFP). Describe any challenges you foresee with respect to your recommendations.

- Provide refunding recommendations and other strategies for managing the Tollway's bond portfolio during the next five years, *including* regarding the Tollway's $1.2 billion of variable rate bonds, all of which are swapped to synthetic fixed rate. Information on the Tollway's bond portfolio can be found on the Tollway's website (http://www.illinoistollway.com/) or the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system (http://emma.msrb.org/).
- Provide descriptions of two or three recent examples of municipal financings that demonstrate your firm's creative skills and services for the benefit of its municipal clientele, as relating to the structuring and underwriting of a bond financing.
- Assuming your firm was the lead (bookrunning) Senior Managing Underwriter on an Illinois Tollway bond issue, provide your firm's ideas on how best to conduct a negotiated sale. For purposes of this response, assume a $300 million senior lien fixed rate bond issue with maturities in years 15-25. You may include recommendations on the optimal size of the underwriting group, including the number of senior managing underwriters, co-senior managing underwriters and co-managing underwriters, and recommendations for supporting fair allocations among members of the underwriting group.

Tab 6(b) – Technical Approach – Marketing

Provide a marketing plan for Tollway bonds, assuming a $300 million senior lien fixed rate bond issue with maturities in years 15-25, which capitalizes on your firm's marketing strengths to help broaden the market for the Tollway's bonds. This should include information on your distribution capabilities and identification of types (and names if possible) of key potential buyers that you would approach. Your discussion should include how you would deploy your retail (if/as applicable) and institutional sales distribution capabilities and a description of the investor base you feel should be targeted and strategies on how to reach those investors. This information should demonstrate how your firm will reach buyers that broaden the market for the Tollway's bonds, helping to ensure that the Tollway obtains the lowest possible interest rate. Topics may include issues regarding bond structure to the extent impactful on marketing efforts, bond ratings considered most beneficial to marketing efforts, credit rating strategies, investor marketing strategies, investor presentations and frequency of roadshows, timing of printing, sale and closing, and any other matters the Offeror deems pertinent to the marketing and sale of the bonds. Provide examples of bond issues for which the competitive strengths that you would ascribe to your bond sales area benefitted the transaction.

Any deviation from the service requirements or any requirements that the Offeror cannot satisfy may affect evaluation of the Offer and may disqualify the Offeror. A response such as, "We will meet or exceed the requirements" without any details of how the requirement will be met may not be considered an acceptable response and may be scored accordingly.

Tab 7 - Financials: The Offeror shall provide the last three (3) most recent Year End Financial Statements.

Tab 8 - Pricing: Pricing **must** be submitted separately. **Include a page as a placeholder. For applicants to the Senior Pool, include on the placeholder page: "Pricing submitted separately in a separate, sealed envelope with disc or USB in Packet #2." For applicants to the Co-Manager Pool, include on the placeholder page: "Applicant to Co-Manager Pool – Pricing not required."**

Tab 9 - Deal Lists, Resumes and References: Deal Lists requested for Tab 4(a) and Resumes and References requested for Tab 4(b) may be included in this Tab 9 without counting against the 17-page limit for Tabs 3-6.

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Tab 2 – Transmittal Letter

Wells Fargo Securities
Midwest Region
S. Wacker Drive, 15th Floor
Chicago, IL 60606

Wells Fargo Securities
Transportation Group
150 East 42nd Street, 25th Floor
New York, NY 10017

February 3, 2017

Desiree Liberti
Illinois State Toll Highway Authority
Purchasing Supervisor
2700 Ogden Avenue
Downers Grove, IL 60515

Dear Ms. Liberti:

On behalf of Wells Fargo Bank, N.A. ("WFBNA"), a subsidiary of Wells Fargo & Company ("Wells Fargo"), operating under the trade name, Wells Fargo Securities ("WFS"), we are pleased to submit our qualifications to serve the Illinois State Toll Highway Authority (the "Tollway" or "Authority") as Senior Managing Underwriter for the Tollway's future bond transactions. We believe that our inclusion within the Tollway's previous Senior Manager Pool and our performance as senior and co-senior manager on the Authority's recent transactions are a testament of the comprehensive resources we offer and our ability to effectively serve the Tollway as Senior Manager. Below we highlight several of our compelling qualifications:

- ***Local and National Public Finance Practice:*** WFS' public finance professionals offer the Authority an integrated coverage model that combines regional expertise with broad industry knowledge. With Larry Richardson in Chicago and Nancy Feldman in New York City, WFS is able to offer the Tollway a team that has both local knowledge and comprehensive national transportation expertise. WFS maintains fully staffed underwriting desks in both New York City and Charlotte that are recognized for their pricing leadership. **In 2016, we were the 5th ranked municipal underwriter nationally, having senior managed 326 negotiated and competitive issues totaling over $26.0 billion.**[1] Additionally, WFS is one of the top remarketing agents in the nation and, **as of January 1, 2017, WFS manages the 3rd largest remarketing portfolio in the nation by par amount with over $20 billion in variable rate demand bonds.**[2]
- ***Transportation Expertise:*** WFS offers the Tollway specialized expertise as it relates to its transportation borrowing program. Our focus on service, ideas, and market-leading execution has allowed us to become one of the leading firms in transportation debt financings. **In 2016, we were the #3 ranked senior manager of surface transportation debt, having senior managed over $3.5 billion of financings** for issuers including Arizona Department of Transportation ("DOT"), Colorado DOT, Texas DOT, Oklahoma DOT, and Virginia DOT, among others.[3] Most importantly, WFS has a history with the Tollway and previously senior managed the Authority's 2014 issuance of $400 million Toll Highway Senior Revenue Bonds and co-senior managed its $500 million issue in 2013 and $333.06 million financing in 2015.
- ***Market Strength and Commitment:*** The capital strength of your investment banking partner cannot be overemphasized, especially in difficult, volatile market environments like today. WFBNA is one of the premier U.S. domiciled banks with strong credit ratings, Aa1/AA-/AA from Moody's, S&P and Fitch, respectively. WFBNA's strong platform enables us to offer our issuing clients comprehensive solutions ranging from investment banking services to credit products and capital market solutions. In addition, as a bank dealer, WFS has access to the capital base of WFBNA, which as of September 30, 2016, totaled approximately $159.6 billion.[4] This capital base allows us to underwrite transactions of significant size, support our clients by committing capital towards unsold balances, and provide secondary market liquidity for our clients' bonds. Furthermore, WFBNA has leveraged the bank's balance sheet for the Tollway and provided credit in the form of a direct purchase facility. Our ability to offer this type of solution is a clear indication of the importance we place on our relationship with the Tollway.
- ***Broad Bond Distribution Network, Particularly in Illinois:*** By virtue of our multi-channel salesforce, Wells Fargo has the ability to access institutional, middle market and retail investors for the benefit of the Authority. WFS' municipal institutional sales force consists of 17 sales professionals, who cover the largest institutional buyers in the municipal market. Additionally, Wells Fargo Securities LLC's approximately 200-member middle market sales force, including 4 middle market sales professionals in Chicago, provides broad coverage of Tier 2 and Tier 3 institutional accounts. WFS' retail distribution is effected through our affiliate Wells Fargo Advisors[5] ("WFA"), which is the third largest retail brokerage network in the country. WFA's national retail platform employs over 15,000 full-service financial advisors including 482 financial advisors in 70 offices in Illinois.

[1]Source: Thomson Reuters SDC Data; True Economics to Bookrunner; Represents combined competitive and negotiated municipal new issues underwritten for 1/1/2016 to 12/31/2016 by WFS.
[2]Source: Thomson Reuters SDC Data as of 1/1/2017.
[3]Source: Thomson Reuters SDC. True Economics to Bookrunner. Represents negotiated and competitive municipal new issues underwritten for 1/1/2016 to 12/31/2016 by WFS.
[4] Source: WFBNA 3Q2016 Call Report
[5] Wells Fargo Advisors is the trade name used by two separate registered broker-dealers and non-bank affiliates and wholly owned subsidiaries of Wells Fargo & Company: Wells Fargo Advisors, LLC and Wells Fargo Advisors Financial Network, LLC (members SIPC).

Wells Fargo Securities
Midwest Region
S. Wacker Drive, 15th Floor
Chicago, IL 60606

Wells Fargo Securities
Transportation Group
150 East 42nd Street, 25th Floor
New York, NY 10017

- ***Illinois Presence and Commitment.*** Over the past 10 years, Wells Fargo has expanded dramatically in the state of Illinois and currently employs 3,700+ team members in Illinois across 69 cities throughout the state.[6] Wells Fargo's commitment to the local communities of the state is demonstrated through our active participation in charitable giving and team member engagement. In 2015, our contributions included over $2.8 million to nonprofits and schools through corporate and foundation giving in Illinois, $1.4 million through the annual team member Community Support (United Way Campaign); $803,700 to match team member gifts to accredited educational institutions, foundations and Habitat for Humanity; and over 25,000 volunteer hours from our team members.[7]
- ***Illinois Underwriting Experience:*** WFS maintains a local public finance office in Chicago which employs 10 professionals who are experienced in providing financing solutions for Illinois municipal issuers. These individuals sit alongside 11 commercial banking professionals[8] dedicated to municipal finance. WFS has considerable underwriting experience in the state of Illinois, having served as senior managing underwriter on over $4.7 billion in par amount since 2013, including serving as senior manager on the Tollway's $400 million Series 2014C bonds.[9] Additionally, WFS provides secondary market support for Illinois issuers and, since January 2010, WFS has traded over $16.8 billion of Illinois municipal paper in the secondary market, including $230 million of the Tollway's paper.[10]
- ***Commitment to Diversity:*** Wells Fargo is deeply focused on diversity and spends 10% annually with certified minority, women and disadvantaged small business enterprises. The success of Wells Fargo's commitment to minority and female employment opportunities is demonstrated through the numerous diversity awards we have received throughout the years, including 12th Best Company for Diversity by *DiversityInc*, and a 100% score on the Corporate Equality Index by Human Rights Campaign in 2016. This commitment to diversity is exemplified in our Public Finance Department's approach and our team has worked on many financings with minority-, women-, veterans- and disabled-owned firms.

We appreciate the opportunity to highlight our experience and qualifications to the Tollway. We believe these qualifications position WFS to serve as your Senior Manager and Remarketing Agent. The Authority's business is of the utmost importance to WFS and we are committed to providing the highest level of service. We look forward to discussing your questions on our response.

Sincerely,

[redacted]

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Managing Director
Head of Midwest Region
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larry.richardson1@wellsfargo.com

Nancy Feldman
Managing Director
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Wells Fargo Securities
(P) 212.214.6720
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[6]Company data as of 12/31/2016
[7]Company data as of 12/31/2015
[8]Services provided by Wells Fargo Bank, N.A.
[9]Thomson Reuters SDC Data for time period 1/1/2013 to 1/27/2017
[10] Source: WFS Underwriting Desk for time period 1/1/2010 to 1/19/2017

Tab 3 – Executive Summary

Tab 3 - Executive Summary

Required Statements

Wells Fargo Bank, N.A. ("WFBNA"), operating under the trade name of Wells Fargo Securities ("WFS"), is proposing to be qualified within the Illinois State Toll Highway Authority's (the "Tollway" or "Authority") Senior Pool. As a leading firm in the municipal industry with a dedicated transportation team, strong Illinois presence, extensive distribution system, and robust capital strength, WFS has the experience, resources, and capabilities necessary to successfully perform the duties expected of the Tollway's Senior Managing Underwriter. We hope that our past involvement as senior and co-senior manager on the Tollway's recent financings is evidence of this.

WFBNA is registered and in good standing as a broker dealer with the Municipal Securities Rulemaking Board. Additionally, WFBNA will agree with Section 3 F "Standard Terms and Conditions" and has included any exceptions to the agreement within **Section 3 G**.

Overview of Qualifications

As a national, full-service, financial services institution, WFS offers the Tollway a comprehensive banking platform with local presence, specialized expertise, extensive distribution capabilities, and capital strength. The financial strength of our platform and the breadth and depth of the services we offer enables WFS to execute a wide range of financing strategies for the Authority and dedicate extensive resources throughout the entire course of the Tollway's financing. Few firms can match the comprehensive suite of resources WFS provides, which we highlight below:

- ***Local and National Public Finance Practice:*** WFS' public finance professionals offer the Authority an integrated coverage model that combines regional expertise with broad industry knowledge, particularly in the transportation space. WFS is a leading underwriter of municipal debt and, **in 2016, we were the 5th ranked underwriter nationally, having senior managed 326 negotiated and competitive issues totaling over $26.0 billion.[11] Additionally, WFS manages the 3rd largest remarketing portfolio in the nation by par amount with over $20 billion in variable rate demand bonds.[12]**
- ***Transportation Expertise:*** WFS offers the Tollway specialized expertise as it relates to its transportation borrowing program. Our focus on service, ideas, and market-leading execution has allowed us to become one of the leading firms in transportation debt financings. **In 2016, we were the #3 ranked senior manager of surface transportation debt, having senior managed over $3.5 billion of financings.**[13] **In addition, just this week, WFS served as Senior Manager on the Oklahoma Turnpike Authority's issuance of $480 million of Second Senior Toll Revenue Bonds.**
- ***Market Strength and Commitment:*** WFBNA is one of the premier U.S. domiciled banks with strong credit ratings of Aa1/AA-/AA from Moody's, S&P and Fitch and a robust capital base of $159.6 billion as of September 30, 2016. [14] This capital base differentiates us from many of our competitors, allowing us to underwrite transactions of significant size, support our clients by committing capital towards unsold balances, provide secondary market liquidity for our clients' bonds, and, as a commercial bank, offer a range of credit solutions.
- ***Broad Bond Distribution Network, Particularly in Illinois:*** WFS' municipal institutional sales force consists of 17 sales professionals, who cover the largest institutional buyers in the municipal market. Additionally, Wells Fargo Securities LLC's approximately 200-member middle market sales force, including 4 sales professionals in Chicago, provides broad coverage of Tier 2 and Tier 3 institutional accounts. WFS' retail distribution is effected through our affiliate Wells Fargo Advisors[15] ("WFA"), which is the third largest retail brokerage network in the country with over 15,000 full-service financial advisors, including 482 within 70 offices in Illinois.
- ***Illinois Presence and Commitment.*** Wells Fargo employs 3,700+ team members in Illinois across 69 cities throughout the state.[16] Wells Fargo's commitment to the local communities of the state is demonstrated through our active participation in charitable giving and team member engagement. In 2015, our contributions included over $2.8 million to nonprofits and schools through corporate and foundation giving in Illinois, $1.4 million through the annual team member Community Support (United Way Campaign); $803,700 to match team member gifts to accredited educational institutions, foundations and Habitat for Humanity; and over 25,000 volunteer hours from our team members.[17]
- ***Illinois Underwriting Experience:*** WFS maintains a public finance office in Chicago which employs 10 professionals who are experienced in providing financing solutions for Illinois municipal issuers. WFS has considerable underwriting experience in the state of Illinois, having senior managed over $4.7 billion in par amount since 2013.[18]
- ***Commitment to Diversity:*** Wells Fargo is deeply focused on diversity and spends 10% annually with certified minority, women and disadvantaged small business enterprises. The success of Wells Fargo's commitment to minority and female employment opportunities is demonstrated through the numerous diversity awards we have received throughout the years, including 12th Best Company for Diversity by *DiversityInc*, and a 100% score on the Corporate Equality Index by Human Rights Campaign in 2016.

[11] Source: Thomson Reuters SDC Data; True Economics to Bookrunner; Represents combined competitive and negotiated municipal new issues underwritten for 1/1/2016 to 12/31/2016 by WFS.
[12] Source: Thomson Reuters SDC Data as of 1/1/2017.
[13] Source: Thomson Reuters SDC. True Economics to Bookrunner. Represents negotiated and competitive municipal new issues underwritten for 1/1/2016 to 12/31/2016 by WFS.
[14] Source: WFBNA 3Q2016 Call Report
[15] Wells Fargo Advisors is the trade name used by two separate registered broker-dealers and non-bank affiliates and wholly owned subsidiaries of Wells Fargo & Company: Wells Fargo Advisors, LLC and Wells Fargo Advisors Financial Network, LLC (members SIPC).
[16] Company data as of 12/31/2016
[5] Company data as of 12/31/2015
[18] Thomson Reuters SDC Data for time period 1/1/2013 to 1/27/2017

Tab 4 – Experience/Qualifications

Tab 4 (a) – Experience/Qualifications of the Firm

Tab 4 (a) – Experience/Qualifications of the Firm

FIRM OVERVIEW

Wells Fargo & Company ("Wells Fargo"), founded in 1852 and headquartered in San Francisco, California, is a nationwide, diversified financial services company providing banking, insurance, investments, mortgage and consumer finance, asset and wealth management, and investment banking products and services. Today, Wells Fargo is one of the nation's premier financial institutions with $1.9 trillion in assets and **268,000 team members** across 90+ businesses.[19] We are one of the largest U.S. banks measured by market capitalization ($277 billion as of January 20, 2017).[20] Wells Fargo prides itself on being a one stop shop for our clients, capitalizing on the extensive services and products that only an organization of our size and diversity can offer an issuer like the Authority.

The public finance activities of Wells Fargo & Company are conducted primarily within Wells Fargo Bank, National Association Municipal Products Group. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including WFBNA, the legal entity for underwriting, swap counterparty and letter of credit purposes. At present, WFBNA is one of the strongest, best-capitalized and highest rated banks in the world with long-term credit ratings of Aa1/AA-/AA and short-term credit ratings of P1/A-1+/F1+ by Moody's, S&P and Fitch, respectively.

Government & Institutional Banking. Wells Fargo conducts its municipal investment banking business through its Governmental and Institutional Banking ("GIB") Group, which consists of 500+ team members. Unlike most firms, GIB aligns investment banking, capital markets, and commercial banking teams under one umbrella, ensuring that our clients are provided with an integrated team that can provide a range of comprehensive solutions.

Municipal Products Group. WFS' Public Finance Department is located within the Municipal Products Group ("MPG"), which operates in 18 offices nationwide and is headquartered in New York City, where the firm's Transportation Group is based. New York City and Charlotte, North Carolina serve as the principal places of business for WFS' municipal syndicate and underwriting activities. WFS maintains a regional office in Chicago from which it provides coverage of Midwest municipal issuers. The group provides a full range of capital market products, including banking and origination, underwriting, credit analysis, sales and trading, infrastructure/P3 advisory, and access to derivative solutions. WFS' comprehensive platform provides us with the expertise and resources to provide our municipal clients with innovative financing solutions. **In 2016, WFS was the 5th ranked senior manager, having senior managed 326 negotiated and competitive issues totaling over $26.0 billion.**[21] In total, the MPG employs **197 individuals** including:

Government & Institutional Banking			
	Public Finance	Sales, Trading & Underwriting	Totals
Baltimore, MD	3	-	3
Boston, MA	1	-	1
Charlotte, NC	16	34	50
Chicago, IL	**10**	**-**	**10**
Clearwater, FL	7	-	7
Dallas, TX	6	-	6
Denver, CO	7	-	7
Houston, TX	7	-	7
Los Angeles, CA	11	-	11
Minneapolis, MN	4	-	4
New York, NY	52	10	62
Philadelphia, PA	5	1	6
Phoenix, AZ	2	-	2
Salt Lake City, UT	1	-	1
San Antonio, TX	2	-	2
St. Louis, MO	4	-	4
San Francisco, CA	12	1	13
Seattle, WA	1	-	1
Totals	**151**	**46**	**197**

- Public Finance Investment Banking – Staffed with 151 professionals and fully dedicated to serving governmental, transportation, housing, higher education, health care and other nonprofit institutions in every facet of the municipal market. The professionals who will serve the Authority have extensive experience serving transportation issuers nationwide. WFS' Chicago public finance office is comprised of 10 professionals with a long-term history with local government borrowers in Illinois and experience on past financings for the Authority.
- Bond Trading/Syndicate – Staffed with 29 professionals who underwrite negotiated and competitive municipal issues nationwide, this group is also a participant in the secondary market and maintains positions in various types of municipal bonds. In 2016, our average daily inventory of municipal fixed and variable rate securities was around $1.5 billion and $668 million, respectively.[22] We also trade an average of $355 million and $300 to 500 million of fixed and variable rate securities daily.[23]
- Institutional Client Services – Staffed with 17 sales professionals who concentrate their efforts on selling municipal and structured finance products to top-tier institutional buyers throughout the nation. WFS' institutional investor base includes the 250 key national buyers of municipal securities among the firm's 425-institutional account base.

As a top-tier investment banking and securities brokerage firm, Wells Fargo maintains a fully integrated, multi-channel, retail and institutional distribution network with both local presence and national breadth. WFS has taken a deliberate approach to maximize investor demand by covering all investor segments, including smaller mid-tier accounts that are generally

[19] Source: Wells Fargo Company Data as of 3Q2016
[20] Source: Bloomberg
[21] Source: Thomson Reuters SDC Data; True Economics to Bookrunner; Represents combined competitive and negotiated municipal new issues underwritten for 1/1/2016 to 12/31/2016 by WFS.
[22] Source: WFS Underwriting Desk for time period 1/1/2016 to 12/31/2016.
[23] Source: WFS Underwriting Desk for time period 1/1/2016 to 12/31/2016.

overlooked by other firms. Wells Fargo is one of the few firms in the industry with all three in-house distribution channels: (1) institutional sales; (2) middle-market sales; and (3) retail brokerage. As we discuss in greater detail within our response, WFS will utilize all three distribution outlets within Illinois and nationally to support the Tollway's bond issue.

Wells Fargo's Extensive Distribution Network

Institutional Sales	Middle Market[1]	National Retail Sales[2]	Illinois Retail Sales[2]
• 17 Sales Professionals	• ~200 Sales Professionals **(4 in Chicago)**	• 3rd Largest Brokerage ~15,000	• Financial Advisors: 482
• 250 Key National Buyers of Municipal Securities	• 17 Sales Offices across the nation	• Brokerage Locations: 5,000+	• Sales Offices: 70
• 425-Account Base	• Extensive network covering 6,400+ "Tier 2" and "Tier 3" investors	• Client Assets: $1.4 trillion	• Client Accounts: 453,324
		• Client Assets: 3rd Largest	• Client Assets: $57.7 billion

Source: Wells Fargo unless otherwise specified. As of December 31, 2016. [1]Provided by Wells Fargo Securities, LLC. [2]Provided by Wells Fargo Advisors, LLC

Minority, Female, Veterans or Disabled-Owned Business Enterprise Status

Wells Fargo is a publicly traded corporation and does not qualify as and is not certified as a Minority, Women, Veterans or Disabled-owned business enterprise ("M/W/V/DBE"). However, Wells Fargo is deeply focused on diversity and spends 10% annually with certified minority, women and disadvantaged small business enterprises. The success of Wells Fargo's commitment to minority and female employment opportunities is demonstrated through the numerous diversity awards we have received throughout the years, including 12th Best Company for Diversity by *DiversityInc*, and a 100% score on the Corporate Equality Index by Human Rights Campaign in 2016. This commitment to diversity is exemplified in our Public Finance department's approach. Wells Fargo's team dedicated to the Authority is diverse in nature and is comprised of 47% minority and/or female team members. Our team has worked on many financings with M/W/V/DBE firms and is committed to meeting the Tollway's M/W/V/DBE participation goals.

Transportation Experience and Clients

WFS features a leading transportation finance team with individuals that have more than 90 years of combined experience. This group is committed to serving clients like the Tollway by leveraging our experience with large and high-profile transportation issuers across the nation. Our focus on service, ideas, and market-leading execution has allowed us to become one of the leading firms in transportation debt financings. **In 2016, we were the #3 ranked underwriter of surface transportation debt, having senior managed over $3.5 billion of issues.**[24] WFS is highly experienced in providing investment banking services to a number of transportation clients. Within **Tab 9** we have provided a list of the transportation clients we have served over the past three years.

Senior Managed Clients

WFS is a nationally recognized underwriter and consistently ranks among the top ten senior managing underwriters of municipal debt. In 2016 we were the 5th ranked senior manager nationally, having senior managed 326 municipal new issues totaling over $26 billion.[25] As one of the leading underwriters of municipal debt, clients have entrusted WFS to senior manage some of the largest, most complex issues, demonstrating our municipal distribution capabilities and ability to lead a successful underwriting strategy for the Tollway's future bond issuances. Below we highlight five transportation clients for which we have served as senior manager over the course of the past year and are representative of our ability to senior manage future Tollway financings.

Select Transportation Clients

Oklahoma Turnpike Authority	Colorado Department of Transportation	Virginia Transportation Board	Texas Transportation Commission	Arizona Transportation Board
Turnpike Second Senior Rev and Ref Bonds	*Certificates of Participation*	*Federal Transportation Revenue GANs*	*Highway Improvement GO Bonds*	*Refunding GANs*
$480,000,000	$70,000,000	$316,930,000	$588,755,000	$90,410,000
February 2017	December 2016	October 2016	October 2016	September 2016
Senior Manager	*Senior Manager*	*Senior Manager*	*Senior Manager*	*Senior Manager*

Underwriting Experience

Aided by our broad distribution network and capital strength, WFS has the ability to support municipal issuers, such as the Tollway, on transactions of significant size. Since January 1, 2014, WFS has underwritten 820 with par amount in excess of $100 million for an aggregate par amount of $272.6 billion, including 282 senior managed transactions totaling a par amount of $87.1 billion.[26] Our underwriting expertise has been particularly concentrated in the transportation sector. Within **Tab 9** we highlight 30 transportation transactions WFS has underwritten which we deem most representative of our abilities to senior manage the Authority's future bonds. Additionally, WFS is currently mandated as senior manager on the Southern Nevada Regional Transportation Commission's upcoming issuance of $150 million Highway Revenue Bonds, Series 2017 which are expected to price in March 2017.

[24]Source: Thomson Reuters SDC. True Economics to Bookrunner. Represents negotiated and competitive municipal new issues underwritten for 1/1/2016 to 12/31/2016 by WFS.
[25]Source: Thomson Reuters SDC. True Economics to Bookrunner. Represents negotiated and competitive municipal new issues underwritten for 1/1/2016 to 12/31/2016 by WFS.
[26]Source: Thomson Reuters SDC Data. Represents combined competitive and negotiated municipal new issues underwritten for 1/1/2014 to 2/1/2017 by WFS.

Tab 4 (b) – Experience/Qualifications of Personnel

Tab 4(b) Experience/Qualifications of Personnel

STAFFING PLAN

WFS and our team dedicated to the Tollway have extensive involvement with transportation and Illinois issuers. Key strengths of the dedicated team include: (1) national experience as a municipal underwriter; (2) presence in and in-depth knowledge of the Illinois municipal market; and (3) extensive experience structuring, marketing and distributing transportation bonds. Our team of dedicated, highly accessible and seasoned professionals bring a vast array of experience and knowledge to the Tollway and have a strong understanding of your financings needs, having senior and co-senior managed 3 Authority financings totaling a par amount of $1.2 billion since 2013. **Larry Richardson** and **Nancy Feldman** will continue to serve as the primary contacts for the Tollway and will be responsible for the coordination of WFS' investment banking services.

Mr. Richardson heads the firm's public finance efforts in the Midwest Region and has 31 years of experience in public finance, in the capacity of issuer, managing underwriter and financial advisor. Mr. Richardson has led the underwriting of financings for a number of Illinois and transportation issuers, including the State of Illinois, City of Chicago, Chicago Transit Authority ("CTA"), Chicago Park District, Regional Transportation Authority ("RTA"), Bi-State Metropolitan Development Agency, and New York City Metropolitan Transportation Authority ("MTA"), to name a few.

Ms. Feldman heads both WFS' Transportation and Credit Strategies Groups, providing the Tollway with invaluable insight. Prior to joining WFS, Ms. Feldman served as the Director of the Office of Public Finance for the State of New Jersey for 3½ years, where she oversaw a $30 billion debt portfolio, and also was a former rating analyst at S&P. Since joining WFS, she has served as lead transportation banker on a wide array of transportation financings, including financings for the CTA, New York City MTA, Texas Department of Transportation, State of Ohio, and Bay Area Rapid Transit.

In the table below, we highlight the professionals that will comprise the Tollway's comprehensive financing team. Additionally, detailed resumes for each team member have been included within **Tab 9**.

Role	Professional	Experience
Public Finance Investment Banking		
Primary Investment Banking Contacts	**Larry Richardson,** *Managing Director* Head of Midwest Region Chicago, IL | (312) 920-3535 larry.richardson1@wellsfargo.com	[redacted]
	Nancy Feldman, *Managing Director* Head of Transportation/Credit Strategies New York, NY | (212) 214-6720 nancy.b.feldman@wellsfargo.com	
Support Bankers	**Julie Burger,** *Vice President* Transportation New York, NY | (212) 214-6717 julie.burger@wellsfargo.com	
	Leslie Ng, *Vice President* Midwest Region Chicago, IL | (312) 845-9726 leslie.k.ng@wellsfargo.com	
Quantitative Analysis	**David Schott,** *Director* Quantitative Structuring New York, NY | (212) 214-6716 david.w.schott@wellsfargo.com	
Credit Strategist	**Kristen Lacapria,** *Vice President* Credit Strategies New York, NY | (212) 214-6726 kristen.lacapria@wellsfargo.com	
Transaction Support	**Tina Chen,** *Associate* Midwest Region Chicago, IL | (312) 920-3564 tianli.chen@wellsfargo.com	
	Emmett Burton, *Analyst* Midwest Region Chicago, IL | (312) 845-9775 emmett.burton@wellsfargo.com	
Underwriting, Trading, Sales		
Fixed Rate Underwriters	**Scott Frail.** *Managing Director* Fixed Rate Underwriting Charlotte, NC | (704) 410-4072 scott.frail@wellsfargo.com	[redacted]

Fixed Rate Underwriters (cont.)	**Parks Lineberger,** *Director* Fixed Rate Underwriting Charlotte, NC | (704) 410-3441 parks.lineberger@wellsfargo.com	[redacted]
Short-Term Underwriters	**Andrew Maffucci,** *Director* Short-Term Underwriting Charlotte, NC | (704) 410-4081 andrew.maffucci@wellsfargo.com	
	Julie Chavez, *Director* Short-Term Underwriting Charlotte, NC | (704) 410-4069 julie.v.chavez@wellsfargo.com	
Institutional Sales Manager	**Kingsley "Kit" Wood,** *Managing Director* Head of Municipal Sales Charlotte, NC | (704) 410-4093 kit.wood@wellsfargo.com	
Trading Credit Strategists	**Donald Lipkin,** *Managing Director,* Head of Trading Credit Strategies New York, NY | (212) 214-5509 donald.lipkin@wellsfargo.com	
	Rebecca Kuhar, *Director* Trading Credit Strategies New York, NY | (212) 214-5532 Rebecca.kuhar@wellsfargo.com	
Wells Fargo Bank, N.A. Swap Dealer Municipal Derivatives		
Derivatives Marketer	**Andrew Levenson,** *Director* Derivatives Marketer New York, NY | (212) 214-5515 andrew.levenson@wells.fargo.com	[redacted]
Wells Fargo Bank, N.A. Commercial Banking		
Relationship Manager	**Victor Chang,** *Senior Vice President* Government Banking Chicago, IL | (312) 845-4587 victor.h.chang@wellsfargo.com	[redacted]

Marketing Personnel. The Authority's finance team includes the following marketing staff whose focus is to coordinate and expand the sale of municipal securities through our multi-channel distribution system, which we highlight within **Tab 6(b)**.

- ***Institutional Sales Manager.*** Kit Wood heads WFS' municipal institutional sales team which is comprised of 17 sales professionals who concentrate their efforts on selling municipal and structured finance products to top-tier institutional buyers throughout the nation. As institutional sales manager, Mr. Wood will assist the Tollway in identifying institutional investor targets and coordinate the sales force in canvassing investors in the weeks leading up to the sale.
- ***Trading Credit Strategy Team.*** We provide a full range of services to institutional investors, including a dedicated Credit Strategy Team on the desk providing issue-specific and market-oriented credit information to our institutional investors, underwriters and salesforce. The role of the Credit Strategy Team is to assist the Tollway in communicating with the investor community, and to actively engage investors during the marketing process. Wells Fargo's Credit Strategy Team is one of a few municipal desks that have direct relationships with buy-side credit analysts, who are usually the first decision-makers at many large institutional investor firms. This unique team of individuals, led by Don Lipkin, is comprised of three credit specialists that are located on WFS' institutional sales and trading bond floor in New York.

References

WFS believes that the strongest testimony to our service is the satisfaction of our clients. Within **Tab 9**, we have provided information for the contacts at the Oklahoma Turnpike Authority, Texas Department of Transportation, and Central Florida Expressway Authority and we encourage the Tollway to contact any of them regarding the level of service we provide.

Planned Changes

While many of Wall Street's largest firms have made extensive public finance cutbacks over the last few years, WFS remains committed to growing its public finance practice and providing our customers with a high level of service. WFS' Municipal Products Group includes 197 professionals, ranking us among the largest municipal departments in the nation, and continues to make strategic hires. WFS maintains a long-term stance towards its dedication to the municipal market and we do not currently have any planned changes or initiatives in the next 12 months that would significantly alter any of the information provided regarding the firm and the finance team assigned to the Tollway.

Tab 5 – Financial Capacity

Tab 5 – Financial Capacity

WFBNA Capital Position ($ billions)	3Q2016	2015	2014
Total Equity Capital	$159.639	$150.919	$145.411
Total Risk-based Capital	$145.757	$140.546	$144.041
Tier One Capital	$132.794	$126.902	$119.892

Source: Wells Fargo Bank, N.A. Call Reports

The capital strength of your investment banking partner cannot be overemphasized, especially in volatile market environments like today. WFBNA is one of the premier U.S. domiciled banks with strong credit ratings, Aa1/AA-/AA from Moody's, S&P and Fitch, respectively. WFBNA is the legal entity that provides municipal securities underwriting services for Wells Fargo & Company ("Wells Fargo"). As a national bank registered with the SEC as a municipal securities dealer, WFBNA is not subject to the SEC's net capital rules that apply to broker-dealers. WFBNA is, however, subject to capital regulations prescribed by the OCC, which is the regulatory authority for national banks. At quarter ending September 30, 2016, WFBNA maintained total equity capital of over $159 billion, total risk-based capital of over $145 billion, and Tier 1 capital of over $132 billion.

Since WFBNA currently meets the definition of a "well capitalized" bank under the OCC's capital regulations, **WFBNA is authorized under applicable federal banking rules to underwrite municipal securities without any regulatory-defined capital constraint.** Furthermore, WFBNA does not have, nor does it require, any committed or standby lines of credit or other forms of financing from other financial institutions to support its ability to underwrite municipal securities. **WFBNA's only constraint as to the par value of municipal securities it underwrites is its own internal credit decision process, which is determined on a transaction-by-transaction basis.** Thus, WFBNA does not place limits on or otherwise allocate capital to any sector of the municipal securities market in its underwriting and trading activities. As such, WFBNA's Municipal Products Group has the ability to underwrite municipal securities of significant size, subject to applicable WFBNA internal approvals.

A capital position of this magnitude gives WFBNA the strength to underwrite securities of significant size and to commit capital to unsold balances in an effort to support an issuer's offering (depending on market conditions). While a number of firms have a large capital base, it is most important that such firms evidence their willingness to deploy that capital in the municipal market on behalf of their clients. WFBNA has demonstrated its ability to commit capital in support of our municipal clients by, as a national bank conducting municipal securities underwriting, directly underwriting unsold balances on negotiated primary market issues, actively bidding for competitive issues, supporting the secondary markets with an average daily inventory of fixed rate municipal securities in 2016 of approximately $1.5 billion and variable rate municipal and related securities of approximately $668 million; and, as a commercial bank, providing credit enhancement, liquidity support, and direct purchase credit to municipal issuers.[27]

Some recent examples of competitive and negotiated underwritings which WFBNA supported with its strong capital base are included in the table below.

Recent Capital Commitments for Unsold Balances					
Bid	Sale Date	Issuer	Deal Size (000s)	Inventory (000s)	% Inventory
Comp	**1/05/2017**	**Florida Department of Transportation**	**$142,595**	**$72,915**	**51.13%**
Comp	**10/25/2016**	**VA Commonwealth Transportation Board**	**$317,140**	**$54,595**	**17.21%**
Neg	**9/28/2016**	**Oklahoma Capitol Improvement Authority**	**$170,500**	**$73,085**	**42.87%**
Neg	9/14/2016	County of Mecklenburg, North Carolina	$148,705	$36,120	24.29%
Comp	8/2/2016	State of Minnesota - GO Var Purp Bonds	$265,890	$174,390	65.59%
Neg	**7/20/2016**	**Metropolitan Transportation Authority, NY**	**$838,310**	**$211,995**	**25.29%**
Comp	4/26/2016	Miami-Dade County, FL	$339,375	$339,350	99.99%
Neg	2/17/2016	City of Raleigh, North Carolina	$104,205	$25,830	24.79%
Neg	2/10/2016	Houston, TX – Combined Utility System Rev Bonds	$955,105	$145,365	15.22%

Bold text indicates transportation bonds

One of the best indicators of a firm's ability and willingness to commit capital is evidenced by its performance in the competitive market, where the firm's capital is put at risk with the submission of every bid. Although many firms are ready to ask for an issuer's negotiated business, few are seen supporting the municipal sector in the competitive market. In 2016, WFS ranked #6 in the competitive underwriting market, where the firm has senior managed 106 issues aggregating $7.2 billion, or nearly 7.3% of all competitive financings during that time period.[28]

[27] Source: WFS Underwriting Desk for time period 1/1/2016 to 12/31/2016.
[28] Source: Thomson Reuters SDC. True Economics to Bookrunner. Represents competitive municipal new issues underwritten for 1/1/2016 to 12/31/2016 by WFS.

Tab 6 – Technical Approach

Tab 6 (a) – Experience/Qualifications

Tab 6(a) – Technical Approach – Structuring (only Senior Pool applicants to respond)

New Money Borrowings

As the Tollway continues to implement its Move Illinois Program, it is critical that it hire a banking team with the resources to optimally help invest in the existing 286-mile system, expand service in Northern Illinois, and promote economic development. While the Tollway has done an excellent job navigating the difficult financial markets, the coming years will present both challenges and opportunities as the Tollway seeks to balance its capital needs and debt practices with the continued demands placed on its balance sheet. Indeed, although the Tollway enjoys a large and essential system, strong liquidity, and strong debt service coverage, it is also likely to face increasing challenges, including: (i) an economic cyclicality which could have an adverse impact on the Tollway's revenue base; and (ii) increasing expansion and preservation needs which will require extensive system investments.; While many of these challenges are largely offset by the Tollway's sound management and system essentiality, the future will nevertheless will have challenges, and WFS looks forward to working with the Tollway to meet your needs. We have modeled the Tollway's debt and have developed various strategies to address the Move Illinois Program through innovative financing techniques and debt structuring alternatives, as discussed below.

Market Considerations. Although 10- and 30-year tax-exempt rates have increased by 100 and 110 bps since July 1, 2016, "AAA" MMD nonetheless remains attractive based on historical standards. Indeed, the current interest rate environment is categorized by both (a) low interest rates (30-year "AAA" MMD is currently at 3.09% - or 133 bps below its 20-year average) as well as (b) a flatter yield curve (the difference between 1 and 30-year "AAA" MMD is currently 291 bps). While we have found ourselves in a low-interest rate environment for some time now, the recent flattening of the yield curve has represented a shift in market conditions, as the yield curve has been relatively steep over the last several years. In this unique rate environment issuers are generally best served utilizing long-dated fixed rate bonds. Doing so produces a lower cost of borrowing and takes advantage of the relative value of long-dated bonds.

Evaluating Fixed vs. Variable Rate Debt. The Tollway's $1.18 billion variable rate portfolio currently represents approximately 20.0% of the Tollway's capital structure. Even with the Tollway's large cash position and substantial variable rate assets, this represents a substantial portion of variable rate debt that already exceeds the Tollway's variable rate assets. Further, the variable rate portfolio has been a negative credit factor for the rating agencies, which is now a declining portion of total debt due to fixed rate debt issuance. So, while alternative variable rate products may represent an attractive alternative for the Tollway, we nonetheless believe that given the historically low level of long term rates, the Tollway's optimal strategy would be to issue fixed-rate debt at present.

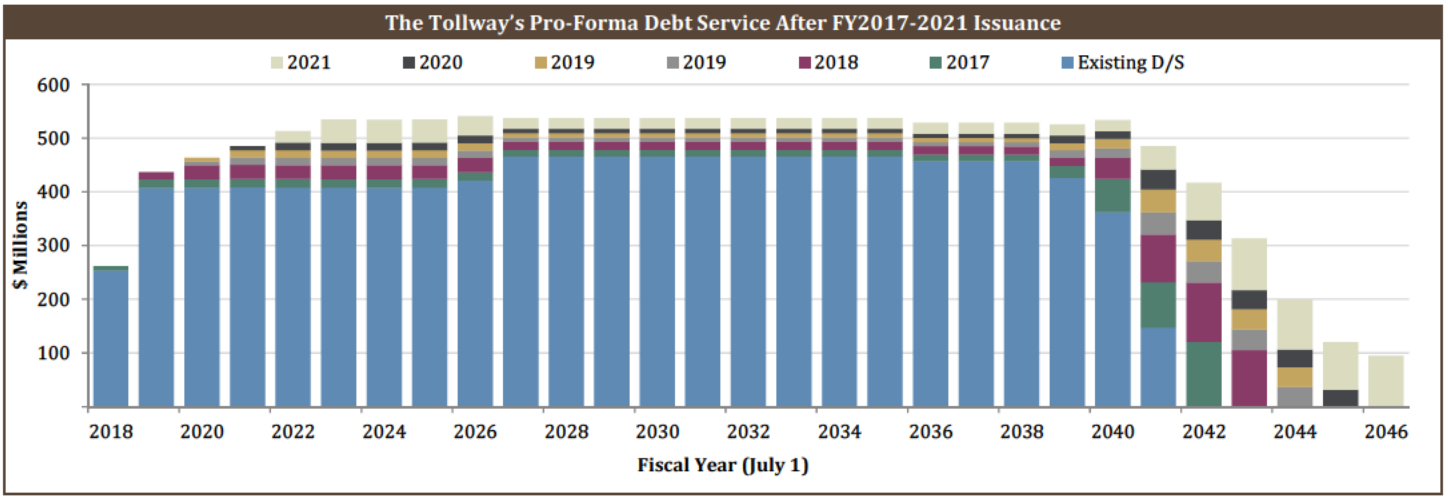
New Money Structuring Recommendations. The remainder of the Tollway's 15-year capital program still includes over $2.2 billion in bond financed projects that are expected to improve and expand a large portion of the Tollway's existing system. While this program will continue through 2026, the Tollway faces an immediate borrowing program of $1.6 billion for FY2017-FY2021 – a significant investment. With this in mind, WFS has developed an extensive financial planning model for the Tollway that is designed to optimize the Tollway's capital plan on a holistic basis. As discussed below, our long-term debt strategy for the Tollway is designed to optimize the Tollway's overall capital structure through the careful timing and structuring of future Tollway financings.

Balancing Capacity, Cost, and Coverage Ratios. Constructing a multi-year capital plan requires careful balancing of cost, debt capacity, and coverage considerations. For instance, while a series by series level debt service structure would lower the Tollway's interest cost with shorter average lives, such a structure would also substantially raise the Tollway's overall maximum annual debt service (and in turn, lower projected debt service coverage ratios). Alternatively, while a fully back-weighted structure with no upfront amortization would provide upfront budgeting flexibility, it would also result in a much higher cost of funds. Given the downside of each of these two extremes, WFS has evaluated the Tollway's existing and projected debt issuances, and in turn, developed an optimized "hybrid" model that seeks to balance the various tradeoffs of these two structures.

WFS' recommended structure (as shown below and on the following page) is designed to back-load a portion of debt to lock in the present market's low long-term interest rates while still amortizing some debt in the earlier part of the yield curve so as to shorten the average life, lower the Tollway's overall interest cost, maintain targeted coverage ratios of at least 2.00x, and retain capacity for the remaining portion the Tollway's capital plan. As part of our base case strategy, we have assumed that the Tollway continues to stay within its statutory final maturity of no greater than 25-years and that rates increase 25 bps annually.

Proposed FY2017-2021 Issuance					
Summary Statistics	**2017**	**2018**	**2019**	**2020**	**2021**
Par Amount	272,060,000	369,615,000	188,285,000	191,795,000	488,655,000
Project Fund Deposit	300,000,000	400,000,000	200,000,000	200,000,000	500,000,000
Average Life	22.2	19.8	19.5	19.3	19.0
Average Coupon	5.00%	4.99%	4.99%	4.99%	4.98%
Total Debt Service	573,386,650	735,606,075	371,176,175	376,928,400	952,088,825
Average Debt Service	23,403,537	30,024,738	15,150,048	15,384,833	38,860,768
All-In TIC	4.26%	4.33%	4.48%	4.63%	4.78%

Assumptions: Dated/Delivery Dates of 07/01/2017, Rates as of January 23, 2017, Cost of Issuance: $5.00/bond



The hybrid structure begins by structuring the Tollway's FY2017 issuance of $300 million with an average life of 22.2 years by backloading the majority of this issuance while still providing for a small amount of upfront amortization. Following this first transaction, pro-forma maximum annual debt service ("MADS") totals approximately $478 million, while pro-forma MADS coverage stands at a still a robust 2.74x. In FY2018, our proposed structure once again backloads the Tollway's issuance of $400 million while still amortizing a proportion of debt beginning in FY2019. Following this larger transaction, pro-forma MADS grows to $493 million, while pro-forma MADS coverage remains at a healthy 2.66x. In both of these transactions, the All-in-TIC ranges between 4.26% and 4.48% - an attractive cost of funds that still allows the Tollway to retain capital structure flexibility. FY2019, '20, and '21 issuances follow a similar pattern, and are layered on to the Tollway's existing capital structure to achieve debt service coverage that continues to meet or exceed 2.00x.

In aggregate, the combined 5-year capital plan provides an attractive cost of funds while still retaining capacity for coverage to cushion against future toll revenue volatility, pay-go projects, additional debt issuances, and/or refundings/defeasance (i.e., using cash to redeem callable maturities in the future). This 5-year plan provides for strong debt service coverage, which meets or exceeds 2.25x (a safe cushion and favorable coverage ratio compared to other similar toll systems which also exceeds the 2.0x coverage policy that the Tollway has adopted) and MADS of approximately $502 million. We note that this model is flexible, and can be adjusted to achieve any coverage ratio desired by the Tollway.

Timing Future Issuances. While the Tollway has indicated plans to utilize 5 separate issues to fund its 5-year, $1.6 billion capital plan, in the current market, certain issuers have expedited portions of their bond programs to take advantage of the current low level of interest rates. Nonetheless, while long-term, fixed rates remain extremely attractive, the current steepness of the yield curve can make negative arbitrage very costly when pre-funding construction funds.

Single v. Staggered Issuance for FY17-18 Capital Needs ($mm)		
	Single Issuance	Two Issues
FY2017 Project Fund Deposit	$700.0	$300.0
FY2018 Project Fund Deposit	--	$400.0
Total Debt Service	$1,227.2	$1,227.2
Negative Arbitrage	$20.5	$9.9
Break-Even Movement in Rates	36 bps	

**Assumes rates stay the same at second issuance, 0.5% construction fund earnings, delivery/dated date of 7/1/2017 first financing and 7/1/2018 for second financing.*

Quantifying Negative Arbitrage for the Tollway. To help quantify the impact of negative arbitrage and help the Tollway determine how to best time its upcoming issuances, WFS preliminarily compared the cost of undertaking a $700 million transaction today (combining the FY2017 and FY2018 financings), or staging them in two separate issuances (i.e., FY2017 and FY2018). As shown above, the difference between the cost of negative arbitrage for one vs. two financings is approximately $10.6 million (we note that any increase in the speed at which acquisition fund monies are spent would further improve the economics of a singule issuance). Based on this amount, we then calculate the amount which interest rates would need to rise such that the Tollway would be indifferent between the two scenarios. **WFS' result implies that if the Tollway does not expect rates to rise by more than 36 basis points ("bps") between its FY2017 and FY2018 issuance, the Tollway would be economically advantaged to stage its financings in two separate issues as opposed to one.**

Product Considerations: Considering Interim Financing. One of the benefits of our broad and diverse platform is that we are able to offer the Authority a diverse set of bank and capital market products that can be used to optimize various parts of the Authority's capital program. To that end, we have in the past discussed with the Authority the potential for utilizing interim financing to help minimize the negative arbitrage associated with upcoming issuances. For instance, WFBNA has been at the forefront of developing a flexible interim financing tool that operates much like a Revolving Credit Facility ("RCF"), called Drawdown Direct Purchase ("DDP"). DDP can be implemented on either a fixed or floating rate basis. In a DDP, the bank effectively serves as the buyer of the Commercial Paper eliminating the need for a dealer and letter of credit. As compensation for WFBNA's purchase of DDP, the Authority would pay a fee that would generally have two components: (i) a flat fee charged on the portion of the DDP that is available but not drawn down ("undrawn"), and (ii) a floating or fixed interest rate on the "drawn" portion (if the Authority chose to utilized a floating rate, such a rate is generally LIBOR or SIFMA plus a spread, with

the spread fixed and determined at the time that the DDP is established). This means that the Authority would typically pay a lower fee on undrawn funds – a unique aspect to our program that helps mitigate negative arbitrage during construction and in most cases, produce a lower overall cost of borrowing versus traditional CP. This type of program could help minimize negative arbitrage and/or allow the Authority to better time future issuance of debt.[29]

Lower Couponing. Over the last few years, we have seen an increase in the use of sub-5% coupon bonds on callable maturities, a strategy that many larger transportation issuers have used on recent financings. Indeed, while investors often require additional spread for lower coupons (in the form of a higher yield to call), these lower coupon bonds nonetheless produce a lower yield to maturity ("YTM") (and lower yield kick) than premium bonds, providing a benefit in the event bonds are not called. Some of the key benefits to using lower coupons include: (i) avoiding the yield kick associated with premium coupon bonds, (ii) lowering annual debt service requirements, and (iii) locking in a lower yield-to-maturity today vs. preserving the potential for a future refunding for savings (with high coupon premium bonds).

Call Options. Although the standard municipal call feature is 10-years, there are several large issuers who incorporate shorter calls on a regular basis (Jacksonville Electric Authority, Dallas Fort Worth Airport, Port Authority of New York and New Jersey, etc.). In general, shorter call options can serve a number of purposes, including providing more opportunities to execute economic refundings and affording issuers greater flexibility (this is particularly beneficial for toll revenue bond issuers with more volatile revenue streams). The Authority in particular has only limited optionality in the next several years, as much of its debt is either non-callable or non-advance refundable. To that end, given the limited optionality available in the Authority's current debt portfolio as well as the non-advance refundable nature of advance refunding bonds, the Authority may wish to consider selling portions of its refunding (or new money) bonds with shorter (i.e., 5 to 8 year) call options.

Indeed, in many cases, lower coupon bonds and/or shorter call option can in fact produce an option adjusted yield ("OAY") that is approximately the same or slightly less than a standard 5% coupon bond with a 10-year par call option. For instance, in the table at right, we have compared various coupon and call features for a 20-year term bond. As shown, a standard 5% coupon, 10-year par call results in a YTM of 4.14%. However, when the option value of 38 bps for the 5% coupon is factored in, the Authority's OAY is equal to 3.76%, reflecting the opportunity to lower the Authority's cost of funds over time. A standard 5% coupon with a 7-year par call results in a YTM of 4.24%. However, when the option value of 52 bps is factored in, the Authority's OAY equals 3.72%, lower than that of a 10-year call. A 5-year call with a standard 5% coupon results in a YTM of 4.34% and produces an option adjusted yield of 3.71% after accounting for 63 bps in option value. As shown, a 5% coupon with either a 5 or 7-year call in fact results in the lowest OAY, indicating that the Authority should consider incorporating these structures into future sales.

Illinois State Toll Highway Authority Call Feature Analysis

Call	Call Date	Coupon	Yield	Yield to Maturity	Estimated Option Value	
					Option Value in Pct	Option Adjusted Yield
10-Year	1/1/2027	5.00%	3.60%	4.14%	0.38%	3.76%
7-Year	1/1/2024	5.00%	3.35%	4.24%	0.52%	3.72%
5-Year	1/1/2022	5.00%	3.10%	4.34%	0.63%	3.71%

TIFIA Loans. In the past, we have discussed with the Authority the possibility of incorporating low-cost TIFIA funding in order to finance certain projects included in the Moving Illinois Plan. In addition to providing a low-cost and flexible repayment source, TIFIA could also have rating benefits by reducing the amount of Senior Lien Bonds required to finance the entirety of the Authority's capital plan. This would also be true to the extent certain projects may be financed as stand-alone, off-system financings. While federalizing projects can be a concern (together with the negotiations and time required in obtaining TIFIA loans), there may nonetheless be certain one-off projects that may benefit from TIFIA loans, as further shown below.

Why Consider TIFIA?

- ✓ TIFIA Loans can be structured as subordinated loans for up to 33% of project costs
  - ***The modified springing lien provision included in MAP-21 allows waiver of non-subordination if certain conditions (including "A" or better ratings and system or tax backed pledge, among others) are met***
- ✓ TIFIA interest can be deferred for up to 5-years after substantial completion
- ✓ TIFIA offers flexible repayment terms that include ascending debt service and interest-only periods
- ✓ TIFIA's rate equal to 30-year UST + 1 basis point
- ✓ Tollway may wish to consider TIFIA for stand-alone, off-system projects

Source: U.S. Department of Transportation

Lien Considerations. We are well aware that maintaining the Authority's current ratings are an important priority for the Authority, and to that end, we have discussed in the past issuing future debt at a lien level below the existing Second Bonds (for instance, as Subordinate or Junior Obligations, as permitted in the Exiting Indenture). While bonds at a lower lien are likely to receive ratings below the Authority's existing Senior Revenue Bonds, this strategy would allow the Authority to maximize overall capacity while minimizing any potential impact on its Senior Lien ratings. Due to the strong debt service coverage that is maintained in our 5 year plan of finance, absent the utilization of TIFIA loan at a subordinate lien level, we are not recommending that the Tollway utilize a subordinate lien at this time.

[29]Product of Wells Fargo Bank, N.A. Subject to credit approval and negotiation of terms and conditions.

REFUNDING AND RESTRUCTURING RECOMMENDATIONS

Refunding Opportunities. In addition to assessing new money needs, economic refundings also present an important strategy for the Tollway to manage its debt portfolio, particularly in the current low interest rate environment. WFS has continued to monitor refunding opportunities for the Tollway, though at present, none of the Authority's refunding candidates produce sufficient savings to be considered for a refunding. That said, over the next five years, we expect that the Authority will have refunding opportunities related to both Series 2009A-1 and Series 2010 Bonds. Moreover, the passage of time may also create opportunities to execute certain advance refundings, particularly if the yield curve continues to flatten. As the Authority's Senior Manager, we would consistently monitor refunding opportunities that may allow the Tollway to achieve both debt service and economic savings.

Considering Alternative Variable Rate Products. As part of the recent liquidity renewals the Authority executed, we are aware that at least one of the facilities was renewed into a direct purchase ("DP") facility, with most other facilities renewed into additional direct pay letters of credit and standby bond purchase agreements. Going forward, we believe that the Authority may wish to consider further diversifying its variable rate product mix to include more direct purchase index floaters. As shown to the right, direct purchase index floaters mitigate certain risks associated with more traditional VRDBs, including bank risk. As such, utilizing this product for future renewals may mitigate some of the risks associated with bank letters of credit and standby bond purchase agreements.

Variable Rate Financing Alternatives				
Product	Capital Markets Solutions			Bank Product[1]
	Commercial Paper	Variable Rate Demand Bonds	Floating Rate Notes	Direct Purchase Index Floater
Description	Ability to draw from line when needed; supported by bank liquidity	Variable rate, reset weekly or daily be remarketing agent; trades on strength of liquidity provider	Floating rate note reset at fixed spread	Bank purchased index floater; fewer upfront costs
Purchaser	----------	Public Market Investor	----------	WFBNA
Rate Period	1 – 270 days	Multi-Modal	Up to 7 years	1-3 years
Liquidity Need	Bank liquidity facility	Bank liquidity facility	none	none
Interest Rate Mechanics	Term Dependent; Set by Dealer	SIFMA + Spread	Index + Fixed Spread	Index + Fixed Spread
Additional Support Costs	LOC + Remarketing	LOC + Remarketing	Takedown	none
Considerations				
Prepayment Flexibility: *Ability to prepay bonds in advance*	🟢	🟢	🔴	🟢
Bank Risk: *Spread over index increases due to investor discomfort with bank credit*	🔴	🔴	🟢	🟢
Interest Rate Risk: *Variable rates may be volatile and rise precipitously resulting in higher debt service*	🔴	🔴	🔴	🔴
Market Access / Bank Renewal Risk: *Smaller investor base / lack of investor interest in issuer or product / Vulnerable to pricing precedents*	🔴	🔴	🔴	🔴
Remarketing Agent / Dealer Performance (During Term): *Rates also a function of the dealer's performance and capital strength*	🔴	🔴	🟢	🟢
Ongoing Disclosure: *Potential need to provide ongoing disclosure*	🟡	🔴	🔴	🟢

🔴 Higher risk/concern 🟡 Moderate risk/concern 🟢 Limited or low risk/concern

[1] Product of Wells Fargo Bank, N.A., subject to internal credit approval.

Swap Termination / Fixed Rate Refunding Analysis[30]. The Tollway has 7 swaps outstanding that are associated with the variable rate portfolio. These 7 swaps have a total notional of $1,178,875,000 and an aggregate mark-to-market (MTM) of approximately $226 million as of January 31, 2017. There are many ways to reduce derivatives exposure. One common way to reduce swap exposure is through partial and/or full terminations of existing swap(s) with the refunding of the associated variable rate bonds into fixed rate bonds or leaving the variable rate bonds outstanding as unhedged floating rate instruments. By terminating swaps, the Tollway's overall debt portfolio would benefit by reducing counterparty and basis risk, and by reducing VRDBs, Tollway would reduce bank and renewal risk.

In particular, we have previously discussed with the Authority potential alternatives associated with the outstanding Deutsche Bank ("DB") swap, which is currently associated with the Series 2008A-1 Bonds. As the Authority only renewed the Series 2008A-1a LOC for 1-year, this may create an opportunity for the Authority to (a) refund existing variable rate debt and (b) terminate the related swap. As we believe that DB has triggered an Additional Termination Event ("ATE") under its swap document, there is also a strong possibility that Deutsche Bank may be willing to contribute some funding toward a swap termination and/or novation (as discussed below).

In the current market, we estimate that a termination of the DB swap combined with a fixed-rate refunding of the underlying bonds would result in approximately -$24.6 million in NPV dissavings, or 12.8% of the swap notional amount (assuming 50 bps of ongoing variable rate support costs for the life of the bonds and a 7/1/2017 delivery/dated date). Even if Deutsche Bank were to contribute 10% of the current MTM toward a fixed rate refunding / swap termination, we estimate that NPV dissavings would still be over $20 million. We are aware that the Authority has set aside some contingency to help offset some of this cost, and as such, this is a strategy the Tollway could consider, particularly if the relationship between cash market rates and swap rates change.

Please note that our analysis assumes that the associated swap termination payments are bonded with tax-exempt debt. This assumption should be verified with Bond Counsel. In addition, swap termination payments can be made with cash-on-hand, which is a strategy that MBTA recently employed to terminate outstanding UBS and DB swaps. However, we believe that there may be more cost effective ways to mitigate the various risks associated with the portfolio, as discussed below.

Swap Novation Strategy. WFBNA has been involved in numerous swap restructurings and novations for our clients, who have been able to face a higher rated counterparty, modify ISDA terms, remove swap insurance, diversify counterparty

[30]Information presented herein regarding risk management was prepared by the Wells Fargo Municipal Derivatives Group. All questions regarding the risk management alternatives presented or described herein shall be directed to Andrew Levenson of the Municipal Derivatives Group at (212) 214-5515. All Indications as of close of business on January 31, 2017 and subject to future market conditions, credit approval, and final documentation. Please see the Relative Value Compensation disclosure at the end of the disclaimers.

exposure and in some instances improve their economics. Transportation issuers, including New Jersey Turnpike Authority and Delaware River Port Authority have executed novations. The existing swap providers were actively engaged in working with the issuer and new counterparty in those processes. In reviewing the Tollway's swap portfolio Deutsche Bank AG ("DB") is a counterparty who potentially may want to novate its swap.

In a novation, WFBNA would step in between the Tollway and DB. The Tollway would no longer have any exposure or risk to DB and continue to exchange all future cash flows with WFBNA. To hedge out our interest rate exposure, Wells Fargo would execute a similar swap with DB.

If the Tollway was interested in reviewing its novation alternatives it will need to hire a swap advisor. Negotiations with DB will be needed to determine the levels that are required by a new counterparty to assume the long-dated swap. Understanding the economic impact to the Tollway, if any, will be a critical factor in determining whether the Tollway would want to proceed. In the event the Tollway does move forward a novation is an extension of the Bank's credit capacity that will require internal credit and legal approvals. Similarly, the Tollway's board will need to review the transaction and authorize the novation. Lastly, the ISDA documentation would be updated to include regulatory requirements and the Dodd Frank Protocols would need to be executed prior to the execution.

RECENT CASE STUDIES

WFS' focus on service, ideas, and market-leading execution has allowed us to become one of the leading firms in transportation debt issuance. Below we highlight recent financings which demonstrate WFS' ability to successfully structure and execute tailored financing solutions for our transportation clients.

Oklahoma Turnpike Authority ("OTA" or "Authority")
$480,000,000 Second Series Revenue Bonds, Series 2017A and 2017B

On January 31, 2017, WFS served as Senior Managing Underwriter for OTA's issuance of Series 2017A and Series 2017B Second Senior Revenue Bonds. OTA owns and operates the Oklahoma Turnpike System, which includes 10 turnpikes totaling 605 miles - making it the largest U.S. turnpike system by mileage. The Series 2017 Bonds were the first issuance of toll revenue bonds by OTA in over 5-years, and more importantly, the first issuance under OTA's newly developed Driving Forward Initiative. The Driving Forward Initiative, as introduced by the Governor Fallin in October 2015, is a multi-year capital program that will (i) repair and expand three existing facilities and (ii) add two new facilities (the Southwest Kilpatrick Extension and Northeast Oklahoma County Loop) to the System. The 2017A Bonds were issued to finance a portion of the costs of the Driving Forward Initiative, while the 2017B Bonds were issued to current refund certain prior obligations of OTA.

WFS worked with OTA and its Financial Advisor to develop a structure that would mitigate near-term pressure on the Authority's debt service coverage ratios. To achieve this goal, new money bonds structured (i) as long-dated term bonds to wrap around existing debt and (ii) used as many lower 4% coupons as possible. Utilizing a 4% coupon as opposed a 5% coupon on the 2047 term bond reduced the Authority's upfront interest cost by approximately $1.7 million annually. In addition, refunding bonds were amortized to target specific savings in FY2020 (the current year in which maximum annual debt service occurs). To enhance future flexibility, WFS also recommended OTA incorporate a 9-year call option.

As the first issuance of Second Senior Revenue Bonds since 2011 (and the inaugural issuance of bonds under the well-publicized Driving Forward Initiative), WFS worked closely with OTA and its Financial Advisor to develop a credit and rating agency strategy that would reintroduce the Authority's credit to the market. As part of our pre-marketing efforts, WFS developed a comprehensive plan designed to communicate OTA's strong credit story to investors. The week-long premarketing effort included an investor net roadshow, one-on-one investor calls, and a salesforce teach-in. Furthermore, retail ads were placed in 6 local Oklahoma newspapers, while a banner advertising the sale was also placed on the Authority's website. In total, 46 unique investors viewed the net roadshow, while 8 investor one-on-ones were scheduled. Over 100 unique investors placed orders on the transaction, including 29 who had participated in one-on-ones or viewed the net roadshow.

The markets had been volatile in the weeks leading up to pricing, with concern over tax-reform and significant fund outflows during the 4Q of 2017 weighing heavily on the municipal market. In the two-weeks leading up to pricing, 10- and 30-year "AAA" MMD had increased by 18 and 20 bps, respectively. Our desk pre-marketed a structure with multiple bifurcated maturities, including many sub-5% coupon maturities to offer multiple options to investors and maximize Oklahoma and national retail investor participation.

On the morning of January 31st, we initiated a day-long retail order period (ROP); however, by mid-day, we had received over $221.1 million of individual and professional retail orders. Seizing upon the positive market tone and momentum, our desk recommended ending the ROP about three hours before its scheduled ending and accelerating the institutional order period (IOP) to later in the afternoon instead of the following day. Prior to commencing the IOP, credit spreads were reduced by 2 to 7 basis points for many of the maturities. At the end of the IOP, the institutional order book consisted of a $1.39 billion of additional orders. Every maturity received sufficient interest, with subscription levels ranging from 1x to 7x. Due to this significant demand, credit spreads were reduced by an additional 2 to 6 bps, including a 2 bps reduction on the 4% coupon 2047 term bond. Between the beginning of the ROP and our formal bid to underwrite, our desk lowered credit spreads for every maturity by 5 to 11 basis points, allowing the Authority to achieve an all-in-TIC of below 4%.

Colorado Department of Transportation ("CDOT")
$70,000,000 Certificates of Participation, Series 2016

On December 14, 2016, WFS senior managed CDOT's issuance of Headquarters Facilities Lease Purchase Agreement Certificates of Participation, Series 2016 (the "COPs" or "Series 2016 COPs"). The Series 2016 COPs were issued to finance the acquisition, construction, and improvement of a new CDOT Headquarters Building in Denver, Colorado. The Series 2016 COPs were the first issuance by CDOT under a newly created Indenture and Lease, with the Headquarters Building serving as the first of multiple CDOT properties expected to be leased under a newly established Lease Purchase Agreement between CDOT and the Trustee. The Series 2016 COPs, as well as subsequent issues under the Indenture, are to be paid, subject to annual allocation by the Colorado Transportation Commission, from certain funds on deposit in the State Highway Fund ("SHF").

As the first issuance of COPs under a newly created Indenture, WFS worked closely with CDOT and its Financial Advisor to develop a flexible and sound legal structure that would permit CDOT to issue additional series of COPs under the Lease while still providing bondholders with a strong underlying security. In developing the inaugural credit, WFS was also tasked with developing a rating agency strategy and presentation for the Series 2016 COPs. Our rating strategy focused on three major points, including: (1) the appropriation and allocation process that forms the foundation of CDOT's annual budget process, (2) the essentiality of the Headquarters Building to CDOT, and (3) the strength of available SHF monies available to pay Base Rentals. Our team worked with CDOT and its Financial Advisor to develop a rating presentation that highlighted each of these points, ultimately resulting in strong Aa2/AA- ratings.

In order to provide flexibility related to monies CDOT expects to receive from the sale of its existing headquarters building (in 2019), WFS recommended that CDOT incorporate a 3-year par call on a portion of the Series 2016 COPs. Based on investor feedback, WFS recommended that this shorter call provision be included on the 2041 Term Bond, which was sized to match the approximate amount of funds CDOT expects to receive from the sale of its existing property (~$22.2 MM). The date of the optional redemption feature (6/15/2019) was designed to align with CDOT's expected receipt of funds.

The market was volatile heading into pricing, with post-election uncertainty and fear of tax-reform continuing to weigh heavily on the municipal market. In the weeks leading up to pricing, 10-year 'AAA' MMD sold off by as much as 66 bps, while municipal bond funds experienced outflows totaling $4.1 billion in the two-weeks before pricing. Despite some stabilization the week before, the Federal Reserve's scheduled announcement on the afternoon of December 14th (at which it was widely expected the Fed would raise rates for just the second time in a decade) left many investors wary of putting their cash to work. The COPs were structured as serial bonds through 2036, with a short-call term bond due in 2041.

Pre-marketing began at spreads to 'AAA' MMD of +42, +55, and +60 bps in 5-, 10-, and 20-years, respectively. The 2041 Term Bond was initially pre-marketed with a 5% coupon at a spread of +40 bps (at a yield-to-call of 3.53%). At these levels, WFS was able to build a strong order book that included over $600 million of orders, including $320 million of orders for the short-call bond due in 2041. The order book ultimately included 50 different investors with strong interest across the entire yield curve. The strength and breadth of the order book allowed WFS to make significant adjustments, with yields lowered by 2 to 12 bps on the 10-year par call bonds and 53 bps on the short-call bond. Final spreads to 'AAA' MMD were +34, +48, and +55 bps in 5-, 10-, and 20-years, while the short-call bond was ultimately priced at 13 bps *through* 'AAA' MMD (with a YTC of 3.0%). The final TIC on the transaction was 4.02%.

Pennsylvania Economic Development Financing Authority
$721,485,000 Tax-Exempt Private Activity Revenue Bonds, Series 2015 (AMT)

On February 24, 2015, WFS served as Senior Manager (Joint Books) on the Pennsylvania Economic Development Financing Authority's $721.4 million Tax-Exempt Private Activity Revenue Bonds, Series 2015. The Project is the first Public-Private Partnership ("P3") project in the Commonwealth, and was awarded to Plenary-Walsh Keystone Partners (the "Development Entity") pursuant to an RFP awarded in October 2014. The transaction was structured as an availability-based design, build, finance and maintain ("DBFM") concession. Availability payments will be based on performance and are expected to be paid from the PennDOTs Motor License Fund, subject to appropriation.

In order to ensure the lowest cost of funds, a wide variety of pricing and structuring alternatives were evaluated, including lower coupons on targeted maturities, the inclusion of an extraordinary mandatory redemption (as opposed to a short-call) on the 2018 Milestone Maturity (which reduced the YTM by 13 bps as compared to the traditional short-call structure), and the use of a longer optional redemption feature (11.5 years) in order to achieve a lower overall YTM as compared to a traditional 10-year call feature.

An extensive marketing plan was developed to ensure widespread investor interest and focus. Pre-marketing for the transaction occurred over a 2-week period, and included an online net roadshow (viewed by over 75 unique investors), in-person luncheons in New York, Boston, and Philadelphia, and one-on-one calls with investors. The "BBB" rated AMT Bonds were initially marketed as semi-annual serial bonds 2018-2028 and term bonds in 2029, 2030, 2034, 2038, and 2042. 5% coupon bonds were offered at +90 in 5yrs, +115 in 10yrs, +130 in 15yrs, +125 on longer term bonds, while a 4.125% coupon discount bond was bifurcated in 2038 at +151 bps. Investor demand quickly gravitated to the max yielding 2038 and 2042 term bonds with subscription reaching 4X and 7X respectively. The shortest maturities also saw strong demand to the tune of

3X oversubscription. Based on this strong demand, yields on 5% coupon bonds were lowered 3bps in 2018-19, 2bps in 2034 (+123 bps), 5bps in 2038 (+120 bps), and 7bps in 2042 (+118 bps). The transaction represents the largest fixed-rate, tax-exempt P3 PAB deal ever and, as shown on the next page, credit spreads were the tightest ever achieved on a P3, PAB

CONDUCTING A NEGOTIATED SALE

As the Tollway contemplates a $300 million negotiated bond sale, we believe that it is important to provide consideration to the composition of the syndicate, effective engagement of syndicate members, priority of orders, order period management, and a fair allotment of bonds. Below we discuss our recommendations with respect to these considerations. Conducting an effective investor outreach program is also crucial to garnering broad investor demand and we have provided a detailed discussion of our proposed marketing plan within **Tab 6(b)**.

Syndicate Composition. The Tollway's past practice has been to utilize a syndicate comprised of 2 senior managers, 2 co-senior managers, and 6 co-managers. As the Authority contemplates the optimal syndicate size for a $300 million issuance, we would recommend decreasing the size of the Tollway's typical 12-member syndicate to a maximum of 10 firms by reducing the number of co-managers to 4 firms. We would not recommend expanding the syndicate this as diluting syndicate members' opportunity to receive compensation may result in decreased effort or interest in effectively marketing the transaction.

Additionally, it is important to consider the distribution capabilities of the various firms and ensure that the mix of underwriters will provide full coverage of the various investor segments. As senior manager, WFS would provide the Tollway with access to a national, multi-channel distribution network with coverage of institutional and retail investors alike. While this already represents deep and broad coverage of the investor universe, we would recommend that the Tollway further support and expand its investor coverage by including local firms with access to local institutions and retail investors as well as minority firms with access to tier 1 institutions, in light of its M/W/DBE participation goals.

The Authority may want to consider employing the remaining qualified firms that have not been included within the syndicate as selling group members in order to broaden the Tollway's distribution and keep its Senior and Co-Manager Pools engaged in its financings.

Syndicate Treatment. WFS believes that best execution on financings is achieved through maintaining open communication with the underwriting syndicate and providing co-managers with an equitable allotment opportunity. As senior manager, WFS will maintain clear communication with the members of the underwriting syndicate. A few days prior to the sale, WFS will conduct a syndicate call and a pre-pricing call to ensure all of the managers are coordinated, on board with the pricing, and motivated to actively participate in the sale.

Furthermore, in order to realize the full distribution potential of the syndicate, we believe that syndicate members need to be properly incentivized to actively participate in the Tollway's transaction. While the Tollway has generally utilized a group net policy, we would recommend the use of a net designated policy to motivate co-managers by rewarding them based on their participation level. We believe that this generally results in the best possible results because co-managers are more likely to be engaged in the transaction and generate more order flow if they feel they have the opportunity to receive meaningful compensation. With regards to the designation policy, we would work with the Tollway to determine an equitable policy which can provide incentive for co-managers to secure significant "going-away" business and also ensure that the Authority's M/W/V/DBE participation goals are met by allocating a minimum designation percentage for M/W/V/DBE firms.

Priority of Orders. While the low-rate environment has discouraged the participation of traditional retail investors in recent years, we have seen some retail interest return to the tax-exempt market and expect this to continue as interest rates rise. Additionally, while the 'Illinois Premium' has continued to negatively impact Illinois municipal issuers, the Tollway may want to use this as an opportunity to encourage the participation of retail investors that may be attracted by a higher yielding, solid credit amidst today's historically low rates. As such, we recommend that the Tollway implement a priority of orders which ensures the availability of bonds to retail investors by first granting priority to Illinois and national retail orders before institutional orders as follows: 1) Illinois Retail, 2) National Retail, 3) Net Designated, and 4) Member. As was previously discussed, a net designated policy will provide syndicate members with greater motivation to market bonds than a group net policy and we believe that this added incentive is of particular importance when prioritizing and targeting retail investors.

Order Period. In addition to granting priority to retail investors, a retail order period can be beneficial in providing investors with additional time to familiarize themselves with the credit and having the first opportunity to receive the amount of bonds in their preferred maturities, insulating them from competing with larger institutional purchasers. Given the impact we believe retail investors can have on the Tollway's financing, we would recommend holding a separate half- to one-day retail order period. Following the retail order period, WFS would assess the order book to determine if any pricing adjustments should be made in advance of the institutional order period. After holding a 1½ to 2 hour institutional order period, WFS would tabulate orders, recommend any additional pricing adjustments to the Tollway, and underwrite bonds, if necessary.

Bond Allocation. WFS employs an open book policy on allotments. Before allocations are finalized, we will work with the Tollway to determine a reasonable distribution of bonds. As a policy, WFS allots bonds according to the priority of orders established prior to the sale. The priority will be created in collaboration between WFS and the Tollway in order to capitalize on market conditions. In the situation where maturities have received oversubscription and there are multiple orders of the same priority level, WFS attempts to allot the bonds on a pro-rata basis.

Tab 6 (b) – Technical Approach – Marketing

Tab 6(b) – Technical Approach – Marketing

DISTRIBUTION STRENGTH

WFS has taken a deliberate approach to maximize investor demand by covering all investor segments and is one of the few firms in the industry with all three in-house distribution channels: (1) institutional sales; (2) middle-market sales; and (3) retail brokerage. This three-tiered distribution channel and broad coverage of investors provides us with the necessary flexibility to adapt our marketing strategy to the current landscape of investors. Furthermore, with WFS' broad distribution network and active participation in the municipal market, WFS brings the Tollway an extensive knowledge of the municipal market and understanding of municipal bond investors that will enable WFS to structure the Authority's bonds to generate investor demand and provide more competitive pricing than firms with a single investor segment focus. WFS will utilize all three distribution outlets within Illinois and nationally to broadly market the Tollway's bond issues.

- ***Municipal Institutional Sales.*** **Wells Fargo is a Top 3 trading counterparty with many of the most influential institutional investors. Our long-standing relationships with Tier 1 investors gives Wells Fargo a competitive advantage in price discovery and delivering aggressive pricing on new issues.** WFS' municipal institutional sales force is comprised of 17 sales professionals that are located in New York, Charlotte, San Francisco, and Philadelphia. These professionals distribute municipal products in the primary and secondary markets, serving the investment and risk management needs of institutional investors nationwide. WFS' account base of over 425 institutions encompasses the key national buyers of municipal securities and the top 50 national money market funds, with assets over $1 billion. These investors include money managers, insurance companies, bank portfolios, hedge funds and pension funds. Wells Fargo has earned significant credibility with institutional investors over the last few years as being an active market maker and liquidity provider for investors in the most volatile markets when liquidity is scarce.

  At many firms, taxable municipal bonds are underwritten and sold through the taxable desk. At WFS, the tax-exempt municipal desk manages the underwriting of taxable municipal debt. We believe this is beneficial to municipal clients for two reasons:

  - **Seamless Experience.** WFS can provide a seamless and familiar experience to our municipal clients, while accessing all the resources of the firm. WFS concentrates on bringing traditional corporate and municipal buyers (as well as various international accounts) together through marketing and underwriter interaction. We actively engage our affiliate, Wells Fargo Securities, LLC's ("WFSLLC") high grade taxable institutional sales force of over 200 representatives, who market taxable debt instruments to all tiers of institutional buyers through 33 offices across the globe in the U.S., Hong Kong, London, Singapore, and Tokyo. WFSLLC's high grade underwriting operation consistently ranks in the top 10 globally.[31]
  - **Crossover Buyers.** Our on-going connection and dialogue with the taxable salesforce helps us effectively identify and market tax-exempt issues to "crossover" buyers. Crossover buyers are investors in taxable securities who become purchasers of tax-exempt municipal bonds when market conditions produce a comparatively attractive return on tax-exempt bonds; for example, when heavy municipal supply drives MMD/Treasury yield ratios above 100%.

- ***Middle Market Sales.*** One of WFS' distinctive characteristics and competitive advantages is its ability to reach middle market investors. Typically, the larger banks will not focus on this investor segment as the majority of investors in most bond transactions are large institutional accounts. While Wells Fargo is a top institutional investor counterparty, we do not neglect the Middle Market segment where buyers tend to be more 'sticky' (buy and hold) investors relative to their larger institutional counterparts. In 16 regional sales offices, WFSLLC has approximately 200 middle-market sales professionals who serve more than 6,400 state and local community banks, asset managers, regional depositories, corporate trust departments, corporations, municipalities, and local insurance companies. Our Middle Market sales force includes an office in Chicago which houses 4 sales professionals. These investors add another level of distribution that can help the Authority with its goal of achieving a lower cost of funds. In addition to purchasing the debt of large recognizable issuers, the added benefit of middle markets customers comes from their knowledge of local credits in their respective regions. An order from a middle market investor can range from small odd lot orders to $50 million+ blocks of bonds.

  In addition to the relationships fostered by our middle market sales professionals, Wells Fargo's corporate banking relationships with these enterprises have enhanced our access to middle market clients. Orders from WFSLLC's middle market customers have made a significant difference in new-issue pricings by creating competition for bonds. ***Wells Fargo's Middle Market Distribution network has proven a significant factor and competitive advantage delivering pricing power for our issuer clients.***

- **Retail Sales.** WFS' retail distribution is effected through our affiliate, WFA, which is the third largest retail brokerage network in the country.[32] WFA's national retail platform employs over 15,000 full-service financial advisors including 482 financial advisors in Illinois.[33] WFA's financial advisors based in Illinois have approximately $57.7 billion of assets for clients who are residents within the State. In fact, as November 1, 2016, more than 56,000 accounts hold over $2.6 billion

[31] Source: Thomson Reuters, SDC Platinum.
[32] Peer group analysis based on number of financial advisors as disclosed in company reports, as of December 31, 2016.
[33] WFA statistical information as of September 30, 2016. *Data is a combination of Wells Fargo Advisors, LLC; Wells Fargo Advisors Financial Network; LLC and First Clearing, LLC.* First Clearing, LLC is a registered broker-dealer and non-bank affiliate of Wells Fargo & Company.

in bonds issued by issuers within Illinois. Of this amount, $23.2 million of the Tollway's bonds are held in 500+ accounts.[34] One advantage our clients' notice is our retail system is fully-integrated (as opposed to a third-party distribution model), so we have control over a transaction's economics and can provide more incentive for retail brokers to participate.

- **Secondary Market Activity.** While a firm's activity and presence in the secondary market is often overlooked, it can directly translate into pricing discovery, transparency and success for an issuer in the primary market. As an active secondary market maker, we trade an average of $346 million and $800 million of municipal fixed rate and variable rate securities daily.[35] **Since 2010, WFS has traded over $16.8 billion of Illinois bonds, including $230 million of the Tollway's bonds. During the same period our retail affiliate, Wells Fargo Advisors, has traded $45.8 million of the Tollway's bonds.**[36] This allows us to provide greater access to information and intelligence surrounding investors' negotiating strategies. By serving as one of the largest municipal market makers in the industry, we learn what each institutional investor is buying at any given moment in time, as well as where the market is pricing a given issuer's debt. This information is invaluable to our underwriters, both when they are determining new issue yields, and when they are deciding whether to use WFS' balance sheet to purchase unsold balances. Institutional investors are constantly repositioning their portfolios. WFS has become a valued trading partner by using our capital to maintain an inventory of bonds which we make available to investors, and to purchase bonds from investors (thus providing needed liquidity). Aided by our high credit ratings and low funding costs, WFS routinely holds over $1 billion in trading inventory on our institutional trading desk. Holding bonds in inventory allows us to make markets and provide liquidity to our customers, rather than just act as a broker matching buyers and sellers. When major institutional accounts need to sell a municipal bond position, they know they can turn to WFS to seek a bid. Likewise, when major institutional accounts are seeking to buy a specific type of bond, they will contact WFS. Investors who value our service in the secondary market are more likely to be positive participants in transactions that WFS underwrites in the primary market.

MARKETING STRATEGY

WFS takes a proactive approach to marketing bonds to investors and will work with the Authority to customize this approach for its anticipated issuance of $300 million senior lien fixed rate bonds. The State of Illinois (the "State") and City of Chicago's fiscal challenges and headline news continue to cast a negative light on Illinois credits. With the State's ongoing budget impasse and Fitch's most recent downgrade of the State's issuer rating to 'BBB' with a negative outlook on February 1, 2017, it will be crucial for the Tollway to differentiate its credit from that of the State and emphasize its management and financial strengths through a comprehensive and targeted marketing plan. We suggest that the Tollway undertake a 1-2 week marketing campaign prior to its bond issuance and would recommend the following marketing strategy and efforts, many of which have been utilized in past Tollway marketing efforts and have proven to be effective in building investor interest:

- **Monitor the Primary Markets for Competing Transactions and Avoid Pricing Near Challenged Illinois Credits.** While WFS recognizes that it is difficult to ascertain the timing of competing offerings when the calendar for an offering is initially established, the financing team may wish to modify, to the extent possible, the sale date of the planned sale to avoid pricing when other Illinois and Chicago offerings are in the market. This will be important in order to avoid a follow-on negative market tone for the Tollway's offering.
- **Timely Release of Information.** We suggest creating and disseminating a complete and concise preliminary official statement at least seven days prior to the pricing date, inclusive of an updated Consulting and Traffic Engineers' Reports to provide investors with a thorough examination of the underlying economic base, an engineer's report regarding the condition and needs of the Authority's physical assets, historical and projected population growth, tollway traffic activity and an analysis on the Tollway's financial health.
- **Internal Dissemination of Marketing Materials.** As soon as they are made available, WFS will disseminate the POS and ratings reports internally to our sales force with a sales point memorandum, providing a detailed summary of the offering.
- **Internet Roadshow/Investor Presentation.** As the Tollway is aware, investor presentations provide the Tollway with an excellent opportunity to highlight its management, credit, and economic strengths to investors. Recording an internet roadshow is extremely beneficial in providing investors with continuous access to the Tollway's investor presentation until pricing. WFS personnel have worked with numerous issuers on investor presentations in the past and would be able to assist the Authority with preparing and recording its internet roadshow.
- **One-on-One Calls or Individual Meetings.** If investors have questions that are not addressed in the Internet Roadshow or luncheon, WFS can facilitate a meeting by phone, video conference, or in person. In-depth question-and-answer sessions with investors would allow the Tollway to develop an ongoing dialogue with investors and to solidify institutional relationships. We expect on a transaction such as that contemplated by the Authority, a number of large investors would value the opportunity to participate in a one-on-one meeting with Tollway staff.
- **Internal "Teach-In" Calls.** Wells Fargo will hold internal "teach-in" conference calls to promote the upcoming bond issue within our Illinois retail and national institutional distribution networks.

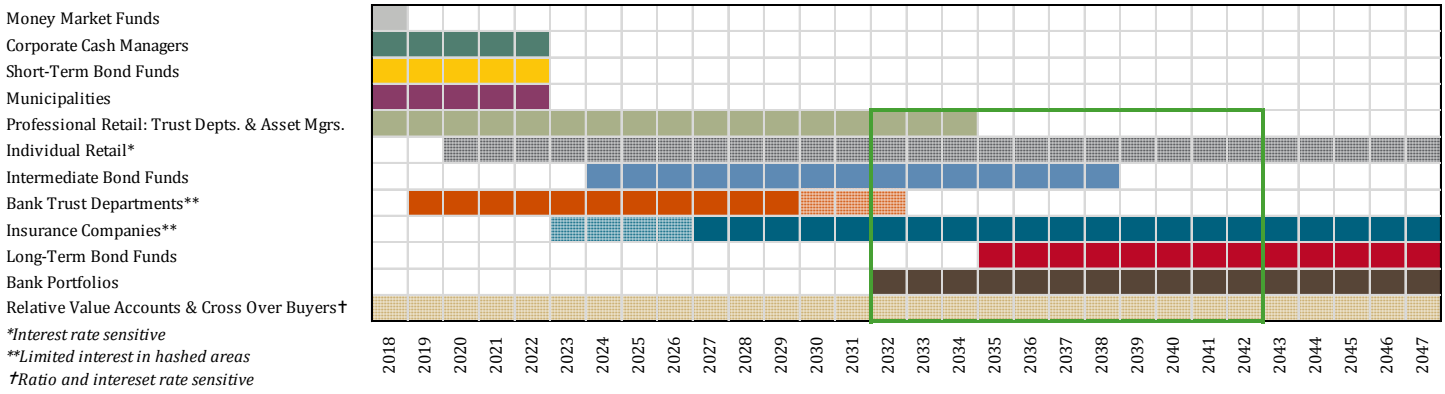
[34] WFA holding information as of November 1, 2016
[35] For time period 1/1/2016 to 12/31/2016
[36] For time period 1/1/2013 to 12/31/2016

- **Identify Couponing and Other Structural Considerations.** While market conditions will ultimately drive the structure, WFS would work to offer certain maturities with "retail-friendly" pricing, including potentially bifurcating maturities to achieve more diverse participation.
- **On-Going Communication with Investors.** Investors consider on-going access to issuer information in their decision to purchase bonds. The Tollway already does an exemplary job of making current information accessible on its Finance and Investor Information website. We can provide additional assistance with developing periodic investor calls or roadshows to keep investors informed and engaged, which will be particularly beneficial given the multi-year nature of the Tollway's borrowing plans.

TARGETED INVESTORS

Wells Fargo's multi-tier distribution network allows us to deliver the breadth and scope of underwriting to successfully market and sell the Tollway's bonds to all market segments. The chart on the following page shows the current, general landscape of municipal investor segments on a maturity-by-maturity basis with the green box outlining anticipated investor interest for a fixed rate Tollway financing with maturities in years 15-25.

Municipal Investors by Maturity



*Interest rate sensitive
**Limited interest in hashed areas
†Ratio and intereset rate sensitive

Expanding the Tollway's Institutional Investor Base. The optimal approach to reach institutional investors includes targeting both large current bondholders while also identifying the firms that are "missing". Exploring issues or concerns with those investors and developing a targeted marketing plan to win them over can be a key driver of success. WFS has the ability to conduct a thorough bond analysis to identify current holders and potential new buyers. According to the data we have derived from Ipreo BD Advanced, we see that a number of the top municipal institutional investors hold Tollway paper, however, there are a few major investors of Illinois municipal debt and toll road debt nationally who have a limited amount of Tollway bonds in their portfolios as highlighted in red in the table to the right. We note in particular that **OppenheimerFunds, Travelers, Invesco,** and **Loews** are among the Tier 1 investors that are "underweight" investors who hold significant amounts of Illinois and toll road paper, but limited holdings of Tollway debt, and would be strong targets for anchor orders on the Authority's future financings. Due to our active participation in the secondary market, WFS maintains strong relationships with these institutions and will target them early in the premarketing phase to ensure that they are aware of the offering and ready to support the transaction. Additionally, WFS offers the Tollway access to Tier 2 and Tier 3 "middle market" investors across the nation. This additional distribution arm allows us to deliver new investors to the Authority's transaction.

Illinois State Toll Highway Authority Investor Considerations

Top 30 Municipal Investors	Top Toll Road Holders	Top Illinois Holders	Top ISTHA Holders
Vanguard	✓	✓	✓
Nuveen	✓	✓	✓
Franklin	✓	✓	✓
State Farm	✓	✓	✓
OppenheimerFunds		✓	
BlackRock	✓	✓	✓
Fidelity	✓	✓	✓
WellsCap	✓	✓	✓
Travelers	✓		
Charles Schwab		✓	✓
CapRe	✓	✓	✓
Invesco	✓	✓	
T. Rowe Price	✓	✓	✓
USAA	✓	✓	✓
J.P. Morgan		✓	✓
PIMCO	✓	✓	✓
Deutsche	✓	✓	✓
AllianceBernstein	✓	✓	✓
MetLife	✓		✓
Goldman Sachs	✓	✓	✓
Columbia	✓	✓	✓
Northern Trust		✓	✓
Loews	✓		
Western Asset		✓	✓
Federated			✓
Eaton Vance	✓	✓	✓
Guggenheim			
GR-NEAM			
Lord, Abbett & Co.		✓	✓
HIMCO		✓	✓

Source: IPREO BD Advanced as of 1/25/2017; represents publicly reporting institutions, red indicates that the investor is not a significant holder of the Authority's debt (at least 1% total par held or greater)

Maximizing Retail Participation. Strong retail participation can often help drive a successful pricing, leaving smaller unsold balances as part of any institutional order period. In addition to conducting extensive pre-marketing efforts we have mentioned above, WFS would specifically target retail buyers through (i) Retail Net Roadshows and/or Broker Calls targeted to retail advisors, brokers and wealth managers from all syndicate members, (ii) retail advertising, which might include internet, radio, or print advertisements that can be included in external distribution outlets or directly on the Tollway's website; (iii) careful structuring of the transaction to ensure that certain maturities have "retail friendly" pricing, and, (iv)

granting priority of orders to Illinois retail and national retail orders before priority institutional orders, thus ensuring the availability of bonds to these retail investors.

Examples of Investor Outreach Success. WFS has a record of developing effective marketing strategies for our transportation clients. Most recently on January 31, 2017, WFS senior managed the Oklahoma Turnpike Authority's issuance of $480 million Second Series Revenue Bonds, Series 2017A and 2017B. As the first issuance since 2011, WFS developed a comprehensive investor outreach effort which included investor net roadshow, one-on-one investor calls, and a salesforce teach-in. 46 unique investors viewed the net roadshow, while 8 investor one-on-ones were scheduled. In total, over 75 unique investors placed orders on the transaction, including 29 who had participated in one-on-ones or viewed the net roadshow. Significant retail and institutional interest generated over $1.3 billion of orders and enabled WFS to lower yields on every maturity by 2 to 8 bps. A detailed case study highlighting the success of this transaction has been included in **Tab 6(a)**.

Credit Rating Considerations

The Authority's ratings remain strong at Aa3/AA-/AA- with stable outlooks. There are substantive reasons to believe that a rating upgrade from all of the rating agencies should be considered at this time. The Authority is now almost 5 years into the Move Illinois program and many of the risks associated with an undertaking of this size have been managed very well and the timing is appropriate to assertively seek mid-double 'A' category ratings (Aa2/AA/AA). We note that mid-double 'A' category ratings are relatively rare for toll enterprises in light of the potential volatility associated with traffic and correlation with economic activity.

As you are aware, each of the rating agencies has slightly different approach to rating toll enterprises. Moody's uses a quantitative scorecard system, S&P applies qualitative criteria and peer analysis and Fitch applies key rating factor strength/weakness descriptors along with peer analysis. Some responses to this RFP may suggest that you seek a rating from Kroll Ratings. While we believe that Kroll's rating methodology is well thought out and has resulted in some positive rating outcomes for certain toll enterprises (i.e. Triborough Bridge and Tunnel Authority), we are not recommending that the Authority pursue a Kroll rating at this time because we believe that the current ratings are ripe for an upgrade and in absence of upgrades from Moody's, S&P and/or Fitch, a 'AA' rating from Kroll will be nice to have, but is not expected to have an impact on pricing of your bonds on its own.

We have reviewed Moody's recent scorecard results from their May 2016 report. The scorecard produces an 'Aa2' result when mapping to their grid, however, they apply additional qualitative analysis to the score to result in an 'Aa3'. Upon the initial bond issuance of the Move Illinois program, Moody's scorecard resulted in an 'Aa3' score and the rating was 'Aa3'. During the past few years, several of the individual credit factor scores have improved, including debt service coverage and debt to operating revenues, resulting in an improved grid score, but not an improved bond rating. We believe that the successful implementation of the commercial toll rate increases as planned and the strength of the traffic and associated revenue is a key milestone in the program's implementation. Further the successful delivery of projects on time and on budget emphasizes that the Authority continues to meet Moody's expectations on this point.

S&P has focused on debt service coverage, liquidity and the significant capital program as factors that hold the AA- rating constant. With the Authority following through with the implementation of the commercial toll rate increases, the strength of revenue growth associated with the toll increases, continued traffic growth and the new revenues that are anticipated from the expansion projects, we believe the Authority has demonstrated its ability and willingness to execute its plans while maintaining strong debt service coverage and liquidity and 'growing into ' its debt (which regardless of the additional debt to be issued, remains manageable for an enterprise the size of the Authority).

Fitch's rating of AA- indicates 'stronger' attributes for i) revenue risk: volume ii) revenue risk: price and 'mid-range' for iii) infrastructure development/renewal and iv) debt structure. Despite the debt issuance needed to implement Move Illinois, the Authority maintains and is expected to maintain strong debt service coverage, strong liquidity and a moderate amount of leverage. Further, the future fixed rate debt issuance will rebalance the Authority's fixed/variable mix and while floating rate debt will not nominally diminish (except for amortization and those associated with swap terminations, if any) the proportion of variable rate debt will be smaller as the debt and revenue base grows. Therefore, debt structure continues to moderate and the investments now being made under Move Illinois following the Congestion Relief Program have improved the infrastructure quality of the system. We believe a good case can be made to improve the attribute for infrastructure/renewal and debt structure to 'stronger', resulting in a rating increase.

As a general matter, when rating agencies indicate that they are watching an issuer's ability to implement a major capital program, they often wait until **after** the program is completed to upgrade the rating. This approach does not give credit to the strength of the management team - which in the case of the Authority- had already demonstrated the ability to complete a major capital program (CRP). After nearly 5 years of Move Illinois, we believe the Authority has a strong case to make that the rating upgrades should occur now.

Tab 7 – Financials

Tab 7 - Financials: The Offeror shall provide the last three (3) most recent Year End Financial Statements.

Please refer to the CD for Wells Fargo & Company Annual Reports and Wells Fargo Bank, N.A. Call Reports for the three most recent year ends. Copies of Wells Fargo's financial reports are also available via the following link: https://www.wellsfargo.com/invest_relations.filings

The right people. The right markets. The right model.

Serving customers in the real economy.

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Serving customers in the real economy.

What is the real economy? It's the first-time homebuyer looking to buy a home. It's the bookkeeper who needs to make a deposit quickly. It's the veterinarian who sees her business growing. And it's large companies, too—like a family business that is one of the largest growers and suppliers of produce in the U.S.

Wells Fargo's Mindi Weber, who has a background in agriculture, works side by side with customers like Fowler Packing Co. every day on products and services, from its line of credit to treasury management. Co-owner Dennis Parnagian—whose father founded Fowler Packing in 1950—said, "Wells Fargo 'gets it.' They understand our world and our specific needs and challenges. Wells Fargo has shown me it is committed to agriculture and has the personnel and capabilities to do the job right." To Weber, and all Wells Fargo team members, that means developing deep relationships, understanding and serving customers' needs, and helping them succeed financially.

Wells Fargo's Mindi Weber with the Parnagian brothers, Randy, Philip, Dennis, and Kenny | Fresno, California

John G. Stumpf
Chairman, President and
Chief Executive Officer,
Wells Fargo & Company

To Our Owners,

2013 was another great year thanks to the dedication of our more than 264,000 team members working together toward our common vision: To satisfy all our customers' financial needs and help them succeed financially.

Our focus on serving customers drove outstanding results. In 2013, Wells Fargo generated record earnings for the fifth consecutive year—in fact, we were the most profitable U.S. bank—and ranked as the world's most valuable bank by market capitalization.

Accomplishments like these are no accident. They are a result of:

- Having the right people—team members who work together to fulfill our customers' financial needs.
- Doing business in the right markets—both domestically and internationally.
- Operating the right business model—businesses diversified by opportunity, size, and geography that can perform well across a variety of economic and interest rate environments.

We also understand and embrace the critical role we play in our customers' lives and communities. Although the U.S. economy is rebounding, it has been a slow and uneven recovery with many people continuing to struggle to find jobs, start businesses, or save for the future.

We believe banking—and Wells Fargo—is at its best when supporting the "real economy" by creating new jobs, helping businesses grow, and promoting the financial well-being of individuals. For us, this means keeping deposits safe, lending responsibly and fairly, helping students pay for college and customers plan for their financial futures, supplying needed capital to businesses of all sizes, and investing in communities. It also means instilling confidence in our customers as their financial partner—from providing checking accounts and automobile loans to treasury management and investment banking services.

As we have grown over the years, we have never lost our focus on the basics of banking—providing our customers products and services when, where, and how they need them—and we've never lost touch with our roots as a "Main Street" financial provider, even as we've developed a global reach to support our business customers. These roots and our vision provide the foundation for Wells Fargo's continued success.

Financial results

In 2013, we enjoyed another strong year. Our net income for the year was $21.9 billion, up 16 percent from 2012. Diluted earnings per common share rose 16 percent to $3.89. Our 2013 revenue of $83.8 billion was balanced between net interest income and noninterest income, reflecting the strength of our diversified business model. Each primary business segment grew net income year over year: Community Banking by 21 percent, Wholesale Banking by 5 percent, and Wealth, Brokerage and Retirement by 29 percent.

We increased loans and deposits, a good sign for the overall economy. Total loans finished 2013 at $825.8 billion, up 3 percent from 2012. Loan growth occurred across multiple portfolios, including commercial loans, mortgages, credit cards, and automobile lending. Total deposits reached a record $1.1 trillion, up 8 percent from the prior year.

Credit quality continued to improve as 2013 credit losses fell to $4.5 billion, a 50 percent improvement over $9.0 billion in 2012. Net charge-offs dropped to their lowest levels in recent history—0.47 percent of average loans in fourth quarter 2013, compared with 1.05 percent in fourth quarter 2012.

Our capital also grew and remained well above regulatory minimum levels. Our Tier 1 common equity at the end of 2013 was $123.5 billion, up 13 percent from 2012, resulting in a Tier 1 common equity ratio of 10.82 percent under Basel I. Under Basel III capital rules, our estimated Common Equity Tier 1 ratio was 9.76 percent.[1]

We also increased returns for our shareholders. Our full-year return on assets rose to 1.51 percent, up 10 basis points from 2012, and our full-year return on equity was 13.87 percent, up 92 basis points from 2012. In 2013, we returned $11.4 billion to shareholders through dividends and share repurchases. We increased our regular quarterly dividend by 36 percent, to 30 cents per share, and purchased 124 million shares of our common stock in 2013. We are further pleased that the market rewarded our shareholders, as our common stock price increased 33 percent in 2013.

We are proud of what we accomplished in 2013 because the results reflect how we are helping our customers. And we know the road ahead will continue to require a strong commitment to our customers and the communities we serve.

Helping individuals and businesses in the real economy

We recognize the struggles many are experiencing in this economy and remain committed to doing all that we can to help individuals and businesses prosper and succeed. We support the real economy in many ways, including enabling people to buy new homes, providing needed capital for business investment and expansion, and helping consumers plan for retirement.

Creating new homeowners and helping keep people in their homes

Housing is a cornerstone of the economy, and homeownership is the foundation of neighborhoods large and small. For most people, their home is their largest and most important asset. We are proud to be the nation's largest home lender, and every day get to see the difference that a home can make in people's lives and in their communities.

In 2013, we provided financing to 1.5 million consumers to purchase homes or refinance existing mortgages. Buying a home typically fuels additional spending — new furniture, appliances, or renovations — that benefits local businesses and creates jobs. Because of this multiplier effect, a housing recovery has led every economic recovery in recent history.

Just as important, we are helping people stay in their homes. Wells Fargo is a leader in preventing foreclosures — since 2009, we have completed more than 904,000 home loan modifications and provided $7.7 billion in principal forgiveness. We also have participated in nearly 1,200 home preservation events, including hosting 107 of our own workshops where we have met one-on-one with nearly 45,000 customers facing financial hardships.

In addition, through Wells Fargo LIFT programs, we offer down payment assistance and education to potential homeowners in communities most deeply impacted by the recession. We have committed $190 million to our LIFT programs, and since early 2012, we have provided down payment assistance to help more than 5,000 people buy homes in 24 markets. In 2013, we expanded our assistance through *UrbanLIFT*,℠ a program that awarded $11.4 million in grants to local nonprofits to accelerate economic recovery and neighborhood improvement projects in 25 communities across the U.S.

Meeting the needs of businesses – small and large

We know for our economy to fully recover, we need businesses to grow and add jobs. Small businesses are the growth engines in every community, and as the nation's largest lender to small businesses, we are helping business owners every day get the capital and financial services they need.

In 2013, Wells Fargo extended $18.9 billion in new loan commitments to small businesses (primarily those with annual revenues of less than $20 million), up 18 percent from 2012. We were the nation's largest provider of Small Business Administration (SBA) loans based on dollar volume for the fifth consecutive year. Wells Fargo approved a record $1.47 billion in SBA 7(a) loans during federal fiscal year 2013 (October 2012 – September 2013), up 18 percent from the prior year.

We also fund mid-sized and large companies, helping them grow both domestically and internationally. In 2013, our average commercial and industrial loans rose to $188 billion, up 8 percent from 2012. We work side by side with these businesses through our extensive network of commercial banking offices in all 50 states, providing our commercial customers with financial services like treasury management, insurance, capital finance, asset-based lending, commercial real estate, and foreign exchange. We also operate offices in international locations — including Hong Kong, London, Sydney, and Toronto — to meet the global needs of our corporate customers and provide services to financial institutions around the world.

Helping people plan and prepare for retirement

As a leading retirement services provider — we administer about $341 billion in IRA assets and $298 billion in 401(k) and institutional retirement plan assets — Wells Fargo understands the importance of investing and saving for the future.

About 10,000 people retire every day, and most are expected to live longer in retirement than their parents and grandparents. Yet study after study shows that too many Americans are not adequately prepared for retirement and

[1] *For more information regarding our regulatory capital and related ratios determined under Basel I and Basel III, please see the "Financial Review – Capital Management" section in this Report.*

face the possibility of outliving their savings, which could severely impact our economy. In fact, the Wells Fargo Middle Class Retirement Survey released last fall revealed that nearly one-half of Americans are not confident they will be able to save enough for a comfortable retirement. One-third say they will have to work until at least age 80.

We believe the best way to fill that gap is with planning. Wells Fargo is a leader in offering guidance and individualized plans for all customers. Our research shows that customers with written plans are more confident in their ability to live comfortably in their retirement years. That is why we continue to promote the benefits of planning and offer free online services such as *My Retirement Plan*,® which we introduced in late 2012.

We also help people understand the importance of saving through financial education programs like *Hands on Banking*® and workplace seminars at companies for which we manage 401(k) and employee retirement plans.

Road to economic recovery

While the economic recovery continues to move at a slow pace, we believe there are many reasons to be bullish in 2014. U.S. companies are known for their innovation — a key driver of business competitiveness and long-term economic growth — in everything from biotechnology and medical devices to wireless technology, social networking, and cloud computing.

The U.S. also has become a world leader in energy production and the use of clean energy sources, which is creating new jobs and decreasing our reliance on imports. The manufacturing sector continues to improve and show signs of sustainable growth. And let's not forget agriculture, which I hold close to my heart as one of 11 children who grew up on a small family farm in Minnesota.

In 2013, Wells Fargo extended $18.9 billion in new loan commitments to small businesses, up 18 percent from 2012.

We are proud to be the nation's largest agricultural business lender. Agricultural production has rebounded in America: Today, we export more food than we import, and Americans enjoy an affordable and safe food supply.

The U.S. housing market also is better positioned than it was a year ago. Though mortgage rates have risen, they remain very low from a historical perspective. Traditional buyers are coming back into the market, which should allow for more trade-up activity. Demand should improve further if labor markets continue to stabilize. Demographic factors also should help, as retiring baby boomers boost demand for homes in active adult communities and retiree markets.

Full economic recovery will take time, but we can look into the future with confidence and a deep appreciation of the tremendous opportunities ahead of us.

Our strategic priorities

To meet the needs of our customers and help grow the overall economy, we will continue to focus on our strategic priorities, which create a shared sense of purpose across our approximately 90 businesses. Guided by our common vision and values, these priorities provide a clear path for team members to collaborate across organizational borders and focus on serving our customers as one team, something we call One Wells Fargo.

The six priorities are:

- Putting customers first
- Growing revenue
- Managing expenses
- Living our vision and values
- Connecting with communities and stakeholders
- Managing risk

Putting customers first

At Wells Fargo we put customers first, in everything that we do. Helping customers succeed financially by serving all of their financial needs is the very foundation of our success. We do that through building long-lasting relationships, one customer at a time. That's why I say we are in the relationship business: We start with what customers need, not with what we want to provide them.

We proudly serve the financial needs of more than 70 million customers and one in three U.S. households. Each quarter, we provide about 357,000 new or refinanced automobile loans to customers. Each month, we provide financing to about 125,000 customers so they can purchase homes or refinance existing mortgages.

Our Performance

$ in millions, except per share amounts	2013	2012	% Change
FOR THE YEAR			
Wells Fargo net income	$ 21,878	18,897	16
Wells Fargo net income applicable to common stock	20,889	17,999	16
Diluted earnings per common share	3.89	3.36	16
Profitability ratios:			
Wells Fargo net income to average total assets (ROA)	1.51%	1.41	7
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity (ROE)	13.87	12.95	7
Efficiency ratio [1]	58.3	58.5	—
Total revenue	$ 83,780	86,086	(3)
Pre-tax pre-provision profit [2]	34,938	35,688	(2)
Dividends declared per common share	1.15	0.88	31
Average common shares outstanding	5,287.3	5,287.6	—
Diluted average common shares outstanding	5,371.2	5,351.5	—
Average loans	$ 804,992	775,224	4
Average assets	1,448,305	1,341,635	8
Average core deposits [3]	942,120	893,937	5
Average retail core deposits [4]	669,657	629,320	6
Net interest margin	3.39%	3.76	(10)
AT YEAR-END			
Investment securities	$ 264,353	235,199	12
Loans	825,799	799,574	3
Allowance for loan losses	14,502	17,060	(15)
Goodwill	25,637	25,637	—
Assets	1,527,015	1,422,968	7
Core deposits [3]	980,063	945,749	4
Wells Fargo stockholders' equity	170,142	157,554	8
Total equity	171,008	158,911	8
Tier 1 capital [5]	140,735	126,607	11
Total capital [5]	176,177	157,588	12
Capital ratios:			
Total equity to assets	11.20%	11.17	—
Risk-based capital: [5]			
Tier 1 capital	12.33	11.75	5
Total capital	15.43	14.63	5
Tier 1 leverage [5]	9.60	9.47	1
Tier 1 common equity [6]	10.82	10.12	7
Common shares outstanding	5,257.2	5,266.3	—
Book value per common share	$ 29.48	27.64	7
Team members (active, full-time equivalent)	264,900	269,200	(2)

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 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

6 See the "Financial Review – Capital Management" section in this Report for additional information.

Each week, we provide on average about $360 million in new credit to small businesses so they can grow. And each day, we make it possible for people to pay bills, deposit checks, and get the cash they need. In getting the essentials right, we earn more opportunities to serve our customers.

We strive to deliver a consistent, value-added experience every time a customer interacts with us — in person, over the phone, at one of our more than 12,000 ATMs, online, or through a mobile device. Increasingly, customers rely on these interconnected channels and expect to conduct business with us in multiple ways. For example, while mobile is our fastest-growing channel with more than 12 million users, many of these same customers also want the option of visiting a retail bank store to open accounts, transact business, or discuss financial matters.

We will continue to invest in each of our channels to provide the most value to our customers. In 2013, we added a text receipt option at our ATMs, becoming the first bank to offer customers ATM receipts by text and email, which is great for the environment. Our online banking presence also improved with a new tablet-friendly home page. And innovative tools in our stores help bankers better serve the needs of our customers. We also continue to expand our presence on social media channels — Facebook, YouTube, Google+, LinkedIn, and Twitter — to connect and communicate with key stakeholders.

Regardless of the channel that a customer chooses, our focus is on providing exceptional service every time. We know excellent customer experiences lead to more opportunities to increase customer loyalty and grow referrals.

Growing revenue

Revenue is a key measure of how well we are serving existing customers and gaining new ones. When we serve customers well, the money we earn is the result. We never put the stagecoach ahead of the horses. We view ourselves as a growth company and generate revenue across a diverse set of businesses — from traditional banking to brokerage to capital markets — in controlled and sustainable ways that reflect our risk tolerance.

We clearly benefited from our diversified business model in 2013. While rising long-term interest rates slowed refinance volume and impacted our mortgage revenue, we experienced growth in other businesses such as asset-backed finance, asset management, capital markets, commercial real estate, corporate banking, credit cards, retail brokerage, small business lending, and treasury management.

Another key gauge of how we are satisfying the needs of our customers is how many products they have with us. In fourth quarter 2013, the average Retail Bank household had 6.16 Wells Fargo products, up from 6.05 in fourth quarter 2012, while our average Wholesale Banking household had 7.1 products, and our average Wealth, Brokerage and Retirement household had 10.42 products.

In 2014, we will continue to look for opportunities to deepen relationships with customers and grow revenue. Two areas of particular focus include earning more business from our affluent customers (those with $100,000 or more in deposits and/or investable assets) and growing our credit card portfolio.

- About 6 million of our Retail Bank households hold significant investments or deposits at other companies. We are starting to serve more of these customers' financial needs through the Community Bank and our brokerage business, Wells Fargo Advisors, as we work together to expand affluent customer relationships.
- We also continue to increase the portion of retail households with a Wells Fargo credit card, which was 37 percent at the end of 2013, up from 33 percent in 2012. We have a number of credit card strategies in place, including expanded rewards and innovative partnerships with Visa and American Express.

Managing expenses

Managing expenses means that every dollar we spend is aligned with our vision and priorities. This ensures we are spending money on the right things, investing in the right technologies and products, and focusing on our customers. Managing expenses well allows us to realize the full benefits of our size and scale without diminishing customer experiences or increasing operational risk.

One measure we track closely is our efficiency ratio (how much expense we incur for every dollar of revenue we earn). In 2013, our efficiency ratio was 58.3 percent, an improvement of 20 basis points from 2012 and within our target range of 55 to 59 percent.

Some of the ways we managed expenses in 2013 included aligning personnel costs with demand in rate-sensitive businesses like mortgage and making more efficient use of our real estate. Since 2009, we have reduced our total real estate space by 15 percent — from 112 million square feet to about 95 million square feet. One example is in Chicago, where last year we consolidated about 40 Wells Fargo businesses and 700 team members across several downtown buildings into a new, state-of-the-art regional headquarters at the Chicago Mercantile Center.

We also continue to make efficient use of our retail bank store space without sacrificing personal service. We love our network of approximately 6,200 retail bank stores and the convenience and individual attention they provide our customers. In 2013, we began to grow the number of bank stores in supermarkets in the East, joining about 460 such stores in our Western markets.

Our vision and values set us apart from our competitors. They form the basis of our culture and define who we are.

In addition, we began testing a new retail bank store format that is about 1,000 square feet, roughly a third of the size of a typical new store. In 2013, we opened the first of these stores in the NoMa neighborhood in Washington, D.C. These stores can be located in smaller spaces while still providing personalized service and technologies like wireless devices and large-screen ATMs. We are evaluating this concept and will determine the next steps as part of our overall retail bank store strategy.

Living our vision and values

Our vision and values set us apart from our competitors. They form the basis of our culture and define who we are. It's through our vision and values that we operate as one team. It's not about I, me, and mine; it's about we, us, and ours. We say "team members" and not "employees" because we view our team members as resources to be invested in, not expenses to be managed. It's why we train our leaders to coach and inspire team members and work together—as One Wells Fargo—to achieve our vision.

I keep my 41-page *Vision & Values* booklet close by, and I know many of our team members do as well. But it's not the words in the document that are important. It's how we embody these words in all that we do—for fellow team members, customers, communities, and shareholders.

One core value is our commitment to diversity and inclusion. We attract and retain diverse team members and serve a diverse customer base, but we realize there is always more that can be done.

As chair of our enterprise Diversity and Inclusion Council, I am committed to our company's efforts to embrace and promote diversity in all aspects of our business, at all levels of our company. That is why I was pleased to see seven of our senior-most female leaders recognized last year by *American Banker* in its annual "Most Powerful Women in Banking" issue, and Wells Fargo named by *DiversityInc* magazine as the top company for lesbian, gay, bisexual, and transgender employees, and by *Essence* magazine as one of the top places to work for African American women.

We also focus on how we serve diverse markets. Last year, we formed a Korean division in Wholesale Banking, announced a goal to lend a cumulative $55 billion to women-owned businesses by the year 2020, and produced marketing that reflected the people and cultures we serve, including a TV ad for the Asian market that was honored by the Association of National Advertisers.

Connecting with communities and stakeholders

Our reputation will continue to be one of our most important assets, influenced by what we do and how we connect with our communities and stakeholders. We appreciate that public sentiment toward the nation's largest financial institutions is still a challenge, and we continue to work hard to rebuild trust. Across the industry, mistakes clearly were made leading up to the financial crisis of 2008, as some competitors put profits before their customers' interests.

While Wells Fargo didn't do everything right, we did do many things right. We avoided the risky practices that hurt other banks during the financial crisis, and we consistently focused on responsible, traditional banking practices that customers and communities expect and rely on. Over the past several years, a number of new industry reforms and regulations have been put in place to create a safer and stronger financial services industry, and we are committed to the spirit and specifics of these requirements.

Wells Fargo continues to actively support the revitalization and growth of the economy, including in our hardest-hit communities. In 2013, Wells Fargo contributed $275.5 million to 18,500 nonprofits nationwide. I was especially pleased that we ranked at the top of *The Chronicle of Philanthropy*'s 2013 ranking of most philanthropic companies (based on 2012 giving), even though we are not the largest company (25th on the Fortune 500 list of America's largest companies).

Team members drive our connection with communities and stakeholders. In 2013 alone, they contributed a record $89 million to schools, charitable organizations, and other nonprofit groups, up 13 percent from 2012. Team members also volunteered 1.69 million hours in 2013—doing everything from helping children learn to read in local schools to serving food at homeless shelters—in their communities, up 13 percent from 2012. United Way Worldwide recognized Wells Fargo for having the nation's No. 1 United Way campaign for the fifth consecutive year, based on 2013 giving.

In 2013, we recognized the 20th anniversary of the Wells Fargo Housing Foundation, and we completed the 5,000th home built by team member volunteers—all in support of affordable housing and community revitalization. As part of our support to military veterans, we donated 86 homes in 2013 to wounded warriors.

In addition, we are supporting environmental efforts in our communities. Since 2012, we have provided more than $12 billion toward green building and development initiatives, wind and solar projects, and other environmental opportunities as part of our commitment to provide $30 billion of environmental financing by 2020. We also continue to reduce the environmental impact of our operations, increase our energy efficiency, and decrease waste. Since 2009, customers have completed more than 1.1 billion paperless ATM transactions, saving an average of 475 printed ATM receipts per minute. That is enough paper to circle the earth's circumference nearly three times—approximately 73,000 miles!

Managing risk

For more than 160 years, Wells Fargo has been in the risk management business. Our risk management practices enabled us to emerge from the 2008 financial crisis in far better shape than many of our competitors.

We are increasing investments in our already strong risk management practices and in other vital areas such as cybersecurity. Our track record and risk management focus allow customers to have confidence in our ethical standards and our ability to make good decisions. Each day, we work hard to ensure that appropriate controls are in place to reduce risks to our customers, maintain and increase our competitive market position, and protect Wells Fargo's long-term safety, soundness, and reputation.

Although we have seen a lot of change over the years, the fundamentals of our risk management culture remain the same. We are guided by seven core risk management principles:

- **Relationship focus.** Take only as much risk as is appropriate to efficiently, effectively, and prudently serve our customers.
- **Understanding risk.** Take only risks that we clearly understand.
- **Reputation.** Do not engage in activities or business practices that could cause permanent or irreparable damage to our reputation.
- **Price for risk.** Price our business to cover risk to capital and retain risk only if priced for a sufficient risk-adjusted return.
- **Conservatism.** Strive to grow our company, but do so only in a way that supports our long-term goals and does not compromise our ability to manage our risk.
- **Operational excellence.** Maintain the infrastructure, systems, processes, and compliance programs that support the financial success of our customers.
- **Clear accountability.** Ensure our lines of business have primary accountability for risk, while our Corporate Risk group provides oversight at the enterprise level. Our Corporate Audit group provides an independent, objective view to evaluate and improve the effectiveness of our risk management processes.

In appreciation

In April 2013, Nicholas G. Moore retired from our board of directors after seven years of service to our company. Nick provided outstanding leadership as a member of the board and chair of the Audit and Examination Committee.

Also in April 2013, Philip J. Quigley retired after 19 years on the board. Phil served on and chaired many committees, and as lead director from 2009 to 2011, he provided distinguished leadership and insight, which were key to Wells Fargo's success during a critical time.

We thank both Nick and Phil for their long-standing service and contributions to Wells Fargo, and we wish them all the best.

We also welcomed James H. Quigley to our board in October 2013. Jim is CEO emeritus and a retired partner of Deloitte, and we are fortunate to benefit from his more than three decades of broad leadership experience and extensive audit, financial reporting, and risk management expertise.

I want to thank all of our stakeholders—board members, team members, customers, communities, and shareholders—for helping make 2013 an outstanding year. I also want to recognize the five-year anniversary of Wells Fargo's merger with Wachovia, which we celebrated at the end of 2013. I could not be more proud of where our company is today and all of our wonderful team members who live by our vision and values and work together to help our customers achieve financial success.

As we look forward, we are confident in our abilities to serve changing customer needs and contribute to the economic recovery. We believe we have the right people on our team, are in the right markets, and operate the right business model—one that is diversified and positioned to perform well across various economic cycles. And we are optimistic about the future for our customers, communities, and country.

John G. Stumpf
Chairman, President and Chief Executive Officer
Wells Fargo & Company

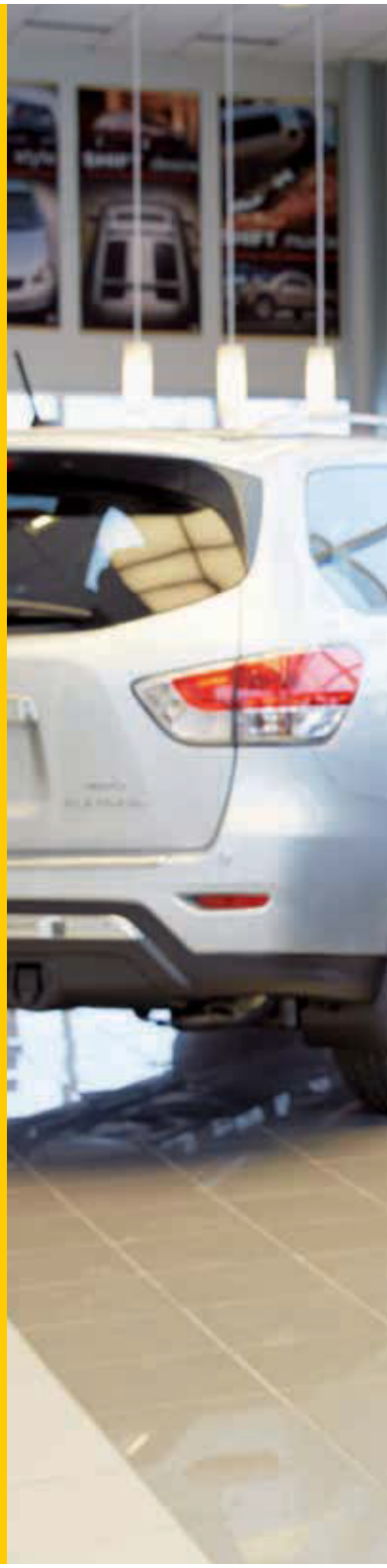
Relationships, not transactions.

In Ames, Iowa, when residents need a Honda car or Nissan truck, they think of Lithia Motors, Inc. The dealership's general manager, Mike Gougherty, is passionate about how his team serves customers and also about *receiving* outstanding customer service from their relationship with Wells Fargo Dealer Services.

Wells Fargo's Robert Lyles manages the Regional Business Center in Omaha, Nebraska, which is one of 54 across the U.S. They keep Wells Fargo credit and loan decisions as close to car dealers and customers as possible. Such local knowledge is why Lithia knows it can count on Wells Fargo Dealer Services to provide a broad spectrum of financing options during any economic cycle.

Gougherty said, "I like the fact that, if needed, we can talk about the people behind a car deal, because it's all about relationships, not transactions." He also knows Lithia can count on Wells Fargo for cash management, real estate lending, and other services that help the business operate more efficiently.

Wells Fargo Dealer Services helped finance transportation for 1.2 million Americans in 2013 and is the top used-car and overall auto lender (excluding leases) in the U.S.



Wells Fargo's Robert Lyles (left) with Mike Gougherty | Ames, Iowa

"Excellent service is what is most important…and I get that from Wells Fargo."

No two days are alike at the Canal Road Animal Hospital in Orange Beach, Alabama, where Julianna Taylor tends to patients like Peanut the pig and a rescue cat named Sebastian—all while running the business side of things, too.

For those reasons and more, Taylor said she's glad to have the right bank behind her at work and at home—the same bank that serves more than 1,500 small businesses in her home county of Baldwin and millions more across the U.S.

"I was unhappy with my previous bank, and Wells Fargo offers all the financial services I need," said Taylor, who said being an animal doctor is the only thing she's ever wanted to do. "Excellent service is what is most important for a bank to provide, and I get that from Wells Fargo, whether it's on my home mortgage or a loan to expand my business."

Wells Fargo District Manager Brian Murphy said, "As a national bank, we're able to provide a wide variety of financial products to our customers, but we do that with the decision making and service of a local bank." For example, Wells Fargo financed the purchase of new equipment and technology that allows Taylor's customers to pay by credit or debit card.

Now Taylor is ready for the next step in the business she founded in 2002—building an addition on land Wells Fargo helped her buy. "The extension to my existing building will allow me to expand the services I offer my clients and patients."

Julianna Taylor | Orange Beach, Alabama

Surgery
Patient

"To have something that's yours, it makes a big difference."

Buying your first home can be daunting, and connecting with a lender that cares—and can help—makes all the difference. Pamela Sanford found that connection at Wells Fargo.

Sanford and her partner attended a first-time homebuyer workshop organized by the Chicago Urban League and supported by Wells Fargo. After the class, they approached the Wells Fargo Home Lending team with some questions. "We'd been working with someone else," she said, "but Wells Fargo seemed to have all the information about down payment assistance programs." Once they chose to work with Wells Fargo, Sanford said, "Any questions we had, they would have the answer or find the answer."

Now, several months and many conversations later, the couple is living in their new home. "We needed to do this for us. To have our own space, and to have something that's yours, it makes a big difference. We're enjoying every bit of it," she said.

Wells Fargo continues to support homebuyer education with the Chicago Urban League. "It's really rewarding to help people buy that first home," said Peter de Jong, branch manager for the mortgage team in Oak Lawn, a community outside the city. "Our office and team members serve many residents in the greater Chicago area. We pride ourselves on being knowledgeable about mortgage down payment assistance programs that help residents achieve the dream of homeownership. But most important, we enjoy helping inspire residents to make the commitment to buy a home in their community!"

Andrea L. Zopp, president and CEO of the Chicago Urban League, said, "Homeownership remains the foundation of building wealth and strengthening communities. We're grateful to Wells Fargo for their partnership and for supporting the league's efforts to guide people into homes they can afford."

Pamela Sanford | Chicago, Illinois

"Wells Fargo helps us so we can focus on our customers."

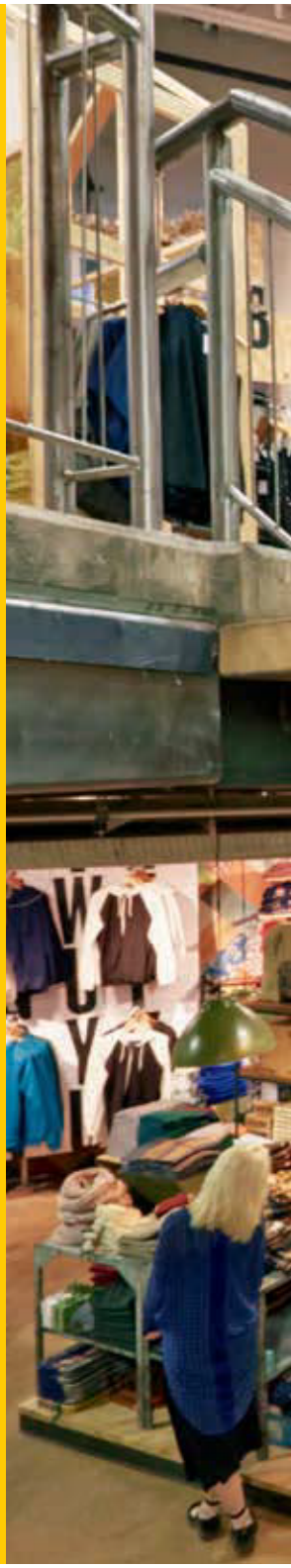
Running a retail business requires perseverance—and support you can count on. Wells Fargo has provided that support for Urban Outfitters, Inc., for 25 years.

Urban Outfitters, Inc., which operates the brands Anthropologie, Free People, Urban Outfitters, Terrain, and BHLDN, is a specialty retailer headquartered in Philadelphia that requires a variety of financial products and services. Wells Fargo Relationship Manager Stephen Dorosh said, "We support Urban Outfitters across their brands, at their stores and corporate offices, and around the globe. We provide a range of products and services, including treasury management, a commercial card program, depository accounts, a revolving line of credit, and more."

Wells Fargo also provides international banking services in London and Canada while the Hong Kong office does letter of credit processing. "Urban Outfitters has a unique and laid-back culture," Dorosh said. "We go where the company goes, and we take the time to get to know their business and their needs."

One example is the commercial card program with the *CEO Mobile*® service. Wells Fargo previewed the service with the company, and now Urban Outfitters' Anna DeMarco, card services administrator, uses the *CEO Mobile* service to take care of critical transactions that can't always wait until she's back at her desk. "Wells Fargo helps us so we can focus on our customers," she said.

That kind of business support lets the company focus where it needs to: on its people, its brand, and its customers. "We have always appreciated Wells Fargo's approach to the relationship. Our success is based upon our ability to understand our customers and connect with them on an emotional level while delivering compelling and distinct products," said Frank Conforti, chief financial officer for Urban Outfitters.



Joshua Benson, Urban Outfitters store associate | Philadelphia, Pennsylvania

"I bank with Wells Fargo because of the people. It's high-tech with the personal touch."

Wells Fargo is putting technology to work to help customers like Thiri Einsi, a bookkeeper in Seattle. Einsi works for a restaurant in the bustling South Lake Union neighborhood. And her local Wells Fargo store—on the high-tech campus of Amazon.com—combines old-fashioned service with new technology to provide top customer experience.

The store has a largely paperless workflow and offers customers three choices: self-service, assisted service, or full service. That suits Einsi just fine. "I love all the technology," she said, "and I've used all three options. But I bank with Wells Fargo because of the people. It's high-tech with the personal touch."

For example, tellers have scanners to image checks. So when Einsi is in a hurry and needs to deposit several checks, the teller simply asks her to swipe her debit card in the PIN pad and tap the screen.

Like all Wells Fargo stores, South Lake has smart ATMs with shortcuts that remember customers' frequent transactions. But that's not all. Customers at this store can access Wells Fargo mobile, or any site on the internet, through a complimentary Wi-Fi hotspot. And the bankers here have secure wireless tablets.

Store Manager Michael Kleckner said, "Tablets help to enhance the customer experience and really show how we're using technology to empower people."

Clio Tarazi of Santa Rosa, California, agrees. While using the Wells Fargo ATM in her neighborhood, Tarazi was delighted to see a "Happy Anniversary" message noting her 39 years as a customer. The personal message on the ATM screen "evoked memories of my father who helped me open my first checking account before I went to college.

"It really showed how technology can humanize an ATM experience," she said.

Thiri Einsi with Wells Fargo's Michael Kleckner | Seattle, Washington
Clio Tarazi | Santa Rosa, California

"Richard is like a brother to us, and Wells Fargo has always helped us succeed."

Long-term relationships are a Wells Fargo hallmark. And working together has paid off for Lord Daniel Sportswear of Sunrise, Florida, which has thrived in the competitive apparel business for 60 years—and been a Wells Fargo customer for more than 50. In fact, Wealth Management's Richard Sanz has worked with three generations of owners, starting with the late Marcus ("Moe") Stern, who founded the business, son Steve Stern, and now grandson Brett Stern.

Steve said, "Richard is like a brother to us, and Wells Fargo has always helped us succeed. We meet with him regularly to discuss our financial needs." Wells Fargo provides commercial banking services for Lord Daniel Sportswear, and the Sterns use Wells Fargo for their personal banking needs.

Sanz said, "It's a beautiful story of a hardworking family who started a small business and built it to take care of their family over the years. Moe took great pride in watching the business grow along with his family."

Lord Daniel Sportswear designs, manufactures, and sells a range of apparel, most notably a line of U.S. flag shirts that are sold online and at retail shops, including the White House gift shop. It also makes banded-bottom shirts sold at retailers such as Kohl's, J.C. Penney, and Sears.

Steve credits customer service as a key reason for long-term business success. "Wells Fargo has tremendous customer service, and we're a customer service company, too! We find it's little things, like speaking with customers after they place an order, that set us apart."

Steve Stern (left) with Wells Fargo's Richard Sanz | Sunrise, Florida

S#3700-400
P.O.#57493
LABEL: COTTON TRADERS CASUALS
COLOR
SIZE
MELON
SEAFOAM

Educating communities in new ways.

Wells Fargo wants every community we are in to be better because of our presence there. And now, for the first time, we are collaborating with an entire school district to use our *Hands on Banking*® financial education program as part of the curriculum for students.

In conjunction with the Missouri Council on Economic Education, the *Hands on Banking* curriculum for teens is being incorporated into social studies classes at 13 St. Louis public middle schools. "The information will fit in well with our economics curriculum," said John Swanston, a seventh-grade social studies teacher at Lyon Academy. "I'm excited to see my students learn this." Mike English, CEO of the Missouri Council on Economic Education, said, "I think this program could be a good fit for schools throughout the state."

The *Hands on Banking* program is free and not affiliated with any product. It is designed to teach money and credit basics to kids, adults, entrepreneurs, seniors, and members of the military. The handsonbanking.org site reaches thousands of users each year in more than 190 countries.

John Swanston | St. Louis, Missouri

MAP
Acuity

"This will give our children a place to run around and just enjoy their new life."

U.S. Navy veteran Deramichaelous Daniels and his family have a new home in the Atlanta area, thanks in part to a property donated by Wells Fargo. "Everything lately has felt like such an uphill battle, and this is the best news that we've had since I left the Navy," he said.

Those who serve in uniform sometimes face challenges upon returning home, including navigating the complexities of managing credit. Efforts like the one organized by SERKET Racing, Wells Fargo, and the nonprofit Operation Homefront are helping.

"Too many of our veterans are struggling to make ends meet," said Mark Llano, who founded the SERKET Racing team and is also the team's driver. Llano's company, Source One Distributors, Inc., is a Wells Fargo Capital Finance customer. SERKET Racing joined with the military nonprofit Operation Homefront and Wells Fargo in 2013 to award homes to veterans at three race events.

"This will provide us with such an amazing opportunity and will give our children a place to run around and just enjoy their new life," said Daniels. "We have discussed owning a home since getting married."

All told, Wells Fargo made 86 home donations to veterans in 2013 through nonprofits like Operation Homefront. It's a model of success: Each veteran who receives a home lives there for a trial period—paying no rent or mortgage—but is required to attend financial education courses. At the end of the trial period, the veteran receives the deed to the home free and clear.

In 2012, Wells Fargo committed $35 million to military service members and veterans, including $30 million in real estate owned property donations committed over three years to qualifying nonprofits that serve military service members and veterans.

Deramichaelous and Mistie Daniels with children | Marietta, Georgia
Mark Llano | Atlanta, Georgia

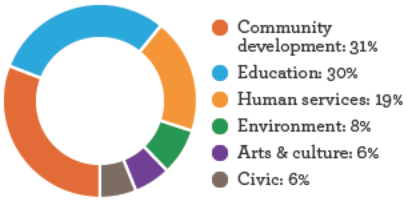
Corporate Social Responsibility Highlights

We focus on investing our resources in the areas our team members, customers, and communities tell us they care about most. Here are a few highlights from our five strategic areas, and we invite you to read our 2013 Corporate Social Responsibility Report to learn more.

Community investment

We provide human and financial resources to help build strong communities.

Philanthropy
Invested $275.5 million in 18,500 nonprofits



Community development loans & investments

$5.97 billion in 2013

Environmental sustainability

We focus on integrating environmental mindfulness into our products, services, and operations.

Environmental grants

$ 8.0 million in 2012

$21.8 million in 2013

Environmental loans & investments

More than
$12 billion
in environmental financing in 2012 – 2013

Product and service responsibility

We offer all customers responsible financial advice and solutions for now and the future.

Homeownership

5,000+ new homeowners helped with
$190 million
in down payment assistance, program support, and local initiatives through Wells Fargo LIFT programs in 24 housing markets in 2012 – 2013

Small business lending

$18.9 billion
in new loan commitments to small businesses across the U.S. in 2013

Team member engagement

We support our team members professionally, financially, and personally.

Team member giving

$89 million
in donations pledged in 2013

Volunteerism

1.69 million hours in 2013

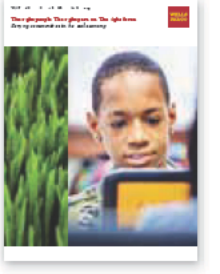
Ethical business practices

We ensure all business functions run responsibly and ethically.

Training

99.96%
of eligible team members completed the Code of Ethics and Business Conduct annual training in 2013

To learn more
Coming soon, our 2013 Corporate Social Responsibility Report
www.wellsfargo.com/about/csr/reports/



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Washington, D.C.
(U.S. government)

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BlackBerry Limited
Waterloo, Ontario, Canada
(Wireless communications)

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(Healthcare)

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Portero, Inc.
New York, New York
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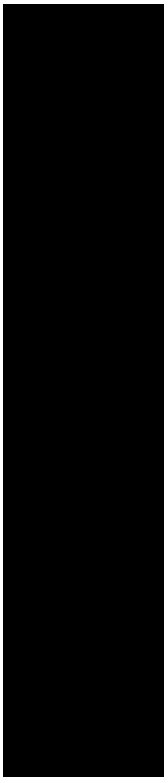

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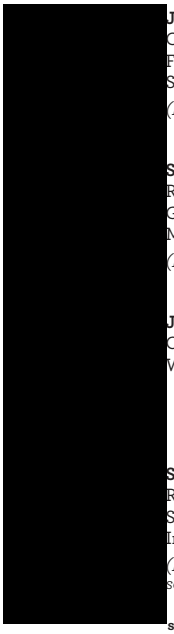

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(Law firm)

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Minneapolis, Minnesota
(Packaged foods)

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Chairman, President, CEO
Wells Fargo & Company

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Retired President, CEO
Sage Software – North America
Irvine, California
(Business software and services supply)

s

1. *Audit and Examination*
2. *Corporate Responsibility*
3. *Credit*
4. *Finance*
5. *Governance and Nominating*
6. *Human Resources*
7. *Risk*

* *Lead Director*

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Consumer Lending *

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Kevin A. Rhein
Chief Information Officer *

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Chief Credit Officer

James R. Richards
Bank Secrecy Act Officer and Head of Financial Crimes

Charles D. Roberson
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James H. Rowe
Investor Relations

Eric D. Shand
Chief Loan Examiner

Timothy J. Sloan
Chief Financial Officer *

James M. Strother
General Counsel *

Oscar Suris
Corporate Communications

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Community Banking *

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- Edward M. Kadletz, Debit and Prepaid Products

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Digital Channels Group

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- Dana Reddington, Business Banking
- Marc Bernstein, Enterprise Small Business Segment
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- Kevin T. Kenny, Insurance Brokerage and Consulting
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- Peter P. Connolly, Global Transaction Banking
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- John V. Rindlaub, Asia Pacific Regional President
- Sanjiv S. Sanghvi, Global Banking Group
- Charles H. Silverman, Global Financial Institutions
- Dominic O'Hagan, Chief Credit Officer International

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- Alan Kronovet, Commercial Mortgage Servicing
- Douglas J. Mazer, Real Estate Capital Markets
- John M. McQueen, Wells Fargo Equipment Finance
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- Robert Engel and Jonathan Weiss, Investment Banking and Capital Markets
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- Adam B. Davis, Chief Credit Officer Real Estate/Asset Backed Finance
- Derek A. Flowers, Chief Credit and Market Risk Officer, Wells Fargo Securities/ Corporate Banking
- John G. McGowan, Wholesale Risk Reporting and Analytics
- Kevin J. Martin, Group Compliance and Operational Risk Officer
- William J. Mayer, Chief Credit Officer Commercial Banking/Wells Fargo Capital Finance/Equipment Finance/ Municipal Finance
- Kenneth C. McCorkle, AgriBusiness
- Barry Neal, Environmental Finance
- Michael P. Sadilek, Loan Workout

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Stephen M. Ellis
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- Brady Cole, Wholesale Information Management
- Kevin Dabney, Wholesale Systems
- Michele Kelsey, Wholesale Marketing
- Daniel C. Peltz, Treasury Management Group

Wells Fargo & Company 2013 Financial Report

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This Annual 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" and "Risk Factors" sections, and in the "Regulation and Supervision" section of our Annual Report on Form 10-K for the year ended December 31, 2013 (2013 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 $1.5 trillion in assets. Founded in 1852 and headquartered in San Francisco, we provide banking, insurance, investments, mortgage, and consumer and commercial finance through more than 9,000 locations, 12,000 ATMs and the Internet (wellsfargo.com), and we have offices in 36 countries to support our customers who conduct business in the global economy. With more than 264,000 active, full-time equivalent team members, we serve one in three households in the United States and rank No. 25 on *Fortune's* 2013 rankings of America's largest corporations. We ranked fourth in assets and first in the market value of our common stock among all U.S. banks at December 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. We can grow by expanding the number of products our current customers have with us, gain new customers in our extended markets, and increase market share in many businesses.

Financial Performance

We produced another outstanding year of financial results in 2013 and ended the year as America's most profitable bank. We continued to demonstrate the benefit of our diversified business model by generating record earnings, growing loans and deposits, achieving significant improvement in credit quality and rewarding our shareholders by increasing our dividend and buying back more shares. Wells Fargo net income was $21.9 billion in 2013, an increase of 16% compared with 2012, with record diluted earnings per share (EPS) of $3.89, also up 16% from the prior year. We achieved 16 consecutive quarters of EPS growth and 11 consecutive quarters of record EPS. The drivers of our earnings growth during 2013 reflected the changing economic and interest rate environment. Home affordability remained str0ng, despite an increase in interest rates and home prices. As interest rates rose during 2013, mortgage refinance volume declined compared with 2012. However, over the same period we had double-digit fee growth in brokerage, investment banking, cards and mortgage servicing. The economy maintained its pace of moderate growth with gains in consumer spending, business investment and employment.

Noteworthy items included:

- our loans increased $26.2 billion, up 3% even with the planned runoff in our non-strategic/liquidating portfolios, and our core loan portfolio grew by $39.9 billion, up 6%;
- our deposit franchise continued to generate strong deposit growth, with total deposits up $76.3 billion, or 8%;
- our credit performance continued to be strong with total net charge-offs down $4.5 billion, or 50%, from a year ago;
- we resolved many outstanding issues including the Independent Foreclosure Review as well as repurchase demands and mortgage-backed securities matters, primarily involving pre-2009 mortgage loan originations, with government-sponsored entities;
- we continued to focus on meeting our customers' financial needs and achieved record cross-sell across the Company;
- our return on assets (ROA) increased by 10 basis points to 1.51%, and return on equity (ROE) increased by 92 basis points to 13.87%;
- we continued to generate strong capital growth as our estimated Common Equity Tier I ratio under Basel III increased to 9.78%, above our internal target of 9%; and
- our common stock price increased 33% and we returned $11.4 billion in capital to our shareholders through an increased common stock dividend and additional share repurchases (up 33% from 2012).

Balance Sheet and Liquidity

Our balance sheet grew 7% in 2013 to $1.5 trillion, funded largely by strong deposit growth. These deposits have diluted our net interest margin (down to 3.39% in 2013 compared with 3.76% in 2012), but provide an opportunity to generate business through cross-selling efforts in the future. We also have been

able to grow our loans on a year-over-year basis for 10 consecutive quarters, and for the past seven quarters year-over-year loan growth has been at least 3%, despite the planned runoff from our non-strategic/liquidating portfolios. Our non-strategic/liquidating loan portfolios decreased $13.7 billion during the year (now less than 10% of total loans) and our core loan portfolios increased $39.9 billion from the prior year. Our federal funds sold, securities purchased under resale agreements and other short-term investments (collectively referred to as federal funds sold and other short-term investments elsewhere in this Report) increased by $76.5 billion during the year on continued strong growth in interest-earning deposits, and we grew our investment securities portfolio by $29.2 billion in 2013.

While we believe our liquidity position was already strong with increased regulatory expectations, we have been adding to our position over the past year. We issued long-term debt and term-deposits at very low interest rates and most of the proceeds went into cash and federal funds sold and other short term investments. Deposit growth remained strong with period-end deposits up $76.3 billion from 2012. Average deposits have grown while deposit costs (down 5 basis points from a year ago to 11 basis points in fourth quarter 2013) have declined for 13 consecutive quarters. We grew our primary consumer checking customers by a net 4.7% from a year ago (November 2013 compared with November 2012). The growth in these relationship-based customers should benefit our future results as we remain focused on meeting more of our customers' financial needs.

Credit Quality

Credit quality continued to improve in 2013, with solid performance in several of our commercial and consumer loan portfolios, reflecting our long-term risk focus and the benefit from the improving housing market. Net charge-offs of $4.5 billion were 0.56% of average loans, down 61 basis points from a year ago. Net losses in our commercial portfolio were only $206 million, or 6 basis points of average loans. Net consumer losses declined to 98 basis points in 2013 from 184 basis points in 2012. We continued to have strong improvement in our commercial and residential real estate portfolios. Our commercial real estate portfolios were in a net recovery position for each quarter of 2013 and losses on our consumer real estate portfolios declined $3.5 billion from a year ago, down 59%. The consumer loss levels reflected the positive momentum in the residential real estate market, with home values improving significantly in many markets, as well as lower default frequency.

Reflecting these improvements in our loan portfolios, our provision for credit losses in 2013 was $2.3 billion, which was $4.9 billion less than a year ago. This provision reflected a release of $2.2 billion from the allowance for credit losses, compared with a release of $1.8 billion a year ago. Given current favorable conditions, we continue to expect future allowance releases, absent a significant deterioration in the economy.

In addition to lower net charge-offs and provision expense, nonperforming assets (NPAs) also improved and were down $4.9 billion, or 20%, from 2012. Nonaccrual loans declined $4.8 billion from the prior year while foreclosed assets were down slightly from 2012.

Capital

We continued to strengthen our capital levels in 2013 even as we returned more capital to our shareholders, increasing total equity to $171.0 billion at December 31, 2013, up $12.1 billion from the prior year. Our Tier 1 common equity ratio was 10.82% of risk-weighted assets (RWA) under Basel I. Our estimated Common Equity Tier 1 ratio under Basel III, using the advanced approach method, increased to 9.76% in 2013, exceeding our internal target of 9%, which includes a 100 basis point internal capital buffer. The increase in the Basel III ratio was the result of our strong underlying earnings performance and a reduction in RWA, which was due to our improved credit profile and model refinements for our commercial portfolios. We gained more clarity regarding Basel III capital requirements in 2013 and took a number of actions to further reduce RWA such as disposing of an asset that had a punitive risk weighting and obtaining more granular data related to the underlying investments of life insurance assets.

For 2013 we paid a total dividend of $1.15 per share, an increase of 31% from the prior year, and we purchased 124 million shares of common stock in the year. We also executed a $500 million forward purchase contract that is expected to settle in first quarter 2014 for approximately 11 million shares.

Our other regulatory capital ratios under Basel I remained strong with a total risk-based capital ratio of 15.43%, Tier 1 risk-based capital ratio of 12.33% and Tier 1 leverage ratio of 9.60% at December 31, 2013, compared with 14.63%, 11.75% and 9.47%, respectively, at December 31, 2012. In July 2013, U.S. banking regulatory agencies issued a supplementary leverage ratio proposal for Basel III. Based on our review, our current leverage levels would exceed the applicable proposed requirements for the holding company and each of our insured depository institutions. See the "Capital Management" section in this Report for more information regarding our capital, including the calculation of common equity for regulatory purposes. We remain committed to returning more capital to our shareholders.

Table 1: Six-Year Summary of Selected Financial Data (1)

(in millions, except per share amounts)		2013	2012	2011	2010	2009	2008	% Change 2013/ 2012	Five-year compound growth rate
Income statement									
Net interest income	$	**42,800**	43,230	42,763	44,757	46,324	25,143	**(1) %**	**11**
Noninterest income		**40,980**	42,856	38,185	40,453	42,362	16,734	**(4)**	**20**
Revenue		**83,780**	86,086	80,948	85,210	88,686	41,877	**(3)**	**15**
Provision for credit losses		**2,309**	7,217	7,899	15,753	21,668	15,979	**(68)**	**(32)**
Noninterest expense		**48,842**	50,398	49,393	50,456	49,020	22,598	**(3)**	**17**
Net income before noncontrolling interests		**22,224**	19,368	16,211	12,663	12,667	2,698	**15**	**52**
Less: Net income from noncontrolling interests		**346**	471	342	301	392	43	**(27)**	**52**
Wells Fargo net income		**21,878**	18,897	15,869	12,362	12,275	2,655	**16**	**52**
Earnings per common share		**3.95**	3.40	2.85	2.23	1.76	0.70	**16**	**41**
Diluted earnings per common share		**3.89**	3.36	2.82	2.21	1.75	0.70	**16**	**41**
Dividends declared per common share		**1.15**	0.88	0.48	0.20	0.49	1.30	**31**	**(2)**
Balance sheet (at year end)									
Investment securities	$	**264,353**	235,199	222,613	172,654	172,710	151,569	**12 %**	**12**
Loans		**825,799**	799,574	769,631	757,267	782,770	864,830	**3**	**(1)**
Allowance for loan losses		**14,502**	17,060	19,372	23,022	24,516	21,013	**(15)**	**(7)**
Goodwill		**25,637**	25,637	25,115	24,770	24,812	22,627	**-**	**3**
Assets		**1,527,015**	1,422,968	1,313,867	1,258,128	1,243,646	1,309,639	**7**	**3**
Core deposits (2)		**980,063**	945,749	872,629	798,192	780,737	745,432	**4**	**6**
Long-term debt		**152,998**	127,379	125,354	156,983	203,861	267,158	**20**	**(11)**
Wells Fargo stockholders' equity		**170,142**	157,554	140,241	126,408	111,786	99,084	**8**	**11**
Noncontrolling interests		**866**	1,357	1,446	1,481	2,573	3,232	**(36)**	**(23)**
Total equity		**171,008**	158,911	141,687	127,889	114,359	102,316	**8**	**11**

(1) The Company acquired Wachovia Corporat on (Wachovia) on December 31, 2008. Because the acquis tion was completed on December 31, 2008, Wachovia's results are included in the income statement, average balances and related metr cs beginning in 2009. Wachovia's assets and liabilities are included in the consol dated balance sheet beginning on December 31, 2008.

(2) Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits (Eurodollar sweep balances).

Table 2: Ratios and Per Common Share Data

	Year ended December 31,		
	2013	2012	2011
Profitability ratios			
Wells Fargo net income to average assets (ROA)	**1.51 %**	1.41	1.25
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity (ROE)	**13.87**	12.95	11.93
Efficiency ratio (1)	**58.3**	58.5	61.0
Capital ratios			
At year end:			
Wells Fargo common stockholders' equity to assets	**10.15**	10.23	9.87
Total equity to assets	**11.20**	11.17	10.78
Risk-based capital (2)			
Tier 1 capital	**12.33**	11.75	11.33
Total capital	**15.43**	14.63	14.76
Tier 1 leverage (2)	**9.60**	9.47	9.03
Tier 1 common equity (3)	**10.82**	10.12	9.46
Average balances:			
Average Wells Fargo common stockholders' equity to average assets	**10.40**	10.36	9.91
Average total equity to average assets	**11.39**	11.27	10.80
Per common share data			
Dividend payout (4)	**29.6**	26.2	17.0
Book value	**$ 29.48**	27.64	24.64
Market price (5)			
High	**45.64**	36.60	34.25
Low	**34.43**	27.94	22.58
Year end	**45.40**	34.18	27.56

(1) The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).
(2) See Note 26 (Regulatory and Agency Cap tal Requirements) to Financial Statements in this Report for addit onal information.
(3) See the "Cap tal Management" section in this Report for additional information.
(4) Div dends declared per common share as a percentage of diluted earnings per common share.
(5) Based on daily pr ces reported on the New York Stock Exchange Compos te Transaction Reporting System.

Earnings Performance

Wells Fargo net income for 2013 was $21.9 billion ($3.89 diluted earnings per common share), compared with $18.9 billion ($3.36 diluted per share) for 2012 and $15.9 billion ($2.82 diluted per share) for 2011. Our 2013 earnings reflected strong execution of our business strategy as well as growth in many of our businesses. Our financial performance in 2013 was significantly affected by a reduced provision for credit losses, reflecting strong underlying credit performance. We also generated diversified sources of fee income across many of our businesses and grew loans and deposits.

Revenue, the sum of net interest income and noninterest income, was $83.8 billion in 2013, compared with $86.1 billion in 2012 and $80.9 billion in 2011. The decrease in revenue for 2013 was predominantly due to a decrease in noninterest income, reflecting declines in mortgage banking origination volume as interest rates rose during 2013. In 2013, net interest income of $42.8 billion represented 51% of revenue, compared with $43.2 billion (50%) in 2012 and $42.8 billion (53%) in 2011.

Noninterest income was $41.0 billion in 2013, representing 49% of revenue, compared with $42.9 billion (50%) in 2012 and $38.2 billion (47%) in 2011. The decrease in 2013 was driven predominantly by a 25% decline in mortgage banking income due to decreased net gains on mortgage loan origination/sales activities, offset by higher servicing income. Mortgage loan originations were $351 billion in 2013, down from $524 billion a year ago.

Noninterest expense was $48.8 billion in 2013, compared with $50.4 billion in 2012 and $49.4 billion in 2011. Noninterest expense as a percentage of revenue (efficiency ratio) was 58.3% in 2013, 58.5% in 2012 and 61.0% in 2011, reflecting our expense management efforts. The decrease in 2013 compared with 2012 reflected lower operating losses, lower foreclosed assets expense, and lower FDIC and other deposit assessments.

Table 3 presents the components of revenue and noninterest expense as a percentage of revenue for year-over-year results.

Table 3: Net Interest Income, Noninterest Income and Noninterest Expense as a Percentage of Revenue

	Year ended December 31,					
(in millions)	**2013**	**% of revenue**	2012	% of revenue	2011	% of revenue
Interest income						
Trading assets	**$ 1,406**	**2 %**	$ 1,380	2 %	$ 1,463	2 %
Investment securities	**8,841**	**11**	8,757	10	9,107	11
Mortgages held for sale (MHFS)	**1,290**	**1**	1,825	2	1,644	2
Loans held for sale (LHFS)	**13**	**-**	41	-	58	-
Loans	**35,618**	**42**	36,517	42	37,302	46
Other interest income	**724**	**1**	587	1	548	1
Total interest income	**47,892**	**57**	49,107	57	50,122	62
Interest expense						
Deposits	**1,337**	**2**	1,727	2	2,275	3
Short-term borrowings	**71**	**-**	94	-	94	-
Long-term debt	**2,585**	**3**	3,110	4	3,978	5
Other interest expense	**307**	**-**	245	-	316	-
Total interest expense	**4,300**	**5**	5,176	6	6,663	8
Net interest income (on a taxable-equivalent basis)	**43,592**	**52**	43,931	51	43,459	54
Taxable-equivalent adjustment	**(792)**	**(1)**	(701)	(1)	(696)	(1)
Net interest income (A)	**42,800**	**51**	43,230	50	42,763	53
Noninterest income						
Service charges on deposit accounts	**5,023**	**6**	4,683	5	4,280	5
Trust and investment fees (1)	**13,430**	**16**	11,890	14	11,304	14
Card fees	**3,191**	**4**	2,838	3	3,653	5
Other fees (1)	**4,340**	**5**	4,519	5	4,193	5
Mortgage banking (1)	**8,774**	**10**	11,638	14	7,832	10
Insurance	**1,814**	**2**	1,850	2	1,960	2
Net gains from trading activities	**1,623**	**2**	1,707	2	1,014	1
Net gains (losses) on debt securities	**(29)**	**-**	(128)	-	54	-
Net gains from equity investments	**1,472**	**2**	1,485	2	1,482	2
Lease income	**663**	**1**	567	1	524	1
Other	**679**	**1**	1,807	2	1,889	2
Total noninterest income (B)	**40,980**	**49**	42,856	50	38,185	47
Noninterest expense						
Salaries	**15,152**	**18**	14,689	17	14,462	18
Commission and incentive compensation	**9,951**	**12**	9,504	11	8,857	11
Employee benefits	**5,033**	**6**	4,611	6	4,348	5
Equipment	**1,984**	**2**	2,068	2	2,283	3
Net occupancy	**2,895**	**3**	2,857	3	3,011	4
Core deposit and other intangibles	**1,504**	**2**	1,674	2	1,880	2
FDIC and other deposit assessments	**961**	**1**	1,356	2	1,266	2
Other (2)	**11,362**	**14**	13,639	16	13,286	16
Total noninterest expense	**48,842**	**58**	50,398	59	49,393	61
Revenue (A) + (B)	**$ 83,780**		$ 86,086		$ 80,948	

(1) See Table 7 – Noninterest Income in this Report for additional detail.
(2) See Table 8 – Noninterest Expense in this Report for additional detail.

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 for 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 5 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 assets portfolio and the cost of funding those assets. In addition, some variable 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 growth has been challenged during the prolonged low interest rate environment as higher yielding loans and securities runoff have been replaced with lower yielding assets. The pace of this repricing has slowed in recent periods.

Net interest income on a taxable-equivalent basis was $43.6 billion in 2013, compared with $43.9 billion in 2012, and $43.5 billion in 2011. The net interest margin was 3.39% in 2013, down 37 basis points from 3.76% in 2012 and down 55 basis points from 3.94% in 2011. The decrease in net interest income for 2013, compared with 2012, was largely driven by declines in interest income from MHFS and loans as the portfolio mix changed. Strong growth in commercial, retained real estate and automobile loans has replaced runoff of higher yielding liquidating portfolios. Net interest income declines were partially offset by reduced funding costs due to disciplined deposit pricing and the maturity of higher yielding long-term debt. The decline in net interest margin in 2013, compared with a year ago, was primarily driven by higher funding balances, including actions taken in response to increased regulatory liquidity expectations which raised long-term debt and term deposits in addition to customer-driven deposit growth. This growth in funding increased cash and federal funds sold and other short-term investments and was dilutive to net interest margin although essentially neutral to net interest income.

Table 4 presents the components of earning assets and funding sources as a percentage of earning assets to provide a more meaningful analysis of year-over-year changes that influenced net interest income.

Average earning assets increased $115.2 billion in 2013 from a year ago, as average investment securities increased $26.1 billion and average federal funds sold and other short-term investments increased $70.8 billion for the same period, respectively. In addition, average loans increased $29.8 billion in 2013, compared with a year ago. The increases in average investment securities, average federal funds sold and other short-term investments and average loans were partially offset by a $13.7 billion decline in average MHFS.

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 $942.1 billion in 2013, compared with $893.9 billion in 2012, and funded 117% of average loans compared with 115% a year ago. Average core deposits decreased to 73% of average earning assets in 2013, compared with 76% 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 95% of our average core deposits are in checking and savings deposits, one of the highest industry percentages.

Table 5 presents the individual components of net interest income and the net interest margin. The effect on interest income and costs of earning asset and funding mix changes described above, combined with rate changes during 2013, are analyzed in Table 6.

Table 4: Average Earning Assets and Funding Sources as a Percentage of Average Earnings Assets

(in millions)	Year ended December 31, 2013 Average balance	2013 % of earning assets	2012 Average balance	2012 % of earning assets
Earning assets				
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 154,902**	**12 %**	$ 84,081	7 %
Trading assets	**44,745**	**4**	41,950	4
Investment securities:				
Available-for-sale securities:				
Securities of U.S. Treasury and federal agencies	**6,750**	**1**	3,604	-
Securities of U.S. states and political subdivisions	**39,922**	**3**	34,875	3
Mortgage-backed securities:				
Federal agencies	**107,148**	**8**	92,887	8
Residential and commercial	**30,717**	**3**	33,545	3
Total mortgage-backed securities	**137,865**	**11**	126,432	11
Other debt and equity securities	**55,002**	**4**	49,245	4
Total available-for-sale securities	**239,539**	**19**	214,156	18
Held-to-maturity securities	**717**	**-**	-	-
Mortgages held for sale (1)	**35,273**	**3**	48,955	4
Loans held for sale (1)	**163**	**-**	661	-
Loans:				
Commercial:				
Commercial and industrial	**188,092**	**15**	173,913	15
Real estate mortgage	**105,475**	**8**	105,437	9
Real estate construction	**16,445**	**1**	17,963	2
Lease financing	**12,048**	**1**	12,771	1
Foreign	**43,447**	**3**	39,852	4
Total commercial	**365,507**	**28**	349,936	31
Consumer:				
Real estate 1-4 family first mortgage	**254,000**	**20**	234,619	20
Real estate 1-4 family junior lien mortgage	**70,227**	**5**	80,840	7
Credit card	**24,747**	**2**	22,772	2
Automobile	**48,476**	**4**	44,986	4
Other revolving credit and installment	**42,035**	**3**	42,071	3
Total consumer	**439,485**	**34**	425,288	36
Total loans (1)	**804,992**	**62**	775,224	67
Other	**4,354**	**-**	4,438	-
Total earning assets	**$ 1,284,685**	**100 %**	$ 1,169,465	100 %
Funding sources				
Deposits:				
Interest-bearing checking	**$ 35,570**	**3 %**	$ 30,564	3 %
Market rate and other savings	**550,394**	**43**	505,310	43
Savings certificates	**49,510**	**4**	59,484	5
Other time deposits	**28,090**	**2**	13,363	1
Deposits in foreign offices	**76,894**	**6**	67,920	6
Total interest-bearing deposits	**740,458**	**58**	676,641	58
Short-term borrowings	**54,716**	**4**	51,196	4
Long-term debt	**134,937**	**10**	127,547	11
Other liabilities	**12,471**	**1**	10,032	1
Total interest-bearing liabilities	**942,582**	**73**	865,416	74
Portion of noninterest-bearing funding sources	**342,103**	**27**	304,049	26
Total funding sources	**$ 1,284,685**	**100 %**	$ 1,169,465	100 %
Noninterest-earning assets				
Cash and due from banks	**$ 16,272**		16,303	
Goodwill	**25,637**		25,417	
Other	**121,711**		130,450	
Total noninterest-earning assets	**$ 163,620**		172,170	
Noninterest-bearing funding sources				
Deposits	**$ 280,229**		263,863	
Other liabilities	**60,500**		61,214	
Total equity	**164,994**		151,142	
Noninterest-bearing funding sources used to fund earning assets	**(342,103)**		(304,049)	
Net noninterest-bearing funding sources	**$ 163,620**		172,170	
Total assets	**$ 1,448,305**		1,341,635	

(1) Nonaccrual loans are included in their respective loan categories.

Table 5: Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis) (1)(2)

	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	**$ 154,902**	**0.32 %**	**$ 489**	84,081	0.45 %	$ 378
Trading assets (3)	**44,745**	**3.14**	**1,406**	41,950	3.29	1,380
Investment securities (4):						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**6,750**	**1.66**	**112**	3,604	1.31	47
Securities of U.S. states and pol tical subdivis ons	**39,922**	**4.38**	**1,748**	34,875	4.48	1,561
Mortgage-backed secur ties:						
Federal agencies	**107,148**	**2.83**	**3,031**	92,887	3.12	2,893
Res dential and commercial	**30,717**	**6.47**	**1,988**	33,545	6.75	2,264
Total mortgage-backed secur ties	**137,865**	**3.64**	**5,019**	126,432	4.08	5,157
Other debt and equ ty securities	**55,002**	**3.53**	**1,940**	49,245	4.04	1,992
Total available-for-sale securities	**239,539**	**3.68**	**8,819**	214,156	4.09	8,757
Held-to-matur ty securities (5)	**717**	**3.06**	**22**	-	-	-
Mortgages held for sale (6)	**35,273**	**3.66**	**1,290**	48,955	3.73	1,825
Loans held for sale (6)	**163**	**7.95**	**13**	661	6.22	41
Loans:						
Commercial:						
Commercial and industrial	**188,092**	**3.62**	**6,807**	173,913	4.01	6,981
Real estate mortgage	**105,475**	**3.93**	**4,147**	105,437	4.18	4,411
Real estate construction	**16,445**	**4.77**	**784**	17,963	4.98	894
Lease financing	**12,048**	**6.13**	**738**	12,771	7.22	921
Foreign	**43,447**	**2.18**	**946**	39,852	2.47	984
Total commercial	**365,507**	**3.67**	**13,422**	349,936	4.06	14,191
Consumer:						
Real estate 1-4 family first mortgage	**254,000**	**4.22**	**10,716**	234,619	4.55	10,671
Real estate 1-4 family junior lien mortgage	**70,227**	**4.29**	**3,013**	80,840	4.28	3,457
Cred t card	**24,747**	**12.46**	**3,083**	22,772	12.67	2,885
Automobile	**48,476**	**6.94**	**3,365**	44,986	7.54	3,390
Other revolving cred t and installment	**42,035**	**4.80**	**2,019**	42,071	4.57	1,923
Total consumer	**439,485**	**5.05**	**22,196**	425,288	5.25	22,326
Total loans (6)	**804,992**	**4.42**	**35,618**	775,224	4.71	36,517
Other	**4,354**	**5.39**	**235**	4,438	4.70	209
Total earning assets	**$ 1,284,685**	**3.73 %**	**$ 47,892**	1,169,465	4.20 %	$ 49,107
Funding sources						
Deposits:						
Interest-bearing checking	**$ 35,570**	**0.06 %**	**$ 22**	30,564	0.06 %	$ 19
Market rate and other savings	**550,394**	**0.08**	**450**	505,310	0.12	592
Savings certificates	**49,510**	**1.13**	**559**	59,484	1.31	782
Other time depos ts	**28,090**	**0.69**	**194**	13,363	1.68	225
Deposits in foreign offices	**76,894**	**0.15**	**112**	67,920	0.16	109
Total interest-bearing depos ts	**740,458**	**0.18**	**1,337**	676,641	0.26	1,727
Short-term borrowings	**54,716**	**0.13**	**71**	51,196	0.18	94
Long-term debt	**134,937**	**1.92**	**2,585**	127,547	2.44	3,110
Other liabil ties	**12,471**	**2.46**	**307**	10,032	2.44	245
Total interest-bearing liabilities	**942,582**	**0.46**	**4,300**	865,416	0.60	5,176
Port on of noninterest-bearing funding sources	**342,103**	**-**	**-**	304,049	-	-
Total funding sources	**$ 1,284,685**	**0.34**	**4,300**	1,169,465	0.44	5,176
Net interest margin and net interest income on a taxable-equivalent basis (7)		**3.39 %**	**$ 43,592**		3.76 %	$ 43,931
Noninterest-earning assets						
Cash and due from banks	**$ 16,272**			16,303		
Goodwill	**25,637**			25,417		
Other	**121,711**			130,450		
Total noninterest-earning assets	**$ 163,620**			172,170		
Noninterest-bearing funding sources						
Deposits	**$ 280,229**			263,863		
Other liabil ties	**60,500**			61,214		
Total equ ty	**164,994**			151,142		
Noninterest-bearing funding sources used to fund earning assets	**(342,103)**			(304,049)		
Net noninterest-bearing funding sources	**$ 163,620**			172,170		
Total assets	**$ 1,448,305**			1,341,635		

(1) Our average prime rate was 3.25% for 2013, 2012, 2011, 2010, and 2009, respectively. The average three-month London Interbank Offered Rate (LIBOR) was 0.27%, 0.43%, 0.34%, 0.34%, and 0.69% for the same years, respectively.
(2) Yield/rates and amounts include the effects of hedge and risk management activ ties associated w th the respective asset and liabil ty categories.
(3) Interest income/expense for trading assets represents interest and div dend income earned on trading securities.
(4) The average balance amounts represent amortized cost for the periods presented.

	2011			2010			2009		
	Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense
	$ 87,186	0.40 %	$ 345	62,961	0.36 %	$ 230	26,869	0.56 %	$ 150
	39,737	3.68	1,463	29,920	3.75	1,121	21,092	4.48	944
	5,503	1.25	69	1,870	3.24	61	2,436	2.83	69
	24,035	5.09	1,223	16,089	6.09	980	13,098	6.42	840
	74,665	4.36	3,257	71,953	5.14	3,697	84,295	5.45	4,591
	31,902	8.20	2,617	31,815	10.67	3,396	45,672	9.09	4,150
	106,567	5.51	5,874	103,768	6.84	7,093	129,967	6.73	8,741
	38,625	5.03	1,941	32,611	6.45	2,102	32,022	7.16	2,291
	174,730	5.21	9,107	154,338	6.63	10,236	177,523	6.73	11,941
	-	-	-	-	-	-	-	-	-
	37,232	4.42	1,644	36,716	4.73	1,736	37,416	5.16	1,930
	1,104	5.25	58	3,773	2.67	101	6,293	2.90	183
	157,608	4.37	6,894	149,576	4.80	7,186	180,924	4.22	7,643
	102,236	4.07	4,163	98,497	3.89	3,836	96,273	3.50	3,365
	21,592	4.88	1,055	31,286	3.36	1,051	40,885	2.91	1,190
	12,944	7.54	976	13,451	9.21	1,239	14,751	9.32	1,375
	36,768	2.56	941	29,726	3.49	1,037	30,661	3.95	1,212
	331,148	4.24	14,029	322,536	4.45	14,349	363,494	4.07	14,785
	226,980	4.89	11,090	235,568	5.18	12,206	238,359	5.45	12,992
	90,705	4.33	3,926	101,537	4.45	4,519	106,957	4.76	5,089
	21,463	13.02	2,794	22,375	13.35	2,987	23,357	12.16	2,841
	43,744	8.13	3,555	43,642	8.84	3,856	44,196	9.22	4,077
	43,104	4.43	1,908	44,943	4.21	1,891	46,470	4.04	1,875
	425,996	5.46	23,273	448,065	5.68	25,459	459,339	5.85	26,874
	757,144	4.93	37,302	770,601	5.17	39,808	822,833	5.06	41,659
	4,929	4.12	203	5,849	3.56	207	6,113	3.05	186
	$ 1,102,062	4.55 %	$ 50,122	1,064,158	5.02 %	$ 53,439	1,098,139	5.19 %	$ 56,993
	$ 47,705	0.08 %	$ 40	60,941	0.12 %	$ 72	70,179	0.14 %	$ 100
	464,450	0.18	836	416,877	0.26	1,088	351,892	0.39	1,375
	69,711	1.43	995	87,133	1.43	1,247	140,197	1.24	1,738
	13,126	2.04	268	14,654	2.07	302	20,459	2.03	415
	61,566	0.22	136	55,097	0.22	123	53,166	0.27	146
	656,558	0.35	2,275	634,702	0.45	2,832	635,893	0.59	3,774
	51,781	0.18	94	46,824	0.22	106	51,972	0.44	231
	141,079	2.82	3,978	185,426	2.64	4,888	231,801	2.50	5,786
	10,955	2.88	316	6,863	3.31	227	4,904	3.50	172
	860,373	0.77	6,663	873,815	0.92	8,053	924,570	1.08	9,963
	241,689	-	-	190,343	-	-	173,569	-	-
	$ 1,102,062	0.61	6,663	1,064,158	0.76	8,053	1,098,139	0.91	9,963
		3.94 %	$ 43,459		4.26 %	$ 45,386		4.28 %	$ 47,030
	$ 17,388			17,618			19,218		
	24,904			24,824			23,997		
	125,911			120,338			121,000		
	$ 168,203			162,780			164,215		
	$ 215,242			183,008			171,712		
	57,399			47,877			48,193		
	137,251			122,238			117,879		
	(241,689)			(190,343)			(173,569)		
	$ 168,203			162,780			164,215		
	$ 1,270,265			1,226,938			1,262,354		

(5) Includes $6.3 billion of federal agency mortgage-backed securities purchased during the fourth quarter of 2013 and $6.0 bill on of auto asset-backed securities that were transferred near the end of 2013 from the available-for-sale portfolio.

(6) Nonaccrual loans and related income are included in their respective loan categories.

(7) Includes taxable-equivalent adjustments of $792 million, $701 million, $696 million, $629 million and $706 mill on for 2013, 2012, 2011, 2010 and 2009, respectively, primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate utilized was 35% for the periods presented.

Table 6 allocates the changes in net interest income on a taxable-equivalent basis to changes in either average balances or average rates for both interest-earning assets and interest-bearing liabilities. Because of the numerous simultaneous volume and rate changes during any period, it is not possible to precisely allocate such changes between volume and rate. For this table, changes that are not solely due to either volume or rate are allocated to these categories on a pro-rata basis based on the absolute value of the change due to average volume and average rate.

Table 6: Analysis of Changes of Net Interest Income

	Year ended December 31,					
	2013 over 2012			2012 over 2011		
(in millions)	**Volume**	**Rate**	**Total**	Volume	Rate	Total
Increase (decrease) in interest income:						
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 245**	**(134)**	**111**	(12)	45	33
Trading assets	**90**	**(64)**	**26**	78	(161)	(83)
Investment securities:						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**49**	**16**	**65**	(25)	3	(22)
Securities of U.S. states and political subdivisions	**223**	**(36)**	**187**	499	(161)	338
Mortgage-backed securities:						
Federal agencies	**421**	**(283)**	**138**	687	(1,051)	(364)
Residential and commercial	**(185)**	**(91)**	**(276)**	129	(482)	(353)
Total mortgage-backed securities	**236**	**(374)**	**(138)**	816	(1,533)	(717)
Other debt and equity securities	**217**	**(269)**	**(52)**	475	(424)	51
Total available-for-sale securities	**725**	**(663)**	**62**	1,765	(2,115)	(350)
Held-to-maturity securities	**22**	**-**	**22**	-	-	-
Mortgages held for sale	**(502)**	**(33)**	**(535)**	465	(284)	181
Loans held for sale	**(37)**	**9**	**(28)**	(26)	9	(17)
Loans:						
Commercial:						
Commercial and industrial	**539**	**(713)**	**(174)**	680	(593)	87
Real estate mortgage	**2**	**(266)**	**(264)**	133	115	248
Real estate construction	**(73)**	**(37)**	**(110)**	(182)	21	(161)
Lease financing	**(50)**	**(133)**	**(183)**	(13)	(42)	(55)
Foreign	**84**	**(122)**	**(38)**	77	(34)	43
Total commercial	**502**	**(1,271)**	**(769)**	695	(533)	162
Consumer:						
Real estate 1-4 family first mortgage	**848**	**(803)**	**45**	367	(786)	(419)
Real estate 1-4 family junior lien mortgage	**(452)**	**8**	**(444)**	(424)	(45)	(469)
Credit card	**247**	**(49)**	**198**	167	(76)	91
Automobile	**254**	**(279)**	**(25)**	99	(264)	(165)
Other revolving credit and installment	**(2)**	**98**	**96**	(46)	61	15
Total consumer	**895**	**(1,025)**	**(130)**	163	(1,110)	(947)
Total loans	**1,397**	**(2,296)**	**(899)**	858	(1,643)	(785)
Other	**(4)**	**30**	**26**	(21)	27	6
Total increase (decrease) in interest income	**1,936**	**(3,151)**	**(1,215)**	3,107	(4,122)	(1,015)
Increase (decrease) in interest expense:						
Deposits:						
Interest-bearing checking	**3**	**-**	**3**	(12)	(9)	(21)
Market rate and other savings	**55**	**(197)**	**(142)**	65	(309)	(244)
Savings certificates	**(123)**	**(100)**	**(223)**	(135)	(78)	(213)
Other time deposits	**152**	**(183)**	**(31)**	5	(48)	(43)
Deposits in foreign offices	**11**	**(8)**	**3**	13	(40)	(27)
Total interest-bearing deposits	**98**	**(488)**	**(390)**	(64)	(484)	(548)
Short-term borrowings	**6**	**(29)**	**(23)**	-	-	-
Long-term debt	**171**	**(696)**	**(525)**	(362)	(506)	(868)
Other liabilities	**61**	**1**	**62**	(25)	(46)	(71)
Total increase (decrease) in interest expense	**336**	**(1,212)**	**(876)**	(451)	(1,036)	(1,487)
Increase (decrease) in net interest income on a taxable-equivalent basis	**$ 1,600**	**(1,939)**	**(339)**	3,558	(3,086)	472

Noninterest Income

Table 7: Noninterest Income

(in millions)	Year ended December 31, 2013	2012	2011
Service charges on deposit accounts	$ 5,023	4,683	4,280
Trust and investment fees:			
Brokerage advisory, commissions and other fees (1)	8,395	7,524	7,332
Trust and investment management (1)	3,289	3,080	3,008
Investment banking	1,746	1,286	964
Total trust and investment fees	13,430	11,890	11,304
Card fees	3,191	2,838	3,653
Other fees:			
Charges and fees on loans	1,540	1,746	1,641
Merchant transact on processing fees	669	583	478
Cash network fees	493	470	389
Commercial real estate brokerage commissions	338	307	236
Letters of cred t fees	410	441	472
All other fees	890	972	977
Total other fees	4,340	4,519	4,193
Mortgage banking:			
Servicing income, net	1,920	1,378	3,266
Net gains on mortgage loan origination/sales activ ties	6,854	10,260	4,566
Total mortgage banking	8,774	11,638	7,832
Insurance	1,814	1,850	1,960
Net gains from trading activities	1,623	1,707	1,014
Net gains (losses) on debt securities	(29)	(128)	54
Net gains from equity investments	1,472	1,485	1,482
Lease income	663	567	524
Life insurance investment income	566	757	700
All other	113	1,050	1,189
Total	$ 40,980	42,856	38,185

(1) Prior year periods have been revised to reflect all fund distribut on fees as brokerage related income.

Noninterest income of $41.0 billion represented 49% of revenue for 2013 compared with $42.9 billion, or 50%, for 2012 and $38.2 billion, or 47%, for 2011. The decrease in noninterest income in 2013 reflected declines in our mortgage banking business, partially offset by growth in many of our other businesses, including retail deposits, credit card, merchant card processing, commercial banking, corporate banking, capital markets, asset-backed finance, commercial real estate, commercial mortgage servicing, corporate trust, asset management, wealth management, brokerage and retirement. Excluding mortgage banking, noninterest income increased $988 million from a year ago.

Our service charges on deposit accounts increased in 2013 by $340 million, or 7%, from 2012, due to primary consumer checking customer growth, product changes and continued customer adoption of overdraft services. These charges increased $403 million, or 9%, in 2012 compared with 2011, predominantly due to product and account changes including changes to service charges and fewer fee waivers, continued customer adoption of overdraft services and customer account growth.

Brokerage advisory, commissions and other fees are received for providing services to full-service and discount brokerage customers. Income from these brokerage-related activities include transactional commissions based on the number of transactions executed at the customer's direction, and asset-based fees, which are based on the market value of the customer's assets. These fees increased to $8.4 billion in 2013, from $7.5 billion and $7.3 billion in 2012 and 2011, respectively. The increase in brokerage income for both periods was predominantly due to higher asset-based fees as a result of higher market values and growth in assets under management. Brokerage client assets totaled $1.4 trillion at December 31, 2013, an increase from $1.2 trillion at December 31, 2012 and $1.1 trillion at December 31, 2011.

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. 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 $3.3 billion in 2013 from $3.1 billion in 2012 and $3.0 billion in 2011, primarily due to growth in assets under management reflecting higher market values. At December 31, 2013, these assets totaled $2.4 trillion, an increase from $2.2 trillion at both December 31, 2012 and 2011.

We earn investment banking fees from underwriting debt and equity securities, arranging loan syndications, and performing other related advisory services. Investment banking fees increased to $1.7 billion in 2013, from $1.3 billion in 2012 and $964 million in 2011, primarily due to increased loan syndication volume and equity originations.

Card fees were $3.2 billion in 2013, compared with $2.8 billion in 2012, which was down from $3.7 billion in 2011. Card fees increased in 2013 due to account growth and increased purchase activity. During 2012, card fees decreased compared with 2011 because of lower debit card interchange rates resulting from the Federal Reserve Board rules implementing the debit interchange provisions of the Dodd-Frank Act, which became effective in fourth quarter 2011. The reduction in debit interchange income for 2012 was partially offset by growth in purchase volume and new accounts.

Mortgage banking income, consisting of net servicing income and net gains on loan origination/sales activities, totaled $8.8 billion in 2013, compared with $11.6 billion in 2012 and $7.8 billion in 2011.

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 of $1.9 billion for 2013 included a $489 million net MSR valuation gain ($3.4 billion increase in the fair value of the MSRs offset by a $2.9 billion hedge loss). Net servicing income of $1.4 billion for 2012 included a $681 million net MSR valuation gain ($2.9 billion decrease in the fair value of MSRs offset by a

$3.6 billion hedge gain), and net servicing income of $3.3 billion for 2011 included a $1.6 billion net MSR valuation gain ($3.7 billion decrease in the fair value of MSRs offset by a $5.3 billion hedge gain). The decrease in the 2012 net MSR valuation gain from that for 2011 reflected a $677 million reduction in valuation due to additional costs associated with implementation of the servicing standards developed in connection with our settlement with the Department of Justice (DOJ) and other state and federal agencies relating to our mortgage servicing and foreclosure practices as well as higher foreclosure costs. Our portfolio of loans serviced for others was $1.90 trillion at December 31, 2013, $1.91 trillion at December 31, 2012, and $1.85 trillion at December 31, 2011. At December 31, 2013, the ratio of MSRs to related loans serviced for others was 0.88%, compared with 0.67% at December 31, 2012 and 0.76% at December 31, 2011. See the "Risk Management – Mortgage Banking Interest Rate and Market Risk" section in this Report for additional information regarding our MSRs risks and hedging approach.

Net gains on mortgage loan origination/sale activities were $6.9 billion in 2013, compared with $10.3 billion in 2012 and $4.6 billion in 2011. The decrease from 2012 was primarily driven by lower margins and origination volumes, and the increase in 2012 from 2011 was driven by higher loan origination volume and margins. Mortgage loan originations were $351 billion in 2013, of which 47% were for home purchases, compared with $524 billion and 35%, respectively, for 2012 and $357 billion and 40%, respectively, for 2011. During 2013, we retained for investment $3.6 billion ($19.4 billion for 2012) of 1-4 family conforming first mortgage loans, forgoing approximately $120 million ($575 million for 2012) 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 $438 billion in 2013, compared with $736 billion in 2012 and $537 billion in 2011. The 1-4 family first mortgage unclosed pipeline was $25 billion at December 31, 2013, compared with $81 billion at December 31, 2012 and $72 billion at December 31, 2011. For additional information about our mortgage banking activities and results, see the "Risk Management – Mortgage Banking Interest Rate and Market Risk" section and Note 9 (Mortgage Banking Activities) and Note 17 (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 2013 totaled $428 million (compared with $1.9 billion for 2012 and $1.3 billion for 2011), of which $285 million ($1.7 billion for 2012 and $1.2 billion for 2011) was for subsequent increases in estimated losses on prior period loan sales. In September and December 2013, we announced agreements with Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA), respectively, which resolved substantially all agency repurchase liabilities for mortgage loans sold or originated prior to 2009. As a result, outstanding repurchase demands were down $1.2 billion from a year ago and our repurchase liability declined to $899 million, the lowest level since second quarter 2009. For additional information about mortgage loan repurchases, see the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section and Note 9 (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 $1.6 billion in 2013, $1.7 billion in 2012 and $1.0 billion in 2011. The year-over-year decrease in 2013 was largely driven by lower results in customer accommodation, and the increase in 2012 from 2011 was driven by gains on customer accommodation trading activities and economic hedging gains, which included higher gains on deferred compensation plan investments based on participant elections (offset entirely in employee benefit expense). Net gains from trading activities do not include interest and dividend income and expense on trading securities. Those amounts are reported within interest income from trading assets and other interest expense from trading liabilities. Proprietary trading generated $13 million and $15 million of net gains in 2013 and 2012, respectively, and $14 million of net losses in 2011. Interest and fees related to proprietary trading are reported in their corresponding income statement line items. Proprietary trading activities are not significant to our client-focused business model. For additional information about proprietary and other trading, see the "Risk Management – Asset and Liability Management – Market Risk – Trading Activities" section in this Report.

Net gains on debt and equity securities totaled $1.4 billion for both 2013 and 2012 and $1.5 billion for 2011, after other-than-temporary impairment (OTTI) write-downs of $344 million, $416 million and $711 million, respectively, for the same periods.

All other income was $113 million for 2013 compared with $1.1 billion in 2012 and $1.2 billion in 2011. All other income includes ineffectiveness recognized on derivatives that qualify for hedge accounting and pre-tax losses on tax credits and foreign currency adjustments, any of which can cause other income losses. Lower other income for 2013 compared with a year ago reflected larger ineffectiveness losses on derivatives that qualify for hedge accounting and interest-related valuation changes on certain mortgage-related assets carried at fair value.

Noninterest Expense

Table 8: Noninterest Expense

(in millions)	Year ended December 31, 2013	2012	2011
Salaries	$ **15,152**	14,689	14,462
Commission and incentive compensation	**9,951**	9,504	8,857
Employee benefits	**5,033**	4,611	4,348
Equipment	**1,984**	2,068	2,283
Net occupancy	**2,895**	2,857	3,011
Core deposit and other intangibles	**1,504**	1,674	1,880
FDIC and other deposit assessments	**961**	1,356	1,266
Outside professional services	**2,519**	2,729	2,692
Outside data processing	**983**	910	935
Contract services	**935**	1,011	1,407
Travel and entertainment	**885**	839	821
Operating losses	**821**	2,235	1,261
Postage, stationery and supplies	**756**	799	942
Advertising and promotion	**610**	578	607
Foreclosed assets	**605**	1,061	1,354
Telecommunications	**482**	500	523
Insurance	**437**	453	515
Operating leases	**204**	109	112
All other	**2,125**	2,415	2,117
Total	$ **48,842**	50,398	49,393

Noninterest expense was $48.8 billion in 2013, down 3% from $50.4 billion in 2012, which was up 2% from $49.4 billion in 2011. The decrease in 2013 was driven predominantly by lower operating losses ($821 million, down from $2.2 billion in 2012), lower foreclosed assets expense ($605 million, down from $1.1 billion in 2012), lower FDIC and other deposit assessments ($961 million, down from $1.4 billion in 2012), and the completion of Wachovia merger integration activities in the prior year ($218 million in first quarter 2012), partially offset by higher personnel expense ($30.1 billion, up from $28.8 billion in 2012). The increase in 2012 from 2011 was driven by higher personnel expense and higher operating losses, partially offset by lower merger integration costs.

Personnel expenses, which include salaries, commissions, incentive compensation and employee benefits, were up $1.3 billion, or 5%, in 2013 compared with 2012, primarily due to annual salary increases and related salary taxes, and higher revenue-based compensation (non-mortgage-related). Included in personnel expense was a $422 million increase in employee benefits, a significant portion of which was driven by higher deferred compensation expense (offset in trading income). For 2012, these expenses were up 4% compared with 2011 due mostly to higher revenue-based compensation, higher employee benefits, and increased staffing.

The completion of Wachovia integration activities in the prior year contributed to a year-over-year reduction in noninterest expense for 2013, primarily in outside professional services and contract services. Lower costs associated with our mortgage servicing regulatory consent orders also contributed to the decline in outside professional services in 2013, though this was partially offset by project spend on business investments and compliance and regulatory related initiatives. Outside professional services were also elevated in 2012 and 2011, reflecting investments by our businesses in their service delivery systems and higher costs associated with regulatory driven mortgage servicing and foreclosure matters.

Foreclosed assets expense was down 43% in 2013 compared with 2012 and down 22% in 2012 compared with 2011, reflecting lower write-downs, gains on sale, and lower expenses associated with foreclosed properties, primarily driven by the real estate market improvement.

FDIC and other deposit assessments were down 29% in 2013 compared with 2012, due primarily to lower FDIC assessment rates related to improved credit performance and the Company's liquidity position.

Operating losses were down 63% in 2013 compared with 2012, which was elevated predominantly due to mortgage servicing and foreclosure-related matters, including the Attorneys General settlement announced in February 2012, a $175 million settlement in July 2012 with the U.S. Department of Justice (DOJ), which resolved alleged claims related to our mortgage lending practices, and the $766 million accrual for the Independent Foreclosure Review (IFR) settlement and additional remediation-related costs.

All other expenses of $2.1 billion in 2013 were down from $2.4 billion in 2012, primarily due to a $250 million charitable contribution to the Wells Fargo Foundation in 2012.

Income Tax Expense

The 2013 annual effective tax rate was 32.2% compared with 32.5% in 2012 and 31.9% in 2011. The effective tax rate for 2013 included a net reduction in the reserve for uncertain tax positions primarily due to settlements with authorities regarding certain cross border transactions and tax benefits recognized from the realization for tax purposes of a previously written down investment. The 2012 effective tax rate included a tax benefit resulting from the surrender of previously written-down Wachovia life insurance investments. The 2011 effective tax rate included a decrease in tax expense associated with leverage leases, as well as tax benefits related to charitable donations of appreciated securities. See Note 21 (Income Taxes) to Financial Statements in this Report for information regarding tax matters related to undistributed foreign earnings.

Operating Segment Results

We are organized for management reporting purposes into three operating segments: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. These segments are defined by product type and customer segment and their results are based on our management accounting process, for which there is no comprehensive, authoritative financial accounting guidance equivalent to generally accepted accounting principles (GAAP). Table 9 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 24 (Operating Segments) to Financial Statements in this Report.

Table 9: Operating Segment Results – Highlights

(in billions)		Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Other (1)	Consolidated Company
					Year ended December 31,	
2013						
Revenue	**$**	**50.3**	**24.1**	**13.2**	**(3.8)**	**83.8**
Provision (reversal of provision) for credit losses		**2.8**	**(0.4)**	**-**	**(0.1)**	**2.3**
Noninterest expense		**28.7**	**12.4**	**10.5**	**(2.8)**	**48.8**
Net income (loss)		**12.7**	**8.1**	**1.7**	**(0.6)**	**21.9**
Average loans	**$**	**499.3**	**290.0**	**46.1**	**(30.4)**	**805.0**
Average core deposits		**620.1**	**237.2**	**150.1**	**(65.3)**	**942.1**
2012						
Revenue	$	53.4	24.1	12.2	(3.6)	86.1
Provision for credit losses		6.8	0.3	0.1	-	7.2
Noninterest expense		30.8	12.1	9.9	(2.4)	50.4
Net income (loss)		10.5	7.8	1.3	(0.7)	18.9
Average loans	$	487.1	273.8	42.7	(28.4)	775.2
Average core deposits		591.2	227.0	137.5	(61.8)	893.9
2011						
Revenue	$	50.8	21.6	12.2	(3.7)	80.9
Provision (reversal of provision) for credit losses		8.0	(0.1)	0.2	(0.2)	7.9
Noninterest expense		29.3	11.2	9.9	(1.0)	49.4
Net income (loss)		9.1	7.0	1.3	(1.5)	15.9
Average loans	$	496.3	249.1	43.0	(31.3)	757.1
Average core deposits		556.3	202.1	130.0	(61.7)	826.7

(1) Includes corporate items not specific to a business segment and the elimination of certain items that are included in more than one business segment, substantially all of which represents products and serv ces 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 a record 6.16 products per household in November 2013, up from 6.05 in November 2012 and 5.93 in November 2011. We believe there is more opportunity for cross-sell as we continue to earn more business from our customers. Our goal is eight products per household, which is approximately one-half of our estimate of potential demand for an average U.S. household. In November 2013, one of every four of our retail banking households had eight or more of our products.

Community Banking reported net income of $12.7 billion in 2013, up $2.2 billion, or 21%, from $10.5 billion in 2012, which was up 15% from $9.1 billion in 2011. Revenue was $50.3 billion in 2013, a decrease of $3.1 billion, or 6%, compared with $53.4 billion in 2012, which was up 5% compared with $50.8 billion in 2011. The decrease in 2013 was a result of lower mortgage banking revenue, partially offset by higher trust and investment fees, and revenue from debit, credit and merchant card volumes. The increase in 2012 was the result of higher mortgage banking revenue and growth in deposit service charges, partially offset by lower debit card revenue due to regulatory changes enacted in October 2011, and lower net interest income. Average core deposits increased $28.9 billion in 2013, or 5%, from 2012, which increased $34.9 billion, or 6%, from 2011. Noninterest expense declined $2.1 billion in 2013, or 7%, from 2012, which increased $1.6 billion, or 5%, from 2011. The decrease in noninterest expense for 2013 reflected lower FDIC and other deposit insurance assessments due to lower FDIC assessment rates. Noninterest expense for 2012 was elevated, compared with 2013 and 2011, due to costs associated with settling mortgage servicing and foreclosure-related matters including the DOJ and the IFR settlement, and a $250 million contribution to the Wells Fargo Foundation. The provision for

credit losses of $2.8 billion in 2013 was 60% lower than 2012, which was $1.1 billion, or 14%, lower than 2011, due to improved portfolio performance in both 2013 and 2012.

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 cross-sell was a record 7.1 products per customer in September 2013, up from 6.8 in September 2012 and 6.5 in September 2011.

Wholesale Banking reported net income of $8.1 billion in 2013, up $359 million, or 5%, from $7.8 billion in 2012, which was up 11% from $7.0 billion in 2011. The year over year increase in net income during 2013 was the result of improvement in provision for credit losses and stable revenue performance partially offset by increased noninterest expense. The year over year increase in net income during 2012 was the result of strong revenue growth partially offset by increased noninterest expense and a higher provision for credit losses. Revenue in 2013 of $24.1 billion was flat from 2012, as business growth from asset backed finance, asset management, capital markets and commercial real estate was offset by lower PCI resolution income. Revenue in 2012 of $24.1 billion increased $2.5 billion, or 12%, from 2011, due to broad-based business growth as well as growth from acquisitions. Net interest income of $12.3 billion in 2013 decreased $350 million, or 3%, from 2012, which was up 9% from 2011. The decrease in 2013 was due to a strong loan and deposit growth, which was more than offset by lower PCI resolutions and net interest margin compression. The increase in 2012 was driven by strong loan and deposit growth. Average loans of $290.0 billion in 2013 increased $16.2 billion, or 6%, from $273.8 billion in 2012, which was up 10% from $249.1 billion in 2011. The loan growth in both 2013 and 2012 was driven by strong customer demand as well as growth from acquisitions. Average core deposits of $237.2 billion in 2013 increased $10.2 billion, or 4%, from 2012 which was up 12%, from 2011, reflecting continued strong customer liquidity for both years. Noninterest income of $11.8 billion in 2013 increased $322 million, or 3%, from 2012 due to strong growth in asset backed finance, asset management, capital markets, commercial banking, commercial real estate and corporate banking. Noninterest income of $11.4 billion in 2012 increased $1.5 billion, or 15%, from 2011 due to strong growth in asset backed finance, capital markets, commercial banking, commercial real estate and real estate capital markets. Total noninterest expense in 2013 increased $296 million, or 2%, compared with 2012, which was up 8%, or $905 million, from 2011. The increase in both 2013 and 2012 was due to higher personnel expenses and higher non-personnel expenses related to growth initiatives and compliance and regulatory requirements, partially offset in 2013 by lower foreclosed asset expenses. The provision for credit losses decreased $731 million from 2012, due to lower loan losses, while the provision for credit losses increased $396 million in 2012 from 2011, as a $319 million decline in loan losses was more than offset by a provision for increase in loans, particularly from acquisitions.

Wealth, Brokerage and Retirement provides a full range of financial advisory services to clients using a planning approach to meet each client's financial needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions, including financial planning, private banking, credit, investment management and fiduciary services. Abbot Downing, a Wells Fargo business, provides comprehensive wealth management services to ultra high net worth families and individuals as well as endowments and foundations. Brokerage serves customers' advisory, brokerage and 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 cross-sell reached a record 10.42 products per household in November 2013, up from 10.27 in November 2012 and 10.05 in November 2011.

Wealth, Brokerage and Retirement reported net income of $1.7 billion in 2013, up $384 million, or 29%, from 2012, which was up 4% from $1.3 billion in 2011. Net income growth in 2013 was driven by higher noninterest income and improved credit quality. Growth in net income for 2012 was affected by the $153 million gain on the sale of the H.D. Vest Financial Services business included in the 2011 results. Revenue of $13.2 billion in 2013 increased $1.0 billion from 2012, which was flat compared with 2011. The increase in revenue for 2013 was due to increases in both net interest income and noninterest income. Net interest income increased 4% in 2013, due to growth in loan balances and low-cost core deposits, partially offset by lower interest rates on the loan and investment portfolios. Net interest income decreased 3% in 2012 due to lower interest rates on the loan and investment portfolios partially offset by the impact of growth in low-cost core deposits. Average core deposits in 2013 of $150.1 billion increased 9% from 2012, which was up 6% from 2011. Noninterest income increased 10% in 2013 from 2012, largely due to strong growth in asset-based fees from improved market performance and growth in assets under management, partially offset by reduced securities gains in the brokerage business. A slight increase of $59 million in noninterest income in 2012 compared with 2011 was due to higher asset-based fees and gains on deferred compensation plan investments (offset in expense), partially offset by the 2011 gain on the sale of H.D. Vest Financial Services business, lower transaction revenue and reduced securities gains in the brokerage business. Noninterest expense for 2013 was up 6% from 2012, which was flat from 2011. The increase in 2013 was predominantly due to higher personnel expenses, primarily reflecting increased broker commissions. Noninterest expense for 2012 included the impact of deferred compensation plan expense (offset in revenue). Total provision for credit losses improved for both 2013 and 2012,

driven by lower net charge-offs and continued improvement in credit quality.

Balance Sheet Analysis

At December 31, 2013, our assets totaled $1.5 trillion, up $104.0 billion from December 31, 2012. The predominant areas of asset growth were in federal funds sold and other short-term investments, which increased $76.5 billion, investment securities, which increased $29.2 billion, and loans, which increased $26.2 billion, partially offset by a $30.4 billion decrease in mortgages held for sale. Deposit growth of $76.3 billion, total equity growth of $12.1 billion and an increase in long-term debt of $25.6 billion from December 31, 2012 were the predominant sources funding our asset growth during 2013. The deposit growth resulted in an increase in the proportion of interest-bearing deposits. Equity growth benefited from $14.7 billion in earnings net of dividends paid, as well as from the issuance of preferred stock. The strength of our business model produced record earnings and continued internal capital generation as reflected in our capital ratios, all of which improved from December 31, 2012. Tier 1 capital as a percentage of total risk-weighted assets increased to 12.33%, total capital increased to 15.43%, Tier 1 leverage increased to 9.60%, and Tier 1 common equity increased to 10.82% at December 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 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

Investment Securities

Table 10: Investment Securities – Summary

	December 31, 2013			December 31, 2012		
(in millions)	**Cost**	**Net unrealized gain (loss)**	**Fair value**	Cost	Net unrealized gain	Fair value
Available-for-sale securities:						
Debt securities	**$ 246,048**	**2,574**	**248,622**	220,946	11,468	232,414
Marketable equity securities	**2,039**	**1,346**	**3,385**	2,337	448	2,785
Total available-for-sale securities	**248,087**	**3,920**	**252,007**	223,283	11,916	235,199
Held-to-maturity securities	**12,346**	**(99)**	**12,247**	-	-	-
Total investment securities (1)	**$ 260,433**	**3,821**	**264,254**	223,283	11,916	235,199

(1) Available-for-sale securities are carried on the balance sheet at fair value. Held-to-maturity securities are carried on the balance sheet at amortized cost.

Table 10 presents a summary of our investment securities portfolio, which consists of debt securities classified as available-for-sale and held-to-maturity and marketable equity securities classified as available-for-sale. During fourth quarter 2013, we began purchasing high-quality agency mortgage-backed securities (MBS) into our held-to-maturity portfolio. Additionally, we transferred a portfolio of asset-backed securities (ABS) primarily collateralized by auto loans and leases from available-for-sale, reflecting our intent to hold these securities to maturity. Our investment securities portfolio increased $29.2 billion from December 31, 2012, primarily due to purchases of agency MBS. The total net unrealized gains on available-for-sale securities were $3.9 billion at December 31, 2013, down from net unrealized gains of $11.9 billion at December 31, 2012, due primarily to an increase in long-term interest rates.

The size and composition of the investment securities 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 agency debt and MBS, privately issued residential and commercial MBS, securities issued by U.S. states and political subdivisions, corporate debt securities, and highly rated collateralized loan obligations. Due to its highly liquid nature, the available-for-sale portfolio can be used to meet funding needs that arise in the normal course of business or due to market stress. Changes in our interest rate risk profile may occur due to changes in overall economic or market conditions, which could influence loan origination demand, prepayment speeds, or deposit balances and mix. In response, the available-for-sale securities portfolio can be rebalanced to meet the Company's interest rate risk management objectives. In addition to meeting liquidity and interest rate risk management objectives, the available-for-sale securities portfolio may provide yield enhancement over other short-term assets. See the "Risk Management – Asset/Liability Management" section in this Report for more information on liquidity and interest rate risk. The held-to-maturity securities portfolio consists primarily of high quality agency MBS and ABS

primarily collateralized by auto loans and leases, where our intent is to hold these securities to maturity and collect the contractual cash flows. The held-to-maturity portfolio may also provide yield enhancement over short-term assets.

We analyze securities for OTTI quarterly or more often if a potential loss-triggering event occurs. Of the $344 million in OTTI write-downs recognized in 2013, $158 million related to debt securities and $25 million related to marketable equity securities, which are each included in available-for-sale securities. Another $161 million in OTTI write-downs is related to nonmarketable equity investments, which are included in other assets. For a discussion of our OTTI accounting policies and underlying considerations and analysis see Note 1 (Summary of Significant Accounting Policies – Investments) and Note 5 (Investment Securities) to Financial Statements in this Report.

At December 31, 2013, investment securities included $42.5 billion of municipal bonds, of which 86% 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.

The weighted-average expected maturity of debt securities available-for-sale was 7.5 years at December 31, 2013. Because 60% 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 11.

Table 11: Mortgage-Backed Securities

(in billions)	Fair value	Net unrealized gain (loss)	Expected remaining maturity (in years)
At December 31, 2013			
Actual	$ 148.8	0.7	6.4
Assuming a 200 basis point:			
Increase in interest rates	133.7	(14.4)	7.5
Decrease in interest rates	159.1	11.0	3.6

See Note 5 (Investment Securities) to Financial Statements in this Report for a summary of investment securities by security type.

Loan Portfolio

Total loans were $825.8 billion at December 31, 2013, up $26.2 billion from December 31, 2012. Table 12 provides a summary of total outstanding loans by non-strategic/liquidating and core loan portfolios. The runoff in the non-strategic/liquidating portfolios was $13.7 billion, while loans in the core portfolio grew $39.9 billion from December 31, 2012. Our core loan growth in 2013 included:

- a $20.7 billion increase in the commercial segment predominantly from growth in commercial and industrial loans and foreign loans, which included $5.2 billion of commercial real estate portfolio acquisitions, consisting of $4.0 billion U.K. commercial real estate loans classified within foreign loans and $1.2 billion within commercial real estate mortgage; and
- a $19.2 billion increase in consumer loans, predominantly from growth in first lien mortgages.

Additional information on the non-strategic and liquidating loan portfolios is included in Table 17 in the "Risk Management – Credit Risk Management" section in this Report.

Table 12: Loan Portfolios

	December 31, 2013			December 31, 2012		
(in millions)	**Core**	**Liquidating**	**Total**	Core	Liquidating	Total
Commercial	**$ 378,743**	**2,013**	**380,756**	358,028	3,170	361,198
Consumer	**366,190**	**78,853**	**445,043**	346,984	91,392	438,376
Total loans	**$ 744,933**	**80,866**	**825,799**	705,012	94,562	799,574

A discussion of average loan balances and a comparative detail of average loan balances is included in Table 5 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 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 13 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 13: Maturities for Selected Commercial Loan Categories

	December 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	**$ 44,801**	**131,745**	**20,664**	**197,210**	45,212	123,578	18,969	187,759
Real estate mortgage	**17,746**	**60,004**	**29,350**	**107,100**	22,328	56,085	27,927	106,340
Real estate construction	**6,095**	**9,207**	**1,445**	**16,747**	7,685	7,961	1,258	16,904
Foreign	**33,681**	**11,602**	**2,382**	**47,665**	27,219	7,460	3,092	37,771
Total selected loans	**$ 102,323**	**212,558**	**53,841**	**368,722**	102,444	195,084	51,246	348,774
Distribution of loans to changes in interest rates:								
Loans at fixed interest rates	**$ 18,409**	**23,891**	**14,684**	**56,984**	17,218	20,894	11,387	49,499
Loans at floating/variable interest rates	**83,914**	**188,667**	**39,157**	**311,738**	85,226	174,190	39,859	299,275
Total selected loans	**$ 102,323**	**212,558**	**53,841**	**368,722**	102,444	195,084	51,246	348,774

Deposits

Deposits totaled $1.1 trillion at December 31, 2013, compared with $1.0 trillion at December 31, 2012. Table 14 provides additional information regarding deposits. Deposit growth of $76 billion from December 31, 2012 reflected continued customer-driven growth as well as liquidity-related issuances of term deposits. Information regarding the impact of deposits on net interest income and a comparison of average deposit balances is provided in "Earnings Performance – Net Interest Income" and Table 5 earlier in this Report. Total core deposits were $980.1 billion at December 31, 2013, up $34.4 billion from $945.7 billion at December 31, 2012.

Table 14: Deposits

($ in millions)	Dec. 31, 2013	% of total deposits	Dec. 31, 2012	% of total deposits	% Change
Noninterest-bearing	**$ 288,116**	**27 %**	$ 288,207	29 %	-
Interest-bearing checking	**37,346**	**3**	35,275	4	6
Market rate and other savings	**556,763**	**52**	517,464	52	8
Savings certificates	**41,567**	**4**	55,966	6	(26)
Foreign deposits (1)	**56,271**	**5**	48,837	4	15
Core deposits	**980,063**	**91**	945,749	95	4
Other time and savings deposits	**64,477**	**6**	33,755	3	91
Other foreign deposits	**34,637**	**3**	23,331	2	48
Total deposits	**$ 1,079,177**	**100 %**	$ 1,002,835	100 %	8

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

Equity

Total equity was $171.0 billion at December 31, 2013 compared with $158.9 billion at December 31, 2012. The increase was predominantly driven by a $14.7 billion increase in retained earnings from earnings net of dividends paid, partially offset by a $4.3 billion decline in cumulative other comprehensive income (OCI). The decline in OCI was due to a $7.9 billion ($4.9 billion after tax) reduction in net unrealized gains on our investment securities portfolio resulting from an increase in long-term interest rates. This decline was partially offset by our re-measurement of our pension and post-retirement plan liabilities, combined with pension settlement losses and amortization of actuarial losses, which increased cumulative other comprehensive income by $1.8 billion ($1.1 billion after tax). See Note 5 (Investment Securities) and Note 20 (Employee Benefits and Other Expenses) to Financial Statements in this Report for additional information.

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in financial transactions that are not recorded on the balance sheet, or may be recorded on the balance sheet in amounts that are different from the full contract or notional amount of the transaction. Our off-balance sheet arrangements include commitments to lend, transactions with unconsolidated entities, guarantees, derivatives, and other commitments. These transactions are designed to (1) meet the financial needs of customers, (2) manage our credit, market or liquidity risks, and/or (3) diversify our funding sources.

Commitments to Lend

We enter into commitments to lend funds to customers, which are usually at a stated interest rate, if funded, and for specific purposes and time periods. When we make commitments, we are exposed to credit risk. However, the maximum credit risk for these commitments will generally be lower than the contractual amount because a significant portion of these commitments are not expected to be fully utilized or will expire without being used by the customer. For more information on lending commitments, see Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Transactions with Unconsolidated Entities

We routinely enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Generally, SPEs are formed in connection with securitization transactions. For more information on securitizations, including sales proceeds and cash flows from securitizations, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in this Report.

Guarantees and Certain Contingent Arrangements

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, liquidity agreements, written put options, recourse obligations for loans and mortgages sold, and contingent consideration.

For more information on guarantees and certain contingent arrangements, see Note 14 (Guarantees, Pledged Assets and Collateral) to Financial Statements in this Report.

Derivatives

We primarily use derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. Derivatives are recorded on the balance sheet at fair value and can be measured in terms of the notional amount, which is generally not exchanged, but is used only as the basis on which interest and other payments are determined. The notional amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments.

For more information on derivatives, see Note 16 (Derivatives) to Financial Statements in this Report.

Contractual Cash Obligations

In addition to the contractual commitments and arrangements previously described, which, depending on the nature of the obligation, may or may not require use of our resources, we enter into other contractual obligations that may require future cash payments in the ordinary course of business, including debt issuances for the funding of operations and leases for premises and equipment.

Table 15 summarizes these contractual obligations as of December 31, 2013, excluding the projected cash payments for obligations for short-term borrowing arrangements and pension and postretirement benefit plans. More information on those obligations is in Note 12 (Short-Term Borrowings) and Note 20 (Employee Benefits and Other Expenses) to Financial Statements in this Report.

Table 15: Contractual Cash Obligations

(in millions)	Note(s) to Financial Statements	Less than 1 year	1-3 years	3-5 years	More than 5 years	Indeterminate maturity	Total
Contractual payments by period:							
Deposits (1)	11	$ 86,958	20,932	5,924	3,619	961,744	1,079,177
Long-term debt (2)	7, 13	12,800	46,263	39,981	53,954	-	152,998
Interest (3)		2,494	3,776	2,436	10,292	-	18,998
Operating leases	7	1,155	1,960	1,426	2,812	-	7,353
Unrecognized tax obligations	21	8	-	-	-	2,839	2,847
Commitments to purchase debt and equity securities (4)		3,041	1,013	7	-	-	4,061
Purchase and other obligations (5)		302	592	51	7	-	952
Total contractual obligations		$ 106,758	74,536	49,825	70,684	964,583	1,266,386

(1) Includes interest-bearing and noninterest-bearing checking, and market rate and other savings accounts.
(2) Balances are presented net of unamortized debt discounts and premiums and purchase accounting adjustments.
(3) Represents the future interest obligations related to interest-bearing time deposits and long-term debt in the normal course of business including a net reduction of $26 billion related to hedges used to manage interest rate risk. These interest obligations assume no early debt redemption. We estimated variable interest rate payments using December, 31 2013 rates, wh ch we held constant until maturity. We have excluded interest related to structured notes where our payment obligat on is contingent on the performance of certain benchmarks.
(4) Includes unfunded commitments to purchase debt and equ ty investments, excluding trade date payables, of $2.8 billion and $1.2 billion, respectively. Our unfunded equity comm tments include certain investments subject to the Volcker Rule, which we expect to divest in the near future. For addit onal information regarding the Volcker Rule, see the "Regulatory Reform" section in this Report. We have presented our contractual obligations on equity investments above in the maturing in less than one year category as there are no specified contribut on dates in the agreements. These obligations may be requested at any time by the investment manager.
(5) Represents agreements to purchase goods or serv ces.

We are subject to the income tax laws of the U.S., its states and municipalities, and those of the foreign jurisdictions in which we operate. We have various unrecognized tax obligations related to these operations that may require future cash tax payments to various taxing authorities. Because of their uncertain nature, the expected timing and amounts of these payments generally are not reasonably estimable or determinable. We attempt to estimate the amount payable in the next 12 months based on the status of our tax examinations and settlement discussions. See Note 21 (Income Taxes) to Financial Statements in this Report for more information.

Transactions with Related Parties

The Related Party Disclosures topic of the Accounting Standards Codification (ASC) requires disclosure of material related party transactions, other than compensation arrangements, expense allowances and other similar items in the ordinary course of business. We had no related party transactions required to be reported for the years ended December 31, 2013, 2012 and 2011.

Risk Management

Financial institutions must manage a variety of business risks that can significantly affect their financial performance. Among the key risks that we must manage are operational risks, credit risks, and asset/liability management risks, which include interest rate, market, and liquidity and funding risks. Our risk culture is strongly rooted in our *Vision and Values*, and in order to succeed in our mission of satisfying all our customers' financial needs and helping them succeed financially, our business practices and operating model must support prudent risk management practices.

Risk Management Framework and Culture

The key elements of our risk management framework and culture include the following:

- **We strongly believe in managing risk as close to the source as possible**. We manage risk through three lines of defense, and the first line of defense is our team members in our lines of business who are responsible for identifying, assessing, monitoring, managing, mitigating, and owning the risks in their businesses. All of our team members have accountability for risk management.
- **We recognize the importance of strong oversight**. Our Corporate Risk group, led by our Chief Risk Officer who reports to the Board's Risk Committee, as well as other corporate functions such as the Law Department, Corporate Controllers, and the Human Resources Department serve as the second line of defense and provide company-wide leadership, oversight, an enterprise view, and appropriate challenge to help ensure effective and consistent understanding and management of all risks by our lines of business. Wells Fargo Audit Services, led by our Chief Auditor who reports to the Board's Audit and Examination Committee, serves as the third line of defense and through its audit, assurance, and advisory work evaluates and helps improve the effectiveness of the governance, risk management, and control processes across the enterprise.
- **We have a significant bias for conservatism**. We strive to maintain a conservative financial position measured by satisfactory asset quality, capital levels, funding sources, and diversity of revenues. Our risk is distributed by geography, product type, industry segment, and asset class, and while we want to grow the Company, we will attempt to do so in a way that supports our long-term goals and does not compromise our ability to manage risk.
- **We have a long-term customer focus**. Our focus is on knowing our customers and meeting our customers' long-term financial needs by offering products and value-added services that are appropriate for their needs and circumstances. In addition, our team members are committed to operational excellence, and we recognize that our infrastructure, systems, processes, and compliance programs must support the financial success of our customers through a superior customer service experience.
- **We must understand and follow our risk appetite**. Our risk management framework is based on understanding and following our overall enterprise statement of risk appetite, which describes the nature and level of risks that we are willing to take to achieve our strategic and business objectives. This statement provides the philosophical underpinnings that guide business and risk leaders as they manage risk on a day-to-day basis. Our CEO and Operating Committee, which consists of our Chief Risk Officer and other senior executives, develop our enterprise statement of risk appetite in the context of our risk management framework and culture described above. The Board approves our statement of risk appetite annually, and the Board's Risk Committee reviews and approves any proposed changes to the statement to help ensure that it remains consistent with our risk profile.

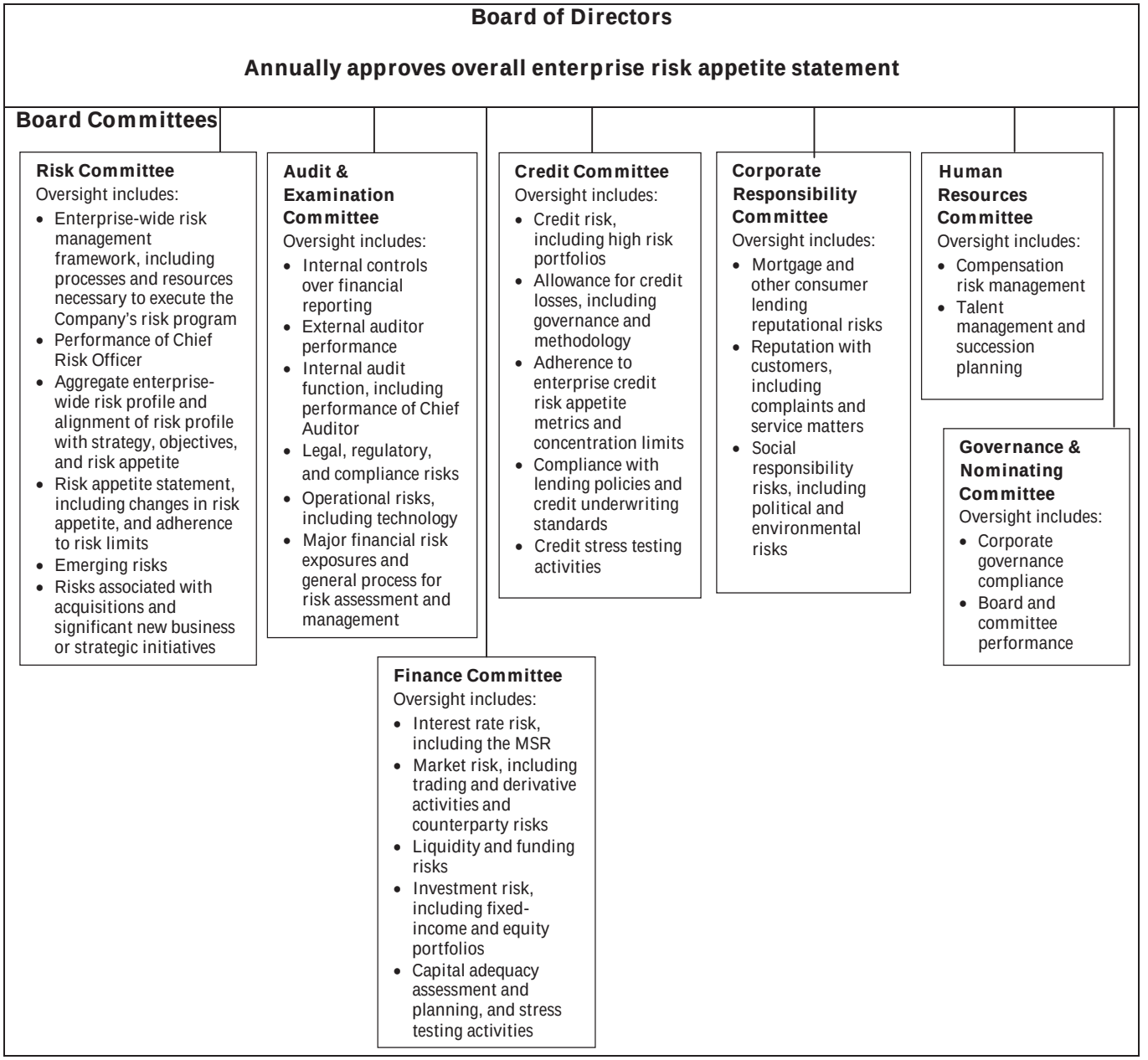
As part of our review of our risk appetite, we maintain metrics along with associated objectives to measure and monitor the amount of risk that the Company is prepared to take. Actual results of these metrics are reported to the Enterprise Risk Management Committee on a quarterly basis as well as to the Risk Committee of the Board. Our operating segments also have business-specific risk appetite statements based on the enterprise statement of risk appetite. The metrics included in the operating segment statements are harmonized with the enterprise level metrics to ensure consistency where appropriate. Business lines also maintain metrics and qualitative statements that are unique to their line of business. This allows for monitoring of risk and definition of risk appetite deeper within the organization.

Our risk culture seeks to promote proactive risk management and putting the customer first by implementing an ongoing program of training, performance management, and regular communication. Our risk culture also depends on the "tone at the top" set by our Board, CEO, and Operating Committee members. Through oversight of the three lines of defense, the Board and the Operating Committee are the starting point for establishing and reinforcing our risk culture and have overall and ultimate responsibility for oversight of our risks, which they carry out through committees with specific risk management functions.

Board Oversight of Risk

The Board performs its risk oversight function primarily through its seven standing committees, all of which report to the full Board. Each of the Board's committees is responsible for oversight of specific risks, including reputation risks, as outlined in each of their charters and as summarized on the following chart. The Risk Committee assists the Board and its other committees by, among other things, helping to ensure end-to-end ownership of oversight of all risk issues in one Board committee, overseeing risk across the entire Company and across all risk types, and by reviewing and monitoring the Company's overall risk appetite. To facilitate discussion and communication about enterprise-wide risk matters and avoid

unnecessary duplication, the Risk Committee's members consist of the chairs of each of the Board's other committees.



Management's Oversight of Risk

The Board and its committees work closely with management in overseeing risk. Each Board committee receives reports and information regarding risk issues directly from management. Managers are accountable for managing risks through day-to-day operations and, in some cases, management committees have been established to inform the risk management framework and provide governance and advice regarding management functions. These committees include:

- The **Operating Committee**, which meets weekly to, among other things, discuss strategic, operational and risk issues at the enterprise level.
- The **Enterprise Risk Management Committee (ERMC)**, which meets regularly during the year and reviews significant and emerging risk topics and high-risk business initiatives, particularly those that may result in additional regulatory or reputational risk.
- The **Asset and Liability Committee (ALCO)**, which is responsible for enterprise-wide oversight of the Company's balance sheet, interest rate exposure, market risks, liquidity, and capital. The committee provides guidance and recommendations to management and the Board related to risk management for these areas.
- The **Market Risk Committee,** which provides oversight of the Company's market risk exposures to ensure significant market risks throughout the Company are identified, measured and monitored in accordance with the Company's stated risk appetite.
- The **Compliance and Operational Risk Committee (CORC)**, which provides a forum for senior risk managers to focus on enterprise-wide compliance and operational risk issues, and provides leadership and direction in evaluating management of operational risks, establishing priorities, and fostering collaboration and coordination of risk management activities across the Company.
- The **Regulatory Compliance Risk Management Committee (RCRM)**, which provides a forum for senior compliance managers to provide leadership, direction, and assessment of the management of enterprise-wide regulatory risks, and to escalate such risks to the chief compliance officer as necessary
- The **Corporate Allowance for Credit Losses Approval Committee,** which reviews the process and supporting analytics for allowance for loan and lease losses and the allowance for unfunded credit commitments to help ensure allowances for credit losses are maintained at adequate levels in conformity with generally accepted accounting principles and regulatory guidelines.

These committees help management facilitate enterprise-wide understanding and monitoring of risks and challenges faced by the Company. Management's corporate risk organization, which is part of the second line of defense, is headed by the Company's Chief Risk Officer who, among other things, provides oversight, opines on the performance and strategy of all risks taken by the businesses, and provides credible challenge to risks incurred. The Chief Risk Officer, as well as the Chief Enterprise, Credit, Market, and Operational Risk Officers as his or her direct reports, work closely with the Board's committees and frequently provide reports and updates to the committees and the committee chairs on risk issues during and outside of regular committee meetings, as appropriate. The full Board receives reports at each of its meetings from the committee chairs about committee activities, including risk oversight matters, and receives a quarterly report from the ERMC regarding current or emerging risk issues.

Further discussion and specific examples of reporting, measurement and monitoring techniques we use in each risk area are included within the subsequent sub-sections of the Risk Management section in this Report.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, or resulting from external events or third parties. Information security is a significant operational risk for financial institutions such as Wells Fargo, and includes the risk of losses resulting from cyber attacks. Wells Fargo and reportedly other financial institutions continue to be the target of various evolving and adaptive denial-of-service or other cyber attacks as part of what appears to be a coordinated effort to disrupt the operations of financial institutions and potentially test their cybersecurity capabilities. Wells Fargo has not experienced any material losses relating to these or other cyber attacks. Cybersecurity and the continued development and enhancement of our controls, processes and systems to protect our networks, computers, software, and data from attack, damage or unauthorized access remain a priority for Wells Fargo. See the "Risk Factors" section in this Report 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 16 presents our total loans outstanding by portfolio segment and class of financing receivable.

Table 16: Total Loans Outstanding by Portfolio Segment and Class of Financing Receivable

	December 31,	
(in millions)	**2013**	2012
Commercial:		
Commercial and industrial	**$ 197,210**	187,759
Real estate mortgage	**107,100**	106,340
Real estate construction	**16,747**	16,904
Lease financing	**12,034**	12,424
Foreign (1)	**47,665**	37,771
Total commercial	**380,756**	361,198
Consumer:		
Real estate 1-4 family first mortgage	**258,497**	249,900
Real estate 1-4 family junior lien mortgage	**65,914**	75,465
Credit card	**26,870**	24,640
Automobile	**50,808**	45,998
Other revolving credit and installment	**42,954**	42,373
Total consumer	**445,043**	438,376
Total loans	**$ 825,799**	799,574

(1) Substantially all of our foreign loan portfol o is commercial loans. Loans are classified as foreign primarily based on whether the borrower's primary address is outside of the United States.

We manage our credit risk by establishing what we believe are sound credit policies for underwriting new business, while monitoring and reviewing the performance of our existing loan portfolios. We employ various credit risk management and monitoring activities to mitigate risks associated with multiple risk factors affecting loans we hold, could acquire or originate including:

- Loan concentrations and related credit quality
- Counterparty credit risk
- Economic and market conditions
- Legislative or regulatory mandates
- Changes in interest rates
- Merger and acquisition activities
- Reputation risk

Our credit risk management oversight process is governed centrally, but provides for decentralized management and accountability by our lines of business. Our overall credit process includes comprehensive credit policies, disciplined credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs, and a continual loan review and audit process.

A key to our credit risk management is adherence to a well-controlled underwriting process, which we believe is appropriate for the needs of our customers as well as investors who purchase the loans or securities collateralized by the loans.

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

- Nonaccrual loans decreased to $3.5 billion and $12.2 billion in our commercial and consumer portfolios, respectively, at December 31, 2013, from $5.8 billion and $14.7 billion at December 31, 2012. Nonaccrual loans represented 1.90% of total loans at December 31, 2013, compared with 2.56% at December 31, 2012.
- Net charge-offs as a percentage of average total loans improved to 0.56% in 2013 compared with 1.17% a year ago and were 0.06% and 0.98% in our commercial and consumer portfolios, respectively, compared with 0.35% and 1.84% in 2012.
- Loans that are not government insured/guaranteed and 90 days or more past due and still accruing decreased to $143 million and $902 million in our commercial and consumer portfolios, respectively, at December 31, 2013, from $303 million and $1.1 billion at December 31, 2012.

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

- Our provision for credit losses decreased to $2.3 billion in 2013 from $7.2 billion in 2012.
- The allowance for credit losses decreased to $15.0 billion at December 31, 2013 from $17.5 billion at December 31, 2012.

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

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

Table 17 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 58% since the merger with Wachovia at December 31, 2008, and decreased 14% 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 17: Non-Strategic and Liquidating Loan Portfolios

		Outstanding balance December 31,	
(in millions)	**2013**	2012	2008
Commercial:			
Legacy Wachovia commercial and industrial, CRE and foreign PCI loans (1)	**$ 2,013**	3,170	18,704
Total commercial	**2,013**	3,170	18,704
Consumer:			
Pick-a-Pay mortgage (1)	**50,971**	58,274	95,315
Liquidating home equity	**3,695**	4,647	10,309
Legacy Wells Fargo Financial indirect auto	**207**	830	18,221
Legacy Wells Fargo Financial debt consolidation	**12,893**	14,519	25,299
Education Finance - government guaranteed	**10,712**	12,465	20,465
Legacy Wachovia other PCI loans (1)	**375**	657	2,478
Total consumer	**78,853**	91,392	172,087
Total non-strategic and liquidating loan portfolios	**$ 80,866**	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. Substantially all of our PCI loans were acquired in the Wachovia acquisition on December 31, 2008. PCI loans are recorded at fair value at the date of acquisition, and the historical allowance for credit losses related to these loans is not carried over. The carrying value of PCI loans totaled $26.7 billion at December 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. The accretable yield at December 31, 2013, was $17.4 billion, which reflects a revision from the $19.1 billion reported in our earnings release, filed January 14, 2014, on Form 8-K. This revision primarily reflects a correction of our projected cash flow estimates for our Pick-a-Pay portfolio related to the anticipated volume of future modifications and defaults on modified loans. As a result, the estimated weighted-average life of our projected cash flow estimates for our Pick-a-Pay portfolio declined from 14.0 years to 12.7 years.

A nonaccretable difference is established for PCI loans to absorb losses expected on those loans at the date of acquisition. Amounts absorbed by the nonaccretable difference do not affect the income statement or the allowance for credit losses.

Substantially all commercial and industrial, CRE and foreign PCI loans are accounted for as individual loans. Conversely, Pick-a-Pay and other consumer PCI loans have been aggregated into pools based on common risk characteristics. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Resolutions of loans may include sales to third parties, receipt of payments in settlement with the borrower, or foreclosure of the collateral. Our policy is to remove an individual PCI loan from a pool based on comparing the amount received from its resolution with its contractual amount. Any difference between these amounts is absorbed by the nonaccretable difference. This removal method assumes that the amount received from resolution approximates pool performance expectations. The accretable yield percentage is unaffected by the resolution and any changes in the effective yield for the remaining loans in the pool are addressed by our quarterly cash flow evaluation process for each pool. For loans that are resolved by payment in full, there is no release of the nonaccretable difference for the pool because there is no difference between the amount received at resolution and the contractual amount of the loan. Modified PCI loans are not removed from a pool even if those loans would otherwise be deemed TDRs. Modified PCI loans that are accounted for individually are TDRs, and removed from PCI accounting, if there has been a concession granted in excess of the original nonaccretable difference. We include these TDRs in our impaired loans.

During 2013, we recognized as income $91 million released from the nonaccretable difference related to commercial PCI loans due to payoffs and other resolutions. We also transferred $971 million from the nonaccretable difference to the accretable yield for PCI loans with improving credit-related cash flows and absorbed $751 million of losses in the nonaccretable difference from loan resolutions and write-downs. Our cash flows expected to be collected have been favorably affected by lower than expected defaults and losses as a result of observed economic strengthening, particularly in housing prices, and by our loan modification efforts. See the “Real Estate 1-4 Family First and Junior Lien Mortgage Loans” section in this Report for additional information. Table 18 provides an analysis of changes in the nonaccretable difference.

Table 18: 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	188	-	-	188
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	(1,345)	-	-	(1,345)
Loans resolved by sales to third parties (2)	(299)	-	(85)	(384)
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	(1,216)	(2,383)	(614)	(4,213)
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	(6,809)	(14,976)	(2,718)	(24,503)
Balance, December 31, 2011	929	9,126	652	10,707
Addition of nonaccretable difference due to acquisitions	7	-	-	7
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	(81)	-	-	(81)
Loans resolved by sales to third parties (2)	(4)	-	-	(4)
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	(315)	(648)	(178)	(1,141)
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	(114)	(2,246)	(164)	(2,524)
Balance, December 31, 2012	**422**	**6,232**	**310**	**6,964**
Addition of nonaccretable difference due to acquisitions	**18**	**-**	**-**	**18**
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	**(86)**	**-**	**-**	**(86)**
Loans resolved by sales to third parties (2)	**(5)**	**-**	**-**	**(5)**
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	**(74)**	**(866)**	**(31)**	**(971)**
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	**(10)**	**(662)**	**(79)**	**(751)**
Balance, December 31, 2013	**$ 265**	**4,704**	**200**	**5,169**

(1) Release of the nonaccretable difference for settlement with borrower, on indiv dually accounted PCI loans, increases interest income in the per od 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, wh ch assumes that the amount received approximates the pool performance expectat ons.
(2) Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the per od 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 ind cate there will be a loss of contractually due amounts upon final resolution of the loan. Also includes foreign exchange adjustments related to underlying principal for wh ch the nonaccretable difference was established.

Since December 31, 2008, we have released $8.2 billion in nonaccretable difference, including $6.3 billion transferred from the nonaccretable difference to the accretable yield and $1.9 billion released to income through loan resolutions. Also, we have provided $1.7 billion for losses on certain PCI loans or pools of PCI loans that have had credit-related decreases to cash flows expected to be collected. The net result is a $6.5 billion reduction from December 31, 2008, through December 31, 2013, in our initial projected losses of $41.0 billion on all PCI loans.

At December 31, 2013, the allowance for credit losses on certain PCI loans was $30 million. The allowance is to absorb credit-related decreases in cash flows expected to be collected and primarily relates to individual PCI commercial loans. Table 19 analyzes the actual and projected loss results on PCI loans since acquisition through December 31, 2013.

For additional information on PCI loans, see Note 1 (Summary of Significant Accounting Policies – Loans) and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 19: 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)	$ 1,512	-	-	1,512
Loans resolved by sales to third parties (2)	308	-	85	393
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	1,605	3,897	823	6,325
Total releases of nonaccretable difference due to better than expected losses	3,425	3,897	908	8,230
Provision for losses due to credit deterioration (4)	(1,641)	-	(107)	(1,748)
Actual and projected losses on PCI loans less than originally expected	$ 1,784	3,897	801	6,482

(1) Release of the nonaccretable difference for settlement with borrower, on indiv dually accounted PCI loans, increases interest income in the per od 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, wh ch assumes that the amount received approximates the pool performance expectat ons.
(2) Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the per od of the sale.
(3) Reclassification of nonaccretable difference to accretable yield for loans with increased cash flow estimates will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.
(4) Provision for additional losses is recorded as a charge to income when it is estimated that the cash flows expected to be collected for a PCI loan or pool of loans may not support full realization of the carrying value.

Significant Loan Portfolio Reviews Measuring and monitoring our credit risk is an ongoing process that tracks delinquencies, collateral values, FICO scores, economic trends by geographic areas, loan-level risk grading for certain portfolios (typically commercial) and other indications of credit risk. Our credit risk monitoring process is designed to enable early identification of developing risk and to support our determination of an appropriate allowance for credit losses. The following discussion provides additional characteristics and analysis of our significant portfolios. See Note 6 (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 20 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 $209.2 billion or 25% of total loans at December 31, 2013, generally experienced credit improvement in 2013. The net charge-off rate for this portfolio declined to 0.18% in 2013 from 0.46% in 2012. At December 31, 2013, 0.37% of this portfolio was nonaccruing compared with 0.72% at December 31, 2012. In addition, $15.5 billion of this portfolio was rated as criticized in accordance with regulatory guidance at December 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 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for additional credit metric information.

Table 20: Commercial and Industrial Loans and Lease Financing by Industry

	December 31, 2013		
(in millions)	Nonaccrual loans	Total portfolio (1)	% of total loans
Investors	$ 17	19,627	2 %
Cyclical Retailers	25	15,112	2
Oil & Gas	67	14,102	2
Food and beverage	45	12,719	2
Financial Institutions	44	12,055	1
Healthcare	39	11,608	1
Real Estate Lessor	16	11,242	1
Industrial Equipment	6	10,483	1
Technology	7	7,386	1
Transportation	7	5,936	1
Public Administration	16	5,832	1
Business Services	34	5,798	1
Other	444	77,344 (2)	9
Total	$ 767	209,244	25 %

* Less than 1%.
(1) Includes $215 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 $4.8 billion.

Risk mitigation actions, including the restructuring of repayment terms, securing collateral or guarantees, and entering into extensions, are based on a re-underwriting of the loan and our assessment of the borrower's ability to perform under the agreed-upon terms. Extension terms generally range from six to thirty-six months and may require that the borrower provide additional economic support in the form of partial repayment, or additional collateral or guarantees. In cases where the value of collateral or financial condition of the borrower is insufficient to repay our loan, we may rely upon the support of an outside repayment guarantee in providing the extension.

Our ability to seek performance under a guarantee is directly related to the guarantor's creditworthiness, capacity and willingness to perform, which is evaluated on an annual basis, or more frequently as warranted. Our evaluation is based on the

most current financial information available and is focused on various key financial metrics, including net worth, leverage, and current and future liquidity. We consider the guarantor's reputation, creditworthiness, and willingness to work with us based on our analysis as well as other lenders' experience with the guarantor. Our assessment of the guarantor's credit strength is reflected in our loan risk ratings for such loans. The loan risk rating and accruing status are important factors in our allowance methodology.

In considering the accrual status of the loan, we evaluate the collateral and future cash flows as well as the anticipated support of any repayment guarantor. In many cases the strength of the guarantor provides sufficient assurance that full repayment of the loan is expected. When full and timely collection of the loan becomes uncertain, including the performance of the guarantor, we place the loan on nonaccrual status. As appropriate, we also charge the loan down in accordance with our charge-off policies, generally to the net realizable value of the collateral securing the loan, if any.

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 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

COMMERCIAL REAL ESTATE (CRE) The CRE portfolio totaled $123.8 billion, or 15% of total loans at December 31, 2013, and consisted of $107.1 billion of mortgage loans and $16.7 billion of construction loans. Table 21 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 (28% of the total CRE portfolio), and in Florida and Texas (8% in each state). By property type, the largest concentrations are office buildings at 28% and apartments at 13% of the portfolio. CRE nonaccrual loans totaled 2.2% of the CRE outstanding balance at December 31, 2013, compared with 3.5% at December 31, 2012. At December 31, 2013, we had $11.8 billion of criticized CRE mortgage loans, down from $18.8 billion at December 31, 2012, and $2.0 billion of criticized CRE construction loans, down from $4.5 billion at December 31, 2012. See Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for additional information on criticized loans.

At December 31, 2013, the recorded investment in PCI CRE loans totaled $1.6 billion, down from $12.3 billion when acquired at December 31, 2008, reflecting principal payments, loan resolutions and write-downs.

Table 21: CRE Loans by State and Property Type

					December 31, 2013		
	Real estate mortgage		Real estate construction		Total		% of
(in millions)	Nonaccrual loans	Total portfolio (1)	Nonaccrual loans	Total portfolio (1)	Nonaccrual loans	Total portfolio (1)	total loans
By state:							
California	$ 536	30,854	50	3,550	586	34,404	4 %
Florida	303	8,971	49	1,426	352	10,397	1
Texas	166	8,598	23	1,673	189	10,271	1
New York	48	6,610	5	1,188	53	7,798	1
North Carolina	148	4,058	26	971	174	5,029	1
Arizona	104	3,992	7	422	111	4,414	1
Virginia	77	2,742	6	1,054	83	3,796	1
Washington	30	3,244	3	423	33	3,667	*
Georgia	153	3,026	45	453	198	3,479	*
Colorado	39	2,829	7	602	46	3,431	*
Other	648	32,176	195	4,985	843	37,161 (2)	5
Total	$ 2,252	107,100	416	16,747	2,668	123,847	15 %
By property:							
Office buildings	$ 572	32,294	49	2,030	621	34,324	4 %
Apartments	139	10,606	3	4,883	142	15,489	2
Industrial/warehouse	367	12,038	-	732	367	12,770	2
Retail (excluding shopping center)	278	11,627	22	890	300	12,517	2
Real estate - other	272	10,709	5	335	277	11,044	1
Hotel/motel	93	8,919	10	792	103	9,711	1
Shopping center	184	8,042	9	880	193	8,922	1
Institutional	77	2,850	-	430	77	3,280	1
Land (excluding 1-4 family)	7	80	97	2,992	104	3,072	*
Agriculture	45	2,295	-	29	45	2,324	*
Other	218	7,640	221	2,754	439	10,394	1
Total	$ 2,252	107,100	416	16,747	2,668	123,847	15 %

* Less than 1%.

(1) Includes a total of $1.6 bill on PCI loans, consisting of $1.1 bill on of real estate mortgage and $433 million of real estate construction, which are considered to be accruing due to the existence of the accretable yield and not based on cons deration given to contractual interest payments.

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

FOREIGN LOANS AND COUNTRY RISK EXPOSURE We classify loans for financial statement and certain regulatory purposes as foreign primarily based on whether the borrower's primary address is outside of the United States. At December 31, 2013, foreign loans totaled $47.7 billion, representing approximately 6% of our total consolidated loans outstanding, compared with $37.8 billion, or approximately 5% of total consolidated loans outstanding, at December 31, 2012. A significant portion of the growth in foreign loans was due to the acquisition of CRE loans in the U.K. in third quarter 2013. Foreign loans were approximately 3% of our consolidated total assets at December 31, 2013 and at December 31, 2012.

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

We evaluate our individual country risk exposure on an ultimate country of risk basis, which is normally based on the country of residence of the guarantor or collateral location, and is different from the reporting based on the borrower's primary address. Our largest single foreign country exposure on an ultimate risk basis at December 31, 2013, was the United Kingdom, which totaled $21.1 billion, or approximately 1% of our total assets, and included $3.0 billion of sovereign claims. Our United Kingdom sovereign claims arise primarily from deposits we have placed with the Bank of England pursuant to regulatory requirements in support of our London branch.

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

Table 22 provides information regarding our top 20 exposures by country (excluding the U.S.) and our Eurozone exposure, on an ultimate risk basis.

Table 22: Select Country Exposures

(in millions)	Lending (1) Sovereign	Lending (1) Non-sovereign	Securities (2) Sovereign	Securities (2) Non-sovereign	Derivatives and other (3) Sovereign	Derivatives and other (3) Non-sovereign	Total exposure Sovereign	Total exposure Non-sovereign (4)	Total exposure Total
December 31, 2013									
Top 20 country exposures:									
United Kingdom	$ 3,031	10,024	1	7,120	-	911	3,032	18,055	21,087
Canada	-	6,636	-	4,778	-	575	-	11,989	11,989
China	-	5,575	-	55	3	1	3	5,631	5,634
Brazil	-	2,751	-	13	-	-	-	2,764	2,764
Germany	66	1,470	-	788	-	137	66	2,395	2,461
Netherlands	-	1,784	-	401	-	40	-	2,225	2,225
Switzerland	-	1,251	-	351	-	440	-	2,042	2,042
Bermuda	-	1,775	-	77	-	42	-	1,894	1,894
France	-	519	-	1,192	-	152	-	1,863	1,863
Turkey	-	1,653	-	-	-	-	-	1,653	1,653
Australia	-	913	-	664	-	11	-	1,588	1,588
South Korea	-	1,381	-	51	12	-	12	1,432	1,444
India	-	1,266	7	140	-	-	7	1,406	1,413
Chile	-	1,265	-	18	-	57	-	1,340	1,340
Luxembourg	-	1,065	-	105	-	6	-	1,176	1,176
Mexico	-	1,131	-	38	5	1	5	1,170	1,175
Ireland	34	940	-	154	2	25	36	1,119	1,155
Russia	-	754	-	32	-	-	-	786	786
Spain	-	714	-	62	-	-	-	776	776
Taiwan	-	754	-	1	-	2	-	757	757
Total top 20 country exposures	$ 3,131	43,621	8	16,040	22	2,400	3,161	62,061	65,222
Eurozone exposure:									
Eurozone countries included in Top 20 above (5)	$ 100	6,492	-	2,702	2	360	102	9,554	9,656
Austria	103	331	-	2	-	2	103	335	438
Italy	-	242	-	86	-	-	-	328	328
Belgium	-	115	-	50	-	8	-	173	173
Other Eurozone countries (6)	-	55	-	25	26	2	26	82	108
Total Eurozone exposure	$ 203	7,235	-	2,865	28	372	231	10,472	10,703

(1) Lending exposure includes funded loans and unfunded commitments, leveraged leases, and money market placements presented on a gross basis prior to the deduction of impairment allowance and collateral received under the terms of the credit agreements. For the countries listed above, includes $472 million in PCI loans, predominantly to customers in Germany and the United Kingdom, and $2.0 billion in defeased leases secured largely by U.S. Treasury and government agency securities, or government guaranteed.

(2) Represents issuer exposure on cross-border debt and equity securities.

(3) Represents counterparty exposure on foreign exchange and derivative contracts, and securities resale and lending agreements. This exposure is presented net of counterparty netting adjustments and reduced by the amount of cash collateral. It includes credit default swaps (CDS) predominantly used to manage our U.S. and London-based cash credit trading businesses, which sometimes results in selling and purchasing protection on the identical reference entity. Generally, we do not use market instruments such as CDS to hedge the credit risk of our investment or loan positions, although we do use them to manage risk in our trading businesses. At December 31, 2013, the gross notional amount of our CDS sold that reference assets in the Top 20 or Eurozone countries was $5.4 billion, which was offset by the notional amount of CDS purchased of $5.4 billion. We did not have any CDS purchased or sold that reference pools of assets that contain sovereign debt or where the reference asset was solely the sovereign debt of a foreign country.

(4) For countries presented in the table, total non-sovereign exposure comprises $30.8 billion exposure to financial institutions and $32.2 billion to non-financial corporations at December 31, 2013.

(5) Consists of exposure to Germany, Netherlands, France, Luxembourg, Ireland and Spain included in Top 20.

(6) Includes non-sovereign exposure to Greece, Cyprus and Portugal in the amount of $1 million, $7 million and $39 million, respectively. We had no sovereign debt exposure to these countries at December 31, 2013.

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

Our underwriting and periodic review of loans secured by residential real estate collateral includes appraisals or estimates from automated valuation models (AVMs) to support property values. AVMs are computer-based tools used to estimate the market value of homes. AVMs are a lower-cost alternative to appraisals and support valuations of large numbers of properties in a short period of time using market comparables and price trends for local market areas. The primary risk associated with the use of AVMs is that the value of an individual property may vary significantly from the average for the market area. We have processes to periodically validate AVMs and specific risk management guidelines addressing the circumstances when AVMs may be used. AVMs are generally used in underwriting to support property values on loan originations only where the loan amount is under $250,000. We generally require property visitation appraisals by a qualified independent appraiser for larger residential property loans.

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 15% of total loans at December 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 loans are included in the Pick-a-Pay portfolio which was acquired from Wachovia. Since our acquisition of the Pick-a-Pay loan portfolio at the end of 2008, we have reduced the option payment portion of the portfolio, from 86% to 44% at December 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 experiencing financial difficulties. Loans are underwritten at the time of the modification in accordance with underwriting guidelines established for governmental and proprietary loan modification programs. As a participant in the U.S. Treasury's Making Home Affordable (MHA) programs, we are focused on helping customers stay in their homes. The MHA programs create a standardization of modification terms including incentives paid to borrowers, servicers, and investors. MHA includes the Home Affordable Modification Program (HAMP) for first lien loans and the Second Lien Modification Program (2MP) for junior lien loans. Under both our proprietary programs and the MHA programs, we may provide concessions such as interest rate reductions, forbearance of principal, and in some cases, principal forgiveness. These programs generally include trial payment periods of three to four months, and after successful completion and compliance with terms during this period, the loan is permanently modified. Once the loan enters a trial period or permanent modification, it is accounted for as a TDR. See the "Critical Accounting Policies – Allowance for Credit Losses" section in this Report for discussion on how we determine the allowance attributable to our modified residential real estate portfolios.

Real estate 1-4 family first and junior lien mortgage loans by state are presented in Table 23. Our real estate 1-4 family mortgage loans to borrowers in California represented approximately 13% of total loans at December 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 2012, we aligned our nonaccrual reporting with Interagency Guidance issued by bank regulators 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 delinquency status. Additionally, in third quarter 2012, we aligned our nonaccrual and troubled debt reclassification policies in accordance with guidance in the Office of the Comptroller of the Currency (OCC) update to the Bank Accounting Advisory Series (OCC Guidance), which requires consumer loans discharged in bankruptcy to be written down to net realizable collateral value and classified as nonaccrual TDRs, regardless of their delinquency status.

Table 23: Real Estate 1-4 Family First and Junior Lien Mortgage Loans by State

	December 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	$ 16,228	31	16,259	2 %
Florida	1,884	21	1,905	*
New Jersey	1,007	16	1,023	*
Other (1)	4,981	55	5,036	1
Total PCI loans	$ 24,100	123	24,223	3 %
All other loans:				
California	$ 71,422	18,325	89,747	11 %
Florida	14,872	5,943	20,815	2
New York	14,338	2,877	17,215	2
New Jersey	10,122	5,107	15,229	2
Virginia	6,850	3,532	10,382	1
Pennsylvania	5,925	3,160	9,085	1
North Carolina	5,978	2,848	8,826	1
Texas	7,770	944	8,714	1
Georgia	4,830	2,618	7,448	1
Other (2)	61,553	20,437	81,990	10
Government insured/ guaranteed loans (3)	30,737	-	30,737	4
Total all other loans	$ 234,397	65,791	300,188	36 %
Total	$ 258,497	65,914	324,411	39 %

* Less than 1%.
(1) Consists of 45 states; no state had loans in excess of $614 mill on.
(2) Consists of 41 states; no state had loans in excess of $7.1 billion.
(3) Represents loans whose repayments are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (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 fourth quarter 2013 on the non-PCI mortgage portfolio. Loans 30 days or more delinquent at December 31, 2013, totaled $11.9 billion, or 4%, of total non-PCI mortgages, compared with $15.5 billion, or 5%, at December 31, 2012. Loans with FICO scores lower than 640 totaled $31.5 billion at December 31, 2013, or 10% 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 $34.3 billion at December 31, 2013, or 11% 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 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

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 24 provides balances by types of loans as of December 31, 2013, as a result of modification efforts, compared to the types of loans included in the portfolio at acquisition. Total adjusted unpaid principal balance of PCI Pick-a-Pay loans was $28.8 billion at December 31, 2013, compared with $61.0 billion at acquisition. Modification efforts have largely involved option payment PCI loans, which, based on adjusted unpaid principal balance, have declined to 17% of the total Pick-a-Pay portfolio at December 31, 2013, compared with 51% at acquisition.

Table 24: Pick-a-Pay Portfolio - Comparison to Acquisition Date

	December 31,				
	2013			2008	
(in millions)	**Adjusted unpaid principal balance (1)**	**% of total**		Adjusted unpaid principal balance (1)	% of total
Option payment loans	**$ 24,420**	**44 %**		$ 99,937	86 %
Non-option payment adjustable-rate and fixed-rate loans (2)	**7,892**	**14**		15,763	14
Full-term loan modifications	**23,509**	**42**		-	-
Total adjusted unpaid principal balance (2)	**$ 55,821**	**100 %**		$ 115,700	100 %
Total carrying value	**$ 50,971**			$ 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 $902 million at December 31, 2013, and $1.4 billion at December 31, 2012. Approximately 93% of the Pick-a-Pay customers making a minimum payment in December 2013 did not defer interest, compared with 90% in December 2012.

Deferral of interest on a Pick-a-Pay loan may continue as long as the loan balance remains below a pre-defined principal cap, which is based on the percentage that the current loan balance represents to the original loan balance. The majority of the Pick-a-Pay portfolio has a cap of 125% of the original loan balance. Most of the Pick-a-Pay loans on which there is a deferred interest balance re-amortize (the monthly payment amount is reset or "recast") on the earlier of the date when the loan balance reaches its principal cap, or generally the 10-year anniversary of the loan. After a recast, the customers' new payment terms are reset to the amount necessary to repay the balance over the remainder of the original loan term.

Due to the terms of the Pick-a-Pay portfolio, there is little recast risk in the near term where borrowers will have a payment change over 7.5%. 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 and also experiencing a payment change over the annual 7.5% reset: $40 million in 2014, $69 million in 2015 and $45 million in 2016. 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 and also having a payment change over the annual 7.5% reset: $211 million in 2014, $411 million in 2015 and $470 million in 2016. In 2013, the amount of loans reaching their recast anniversary date and also having a payment change over the annual 7.5% reset was $36 million.

Table 25 reflects the geographic distribution of the Pick-a-Pay portfolio broken out between PCI loans and all other loans. The LTV ratio is a useful metric in predicting future real estate 1-4 family first mortgage loan performance, including potential charge-offs. Because PCI loans were initially recorded at fair value, including write-downs for expected credit losses, the ratio of the carrying value to the current collateral value will be lower compared with the LTV based on the adjusted unpaid principal balance. For informational purposes, we have included both ratios for PCI loans in the following table.

Table 25: Pick-a-Pay Portfolio (1)

			December 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	$ 19,797	89 %	$ 16,213	72 %	$ 13,219	65 %
Florida	2,395	98	1,827	69	2,764	80
New Jersey	1,029	87	974	74	1,770	74
New York	609	84	592	73	797	73
Texas	266	70	241	62	1,081	56
Other states	4,704	89	4,001	74	7,492	75
Total Pick-a-Pay loans	$ 28,800		$ 23,848		$ 27,123	

(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 2013, we completed more than 11,800 proprietary and Home Affordability Modification Program (HAMP) Pick-a-Pay loan modifications. We have completed more than 123,000 modifications since the Wachovia acquisition, resulting in $5.8 billion of principal forgiveness to our Pick-a-Pay customers as well as an additional $229 million of conditional forgiveness that can be earned by borrowers through performance over a three year period.

Due to better than expected performance observed on the Pick-a-Pay PCI portfolio compared with the original acquisition estimates, we have reclassified $3.9 billion from the nonaccretable difference to the accretable yield since acquisition, including $866 million in 2013. 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 12.7 years at December 31, 2013. The accretable yield percentage at December 31, 2013 was 4.98%, up from 4.70% at the end of 2012 due to increased cash flows from improved economic outlook and credit trends. Fluctuations in the accretable yield are driven by changes in interest rate indices for variable rate PCI loans, prepayment assumptions, and expected principal and interest payments over the estimated life of the portfolio, which will be affected by the pace and degree of improvements in the U.S. economy and housing markets and projected lifetime performance resulting from loan modification activity. Changes in the projected timing of cash flow events, including loan liquidations, modifications and short sales, can also affect the accretable yield rate and the estimated weighted-average life of the portfolio.

The Pick-a-Pay portfolio includes a significant portion of our PCI loans. For further information on the judgment involved in estimating expected cash flows for PCI loans, see the "Critical Accounting Policies – Purchased Credit-Impaired Loans" section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

HOME EQUITY PORTFOLIOS Our home equity portfolios consist of real estate 1-4 family junior lien mortgages and first and junior lien lines of credit secured by real estate. Our first lien lines of credit represent 22% of our home equity portfolio and are included in real estate 1-4 family first mortgages. The majority of our junior lien loan products are amortizing payment loans with fixed interest rates and repayment periods between five to 30 years.

Our first and junior lien lines of credit products generally have a draw period of 10 years (with some up to 15 or 20 years) with variable interest rate and payment options during the draw period of (1) interest only or (2) 1.5% of outstanding principal balance plus accrued interest. During the draw period, the borrower has the option of converting all or a portion of the line from a variable interest rate to a fixed rate with terms including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment schedule with repayment terms of up to 30 years based on the balance at time of conversion. Certain lines and loans have been structured with a balloon payment, which requires full repayment of the outstanding balance at the end of the term period. The conversion of lines or loans to fully amortizing or balloon payoff may result in a significant payment increase, which can affect some borrowers' ability to repay the outstanding balance.

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

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

Table 26 reflects the outstanding balance of our home equity portfolio segregated into scheduled end of draw or end of term periods and products that are currently amortizing, or in balloon repayment status. It excludes real estate 1-4 family first lien line reverse mortgages, which total $2.4 billion, because they are predominantly insured by the FHA, and it excludes PCI loans, which total $156 million, because their losses were generally reflected in our nonaccretable difference established at the date of acquisition.

Table 26: Home Equity Portfolios Payment Schedule

		Scheduled end of draw / term						
(in millions)	**Outstanding balance December 31, 2013**	2014	2015	2016	2017	2018	2019 and thereafter (1)	Amortizing
Home equity lines secured by real estate:								
Junior residential lines	**$ 57,379**	3,174	6,107	7,621	7,685	4,202	25,472	3,118
First residential lines	**18,326**	983	1,361	1,081	1,051	1,207	11,852	791
Total residential lines (2)(3)	**75,705**	4,157	7,468	8,702	8,736	5,409	37,324	3,909
Junior loans (4)	**8,425**	10	102	136	141	15	1,466	6,555
Total	**$ 84,130**	4,167	7,570	8,838	8,877	5,424	38,790	10,464
% of portfolios	**100 %**	5	9	11	11	6	46	12

(1) The annual scheduled end of draw or term ranges from $2.0 bill on to $10.9 bill on per year for 2019 and thereafter. The loans that convert in 2025 and thereafter have draw per ods that generally extend to 15 or 20 years.
(2) Lines in their draw period are predominantly interest-only. The unfunded credit comm tments total $73.6 bill on at December 31, 2013.
(3) Includes scheduled end-of-term balloon payments totaling $890 million, $525 million, $348 mill on, $436 mill on, $601 mill on and $1.3 billion for 2014, 2015, 2016, 2017, 2018, 2019 and thereafter, respectively. Amortizing lines include $125 million of end-of-term balloon payments, which are past due. At December 31, 2013, $274 mill on, or 7% of outstanding lines of cred t that are amortizing, are 30 or more days past due compared to $1.5 billion, or 2% for lines in their draw period.
(4) Junior loans within the term period predominantly represent principal and interest products that require a balloon payment upon the end of the loan term. Amortizing junior loans include $70 million of balloon loans that have reached end of term and are now past due.

We continuously monitor the credit performance of our junior lien mortgage portfolio for trends and factors that influence the frequency and severity of loss. We have observed that the severity of loss for junior lien mortgages is high and generally not affected by whether we or a third party own or service the related first mortgage, but that the frequency of loss has historically been lower when we own or service the first mortgage. In general, we have limited information available on the delinquency status of the third party owned or serviced senior lien where we also hold a junior lien. To capture this inherent loss content, we use the experience of our junior lien mortgages behind delinquent first liens that are owned or serviced by us adjusted for observed higher delinquency rates associated with junior lien mortgages behind third party first mortgages. We incorporate this inherent loss content into our allowance for loan losses. Our allowance process for junior liens ensures appropriate consideration of the relative difference in loss experience for junior liens behind first lien mortgage loans we own or service, compared with those behind first lien mortgage loans owned or serviced by third parties. In addition, our allowance process for junior liens that are current, but are in their revolving period, appropriately reflects the inherent loss where the borrower is delinquent on the corresponding first lien mortgage loans.

Table 27 summarizes delinquency and loss rates for our junior lien mortgages and lines by the holder of the first lien.

Table 27: 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				
	December 31,		December 31,		**Dec. 31,**	Sept. 30,	June 30,	Mar. 31,	Dec. 31,
(in millions)	**2013**	2012	**2013**	2012	**2013**	2013	2013	2013	2012 (3)
Junior lien mortgages and lines behind:									
Wells Fargo owned or serviced first lien	**$ 32,683**	37,913	**2.37 %**	2.65	**1.35**	1.60	2.08	2.46	3.81
Third party first lien	**33,121**	37,417	**2.54**	2.86	**1.38**	1.65	2.00	2.48	3.15
Total junior lien mortgages and lines	**65,804**	75,330	**2.45**	2.75	**1.36**	1.62	2.04	2.47	3.48
First lien lines	**18,326**	19,744	**3.00**	3.08	**0.41**	0.41	0.56	0.61	1.00
Total	**$ 84,130**	95,074	**2.57**	2.82	**1.16**	1.36	1.72	2.08	2.97

(1) Excludes both real estate 1-4 family first lien line reverse mortgages predominantly insured by the FHA and PCI loans.
(2) Includes $1.2 billion and $1.3 billion at December 31, 2013 and 2012, respectively, associated with the Pick-a-Pay portfolio.
(3) Reflects the impact of the OCC guidance issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be written down to net realizable collateral value, regardless of their delinquency status. The junior lien loss rates for third quarter 2012 reflect losses based on estimates of collateral value to implement the OCC guidance, which were then adjusted in the fourth quarter to reflect actual appraisals. Fourth quarter 2012 losses on the junior liens where Wells Fargo owns or services the first lien were elevated primarily due to the OCC guidance.

We monitor the number of borrowers paying the minimum amount due on a monthly basis. In December 2013, approximately 94% of our borrowers with a home equity outstanding balance paid the minimum amount due or more, while approximately 45% paid only the minimum amount due.

The home equity liquidating portfolio includes home equity loans generated through third party channels, including correspondent loans. This liquidating portfolio represents less than 1% of our total loans outstanding at December 31, 2013, and contains some of the highest risk in our home equity portfolio, with a loss rate of 4.80% compared with 1.43% for the core (non-liquidating) home equity portfolio for the year ended December 31, 2013.

Table 28 shows the credit attributes of the core and liquidating home equity portfolios and lists the top five states by outstanding balance for the core portfolio. Loans to California borrowers represent the largest state concentration in each of these portfolios. The decrease in outstanding balances since December 31, 2012 primarily reflects loan paydowns and charge-offs. As of December 31, 2013, 23% 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 9% of the core home equity portfolio at December 31, 2013.

Table 28: Home Equity Portfolios (1)

	Outstanding balance		% of loans two payments or more past due		Loss rate	
	December 31,		December 31,		Year ended December 31,	
(in millions)	**2013**	2012	**2013**	2012	**2013**	2012 (2)
Core portfolio (3)						
California	**$ 20,198**	22,900	**2.08 %**	2.46	**1.34**	3.59
Florida	**8,699**	9,763	**3.57**	4.15	**1.99**	4.10
New Jersey	**6,734**	7,338	**3.57**	3.43	**1.47**	2.50
Virginia	**4,328**	4,758	**1.96**	2.04	**1.00**	1.83
Pennsylvania	**4,282**	4,683	**2.79**	2.67	**1.07**	1.73
Other	**36,194**	40,985	**2.37**	2.59	**1.44**	2.84
Total	**80,435**	90,427	**2.53**	2.77	**1.43**	3.03
Liquidating portfolio	**3,695**	4,647	**3.49**	3.82	**4.80**	9.03
Total core and liquidating portfolios	**$ 84,130**	95,074	**2.57**	2.82	**1.59**	3.34

(1) Consists predominantly of real estate 1-4 family jun or lien mortgages and first and junior lines of credit secured by real estate, but excludes PCI loans because their losses were generally reflected in PCI accounting adjustments at the date of acquisition, and excludes real estate 1-4 family first lien open-ended line reverse mortgages because they do not have scheduled payments. These reverse mortgage loans are predominantly insured by the FHA.
(2) Reflects the impact of the OCC guidance issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be wr tten down to net realizable collateral value, regardless of their delinquency status.
(3) Includes $1.2 billion and $1.3 billion at December 31, 2013 and 2012, respectively, associated with the Pick-a-Pay portfolio.

CREDIT CARDS Our credit card portfolio totaled $26.9 billion at December 31, 2013, which represented 3% of our total outstanding loans. The net charge-off rate for our credit card portfolio was 3.62% for 2013, compared with 4.02% for 2012.

AUTOMOBILE Our automobile portfolio, predominantly composed of indirect loans, totaled $50.8 billion at December 31, 2013. The net charge-off rate for our automobile portfolio was 0.63% for 2013, compared with 0.64% for 2012.

OTHER REVOLVING CREDIT AND INSTALLMENT Other revolving credit and installment loans totaled $43.0 billion at December 31, 2013, and primarily included student and security-based margin loans. Student loans totaled $22.0 billion at December 31, 2013, of which $10.7 billion were government guaranteed. The net charge-off rate for other revolving credit and installment loans was 1.43% for 2013, compared with 1.38% for 2012. Excluding government guaranteed student loans, the net charge-off rates were 1.88% for 2013 and 1.96% for 2012, respectively.

NONPERFORMING ASSETS (NONACCRUAL LOANS AND FORECLOSED ASSETS) Table 29 summarizes nonperforming assets (NPAs) for each of the last five years. 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 (including loans discharged in bankruptcy);
- for junior lien mortgages, we have evidence that the related first lien mortgage may be 120 days past due or in the process of foreclosure regardless of the junior lien delinquency status; or
- performing consumer loans are discharged in bankruptcy, regardless of their delinquency status.

Note 1 (Summary of Significant Accounting Policies – Loans) to Financial Statements in this Report describes our accounting policy for nonaccrual and impaired loans.

Table 29: Nonperforming Assets (Nonaccrual Loans and Foreclosed Assets)

				December 31,	
(in millions)	**2013**	2012	2011	2010	2009
Nonaccrual loans:					
Commercial:					
Commercial and industrial	**$ 738**	1,422	2,142	3,213	4,397
Real estate mortgage	**2,252**	3,322	4,085	5,227	3,696
Real estate construction	**416**	1,003	1,890	2,676	3,313
Lease financing	**29**	27	53	108	171
Foreign	**40**	50	47	127	146
Total commercial (1)	**3,475**	5,824	8,217	11,351	11,723
Consumer:					
Real estate 1-4 family first mortgage (2)	**9,799**	11,455	10,913	12,289	10,100
Real estate 1-4 family junior lien mortgage	**2,188**	2,922	1,975	2,302	2,263
Automobile	**173**	245	159	244	270
Other revolving credit and installment	**33**	40	40	56	62
Total consumer (3)	**12,193**	14,662	13,087	14,891	12,695
Total nonaccrual loans (4)(5)(6)	**15,668**	20,486	21,304	26,242	24,418
As a percentage of total loans	**1.90 %**	2.56	2.77	3.47	3.12
Foreclosed assets:					
Government insured/guaranteed (7)	**$ 2,093**	1,509	1,319	1,479	960
Non-government insured/guaranteed	**1,844**	2,514	3,342	4,530	2,199
Total foreclosed assets	**3,937**	4,023	4,661	6,009	3,159
Total nonperforming assets	**$ 19,605**	24,509	25,965	32,251	27,577
As a percentage of total loans	**2.37 %**	3.07	3.37	4.26	3.52

(1) Includes LHFS of $1 mill on, $16 million, $25 mill on, $3 million and $27 million at December 31, 2013, 2012, 2011, 2010, and 2009 respectively.
(2) Includes MHFS of $227 million, $336 million, $301 million, $426 mill on and $339 million at December 31, 2013, 2012, 2011, 2010, and 2009 respectively.
(3) December 31, 2012, includes the impact of the implementat on of the Interagency and OCC Gu dance issued in 2012.
(4) Excludes PCI loans because they continue to earn interest income from accretable yield, independent of performance in accordance w th 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 Educat on Loan Program are not placed on nonaccrual status because they are insured or guaranteed.
(6) See Note 6 (Loans and Allowance for Cred t Losses) to Financial Statements in this Report for further information on impaired loans.
(7) Consistent w th regulatory reporting requirements, foreclosed real estate resulting from government insured/guaranteed loans are classified as nonperforming. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA. Increase in balance at December 31, 2013, reflects the impact of changes to loan modificat on programs, slowing foreclosures earlier in the year.

Table 30 provides a summary of nonperforming assets during 2013.

Table 30: Nonperforming Assets During 2013

($ in millions)	December 31, 2013 Balance	December 31, 2013 % of total loans	September 30, 2013 Balance	September 30, 2013 % of total loans	June 30, 2013 Balance	June 30, 2013 % of total loans	March 31, 2013 Balance	March 31, 2013 % of total loans
Nonaccrual loans:								
Commercial:								
Commercial and industrial	**$ 738**	**0.37 %**	$ 809	0.42 %	$ 1,022	0.54 %	$ 1,193	0.64 %
Real estate mortgage	**2,252**	**2.10**	2,496	2.36	2,708	2.59	3,098	2.92
Real estate construction	**416**	**2.48**	517	3.15	665	4.04	870	5.23
Lease financing	**29**	**0.24**	17	0.15	20	0.17	25	0.20
Foreign	**40**	**0.08**	47	0.10	40	0.10	56	0.14
Total commercial	**3,475**	**0.91**	3,886	1.04	4,455	1.23	5,242	1.45
Consumer:								
Real estate 1-4 family first mortgage	**9,799**	**3.79**	10,450	4.10	10,705	4.23	11,320	4.49
Real estate 1-4 family junior lien mortgage	**2,188**	**3.32**	2,333	3.45	2,522	3.60	2,712	3.74
Automobile	**173**	**0.34**	188	0.38	200	0.41	220	0.47
Other revolving credit and installment	**33**	**0.08**	36	0.08	33	0.08	32	0.08
Total consumer	**12,193**	**2.74**	13,007	2.95	13,460	3.07	14,284	3.26
Total nonaccrual loans	**15,668**	**1.90**	16,893	2.08	17,915	2.23	19,526	2.44
Foreclosed assets:								
Government insured/guaranteed	**2,093**		1,781		1,026		969	
Non-government insured/guaranteed	**1,844**		2,021		2,114		2,381	
Total foreclosed assets	**3,937**		3,802		3,140		3,350	
Total nonperforming assets	**$ 19,605**	**2.37 %**	$ 20,695	2.55 %	$ 21,055	2.63 %	$ 22,876	2.86 %
Change in NPAs from prior quarter	**$ (1,090)**		(360)		(1,821)		(1,633)	

Table 31 provides an analysis of the changes in nonaccrual loans.

Table 31: Analysis of Changes in Nonaccrual Loans

		Quarter ended				Year ended Dec. 31,	
(in millions)		**Dec. 31, 2013**	Sept. 30, 2013	June 30, 2013	Mar. 31, 2013	**2013**	2012
Commercial nonaccrual loans							
Balance, beginning of period	**$**	**3,886**	4,455	5,242	5,824	**5,824**	8,217
Inflows		**520**	490	557	611	**2,178**	3,812
Outflows:							
Returned to accruing		**(67)**	(192)	(128)	(109)	**(496)**	(655)
Foreclosures		**(34)**	(77)	(120)	(91)	**(322)**	(469)
Charge-offs		**(191)**	(150)	(193)	(189)	**(723)**	(1,435)
Payments, sales and other (1)		**(639)**	(640)	(903)	(804)	**(2,986)**	(3,646)
Total outflows		**(931)**	(1,059)	(1,344)	(1,193)	**(4,527)**	(6,205)
Balance, end of period		**3,475**	3,886	4,455	5,242	**3,475**	5,824
Consumer nonaccrual loans							
Balance, beginning of period		**13,007**	13,460	14,284	14,662	**14,662**	13,087
Inflows		**1,691**	2,015	2,071	2,340	**8,117**	14,569
Outflows:							
Returned to accruing		**(953)**	(997)	(1,156)	(1,031)	**(4,137)**	(4,219)
Foreclosures		**(162)**	(167)	(95)	(173)	**(597)**	(745)
Charge-offs		**(437)**	(480)	(651)	(775)	**(2,343)**	(4,541)
Payments, sales and other (1)		**(953)**	(824)	(993)	(739)	**(3,509)**	(3,489)
Total outflows		**(2,505)**	(2,468)	(2,895)	(2,718)	**(10,586)**	(12,994)
Balance, end of period		**12,193**	13,007	13,460	14,284	**12,193**	14,662
Total nonaccrual loans	**$**	**15,668**	16,893	17,915	19,526	**15,668**	20,486

(1) Other outflows include the effects of VIE deconsolidat ons and adjustments for loans carried at fair value.

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

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

- 97% of total commercial nonaccrual loans and 99% of total consumer nonaccrual loans are secured. Of the consumer nonaccrual loans, 98% are secured by real estate and 64% have a combined LTV (CLTV) ratio of 80% or less.
- losses of $938 million and $3.9 billion have already been recognized on 35% of commercial nonaccrual loans and 52% of consumer nonaccrual loans, respectively. Generally, when a consumer real estate loan is 120 days past due (except when required earlier by the Interagency or OCC Guidance), we transfer it to nonaccrual status. When the loan reaches 180 days past due, or is discharged in bankruptcy, it is our policy to write these loans down to net realizable value (fair value of collateral less estimated costs to sell), except for modifications in their trial period that are not written down as long as trial payments are made on time. Thereafter, we reevaluate each loan regularly and record additional write-downs if needed.
- 66% of commercial nonaccrual loans were current on interest.
- the risk of loss of all nonaccrual loans has been considered and we believe is adequately covered by the allowance for loan losses.
- $2.3 billion of consumer loans discharged in bankruptcy and classified as nonaccrual were 60 days or less past due, of which $2.1 billion were current.

We continue to work with our customers experiencing financial difficulty to determine if they can qualify for a loan modification so that they can stay in their homes. 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, Oregon and Massachusetts, have recently 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, New Jersey and Florida, the foreclosure timeline has significantly increased due to backlogs in an already complex process.

If interest due on all nonaccrual loans (including loans that were, but are no longer on nonaccrual at year end) had been accrued under the original terms, approximately $764 million of interest would have been recorded as income on these loans, compared with $575 million actually recorded as interest income in 2013, versus $938 million and $406 million, respectively, in 2012.

Table 32 provides a summary of foreclosed assets and an analysis of changes in foreclosed assets.

Table 32: Foreclosed Assets

		Quarter ended				Year ended Dec. 31	
(in millions)		**Dec. 31, 2013**	Sept. 30, 2013	June 30, 2013	Mar. 31, 2013	**2013**	2012
Government insured/guaranteed (1)	**$**	**2,093**	1,781	1,026	969	**2,093**	1,509
PCI loans:							
Commercial		**497**	559	597	641	**497**	667
Consumer		**149**	125	127	179	**149**	219
Total PCI loans		**646**	684	724	820	**646**	886
All other loans:							
Commercial		**759**	944	1,012	1,060	**759**	1,073
Consumer		**439**	393	378	501	**439**	555
Total all other loans		**1,198**	1,337	1,390	1,561	**1,198**	1,628
Total foreclosed assets	**$**	**3,937**	3,802	3,140	3,350	**3,937**	4,023
Analysis of changes in foreclosed assets							
Balance, beginning of period	**$**	**3,802**	3,140	3,350	4,023	**4,023**	4,661
Net change in government insured/guaranteed (1)(2)		**312**	755	57	(540)	**584**	190
Additions to foreclosed assets (3)		**428**	459	406	559	**1,852**	2,819
Reductions:							
Sales		**(823)**	(545)	(647)	(658)	**(2,673)**	(3,359)
Write-downs and net gains (losses) on sales		**218**	(7)	(26)	(34)	**151**	(288)
Total reductions		**(605)**	(552)	(673)	(692)	**(2,522)**	(3,647)
Balance, end of period	**$**	**3,937**	3,802	3,140	3,350	**3,937**	4,023

(1) Consistent w th regulatory reporting requirements, foreclosed real estate resulting from government insured/guaranteed loans are classified as nonperforming. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA. Increase in balances at December 31 and September 30, 2013, reflects the impact of changes to loan modification programs, slowing foreclosures in prior quarters.
(2) Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as servicer, until reimbursement is received from FHA or VA. The net change in government insured/guaranteed foreclosed assets is made up of inflows from mortgages held for investment and MHFS, and outflows when we are reimbursed by FHA/VA. Transfers from government insured/guaranteed loans to foreclosed assets amounted to $892 mill on, $1.3 billion, $639 million and $71 mill on for the quarter ended December 31, September 30, June 30 and March 31, 2013, respectively, and $2.9 bill on and $3.7 bill on for the year ended December 31, 2013 and 2012, respectively. These transfer amounts have been revised for the quarters and year ended prior to December 31, 2013 to conform with the current period presentation.
(3) Predominantly include loans moved into foreclosure from nonaccrual status, PCI loans trans t oned directly to foreclosed assets and repossessed automobiles.

Foreclosed assets at December 31, 2013, included $2.1 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 $1.8 billion of foreclosed assets has been written down to estimated net realizable value. Foreclosed assets at December 31, 2013 were stable, compared with December 31, 2012. At December 31, 2013, 68% of foreclosed assets of $3.9 billion have been in the foreclosed assets portfolio one year or less.

Given our real estate-secured loan concentrations, current economic conditions, and recent changes to loan modification programs slowing down foreclosures in prior periods, we anticipate continuing to hold an elevated level of foreclosed assets on our balance sheet.

TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 33: Troubled Debt Restructurings (TDRs)

					December 31,	
(in millions)		**2013**	2012	2011	2010	2009
Commercial TDRs						
Commercial and industrial	$	**1,032**	1,683	2,026	613	82
Real estate mortgage		**2,248**	2,625	2,262	725	73
Real estate construction		**475**	801	1,008	407	110
Lease financing		**8**	20	33	-	-
Foreign		**2**	17	20	6	-
Total commercial TDRs		**3,765**	5,146	5,349	1,751	265
Consumer TDRs						
Real estate 1-4 family first mortgage		**18,925**	17,804	13,799	11,603	6,685
Real estate 1-4 family junior lien mortgage		**2,468**	2,390	1,986	1,626	1,566
Credit Card		**431**	531	593	548	-
Automobile		**189**	314	260	214	-
Other revolving credit and installment		**33**	24	19	16	17
Trial modifications		**650**	705	651	-	-
Total consumer TDRs (1)(2)		**22,696**	21,768	17,308	14,007	8,268
Total TDRs	$	**26,461**	26,914	22,657	15,758	8,533
TDRs on nonaccrual status	$	**8,172**	10,149	6,811	5,185	2,289
TDRs on accrual status (1)		**18,289**	16,765	15,846	10,573	6,244
Total TDRs	$	**26,461**	26,914	22,657	15,758	8,533

(1) TDR loans include $2.5 billion, $1.9 bill on, $318 mill on, $429 mill on and $486 million at December 31, 2013, 2012, 2011, 2010 and 2009, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and are accruing.
(2) Reflects the impact of the prospective adoption of the OCC gu dance issued in 2012.

Table 34: TDRs Balance by Quarter During 2013

		Dec. 31,	Sept. 30,	June 30,	Mar. 31,
(in millions)		**2013**	2013	2013	2013
Commercial TDRs					
Commercial and industrial	$	**1,032**	1,153	1,238	1,493
Real estate mortgage		**2,248**	2,457	2,605	2,556
Real estate construction		**475**	598	680	735
Lease financing		**8**	9	11	17
Foreign		**2**	2	17	17
Total commercial TDRs		**3,765**	4,219	4,551	4,818
Consumer TDRs					
Real estate 1-4 family first mortgage		**18,925**	18,974	19,093	18,928
Real estate 1-4 family junior lien mortgage		**2,468**	2,399	2,408	2,431
Credit Card		**431**	455	477	501
Automobile		**189**	212	246	279
Other revolving credit and installment		**33**	32	29	27
Trial modifications		**650**	717	716	723
Total consumer TDRs		**22,696**	22,789	22,969	22,889
Total TDRs	$	**26,461**	27,008	27,520	27,707
TDRs on nonaccrual status	$	**8,172**	8,609	9,030	10,332
TDRs on accrual status		**18,289**	18,399	18,490	17,375
Total TDRs	$	**26,461**	27,008	27,520	27,707

Table 33 and Table 34 provide information regarding the recorded investment of loans modified in TDRs. The allowance for loan losses for TDRs was $4.5 billion and $5.0 billion at December 31, 2013 and 2012, respectively. See Note 6 (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 35 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. Other than resolutions such as foreclosures, sales and transfers to held for sale, we may remove loans held for investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

Table 35: Analysis of Changes in TDRs

		Quarter ended				Year ended Dec. 31,	
(in millions)		**Dec. 31, 2013**	Sept. 30, 2013	June 30, 2013	Mar. 31, 2013	**2013**	2012
Commercial TDRs							
Balance, beginning of period	**$**	**4,219**	4,551	4,818	5,146	**5,146**	5,349
Inflows		**292**	534	468	500	**1,794**	2,559
Outflows							
Charge-offs		**(44)**	(24)	(24)	(40)	**(132)**	(381)
Foreclosure		**(16)**	(16)	(26)	(30)	**(88)**	(60)
Payments, sales and other (1)		**(686)**	(826)	(685)	(758)	**(2,955)**	(2,321)
Balance, end of period		**3,765**	4,219	4,551	4,818	**3,765**	5,146
Consumer TDRs							
Balance, beginning of period		**22,789**	22,969	22,889	21,768	**21,768**	17,308
Inflows		**1,248**	1,282	1,352	2,076	**5,958**	8,050
Outflows							
Charge-offs (2)		**(155)**	(183)	(241)	(280)	**(859)**	(1,400)
Foreclosure		**(417)**	(519)	(240)	(114)	**(1,290)**	(426)
Payments, sales and other (1)		**(701)**	(761)	(785)	(579)	**(2,826)**	(1,818)
Net change in trial modifications (3)		**(68)**	1	(6)	18	**(55)**	54
Balance, end of period		**22,696**	22,789	22,969	22,889	**22,696**	21,768
Total TDRs	**$**	**26,461**	27,008	27,520	27,707	**26,461**	26,914

(1) Other outflows include normal amortization/accretion of loan basis adjustments and loans transferred to held-for-sale. It also includes $29 million, $40 million and $15 million of loans refinanced or restructured as new loans and removed from TDR classification for the quarters ended September 30, June 30, and March 31, 2013, respectively. No loans were removed from TDR classification in 2012 as a result of being refinanced or restructured as new loans.

(2) Year ended December 31, 2012 charge-offs reflect the impact of loans discharged in bankruptcy being reported as TDRs in accordance with the OCC guidance issued in 2012.

(3) Net change in trial modif cat ons includes: inflows of new TDRs entering the trial payment period, net of outflows for modificat ons that either (i) successfully perform and enter into a permanent modification, or (ii) did not successfully perform according to the terms of the trial period plan and are subsequently charged-off, foreclosed upon or otherwise resolved. Our experience is that most of the mortgages that enter a trial payment per od program are successful in completing the program requirements.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING

Loans 90 days or more past due as to interest or principal are still accruing if they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans are not included in past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

Excluding insured/guaranteed loans, loans 90 days or more past due and still accruing at December 31, 2013, were down $390 million, or 27%, from December 31, 2012, due to payoffs, modifications and other loss mitigation activities, 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 FHA or guaranteed by the VA for mortgages and the U.S. Department of Education for student loans under the Federal Family Education Loan Program (FFELP) were $22.2 billion at December 31, 2013, up from $21.8 billion at December 31, 2012.

Table 36 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 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 36: Loans 90 Days or More Past Due and Still Accruing

				December 31,	
(in millions)	**2013**	2012	2011	2010	2009
Loans 90 days or more past due and still accruing:					
Total (excluding PCI (1)):	**$ 23,219**	23,245	22,569	18,488	22,188
Less: FHA insured/guaranteed by the VA (2)(3)	**21,274**	20,745	19,240	14,733	15,336
Less: Student loans guaranteed under the FFELP (4)	**900**	1,065	1,281	1,106	994
Total, not government insured/guaranteed	**$ 1,045**	1,435	2,048	2,649	5,858
By segment and class, not government insured/guaranteed:					
Commercial:					
Commercial and industrial	**$ 11**	47	153	308	590
Real estate mortgage	**35**	228	256	104	1,014
Real estate construction	**97**	27	89	193	909
Foreign	**-**	1	6	22	73
Total commercial	**143**	303	504	627	2,586
Consumer:					
Real estate 1-4 family first mortgage (3)	**354**	564	781	941	1,623
Real estate 1-4 family junior lien mortgage (3)	**86**	133	279	366	515
Credit card	**321**	310	346	516	795
Automobile	**55**	40	51	79	92
Other revolving credit and installment	**86**	85	87	120	247
Total consumer	**902**	1,132	1,544	2,022	3,272
Total, not government insured/guaranteed	**$ 1,045**	1,435	2,048	2,649	5,858

(1) PCI loans totaled $4.5 bill on, $6.0 billion, $8.7 billion, $11.6 billion and $16.1 bill on at December 31, 2013, 2012, 2011, 2010 and 2009, respectively.
(2) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.
(3) Includes MHFS 90 days or more past due and still accruing.
(4) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP.

NET CHARGE-OFFS

Table 37: Net Charge-offs

($ in millions)	Year ended December 31, Net loan charge-offs	% of avg. loans	Quarter ended December 31, Net loan charge-offs	% of avg. loans (1)	September 30, Net loan charge-offs	% of avg. loans (1)	June 30, Net loan charge-offs	% of avg. loans (1)	March 31, Net loan charge-offs	% of avg. loans (1)
2013										
Commercial:										
Commercial and industrial	**$ 335**	**0.18 %**	**$ 107**	**0.22 %**	**$ 58**	**0.12 %**	**$ 77**	**0.17 %**	**$ 93**	**0.20 %**
Real estate mortgage	**(37)**	**(0.03)**	**(41)**	**(0.15)**	**(20)**	**(0.08)**	**(5)**	**(0.02)**	**29**	**0.11**
Real estate construction	**(109)**	**(0.66)**	**(13)**	**(0.32)**	**(17)**	**(0.41)**	**(45)**	**(1.10)**	**(34)**	**(0.83)**
Lease financing	**17**	**0.15**	**-**	**-**	**-**	**-**	**18**	**0.57**	**(1)**	**(0.02)**
Foreign	**-**	**-**	**-**	**-**	**(2)**	**(0.02)**	**(1)**	**(0.01)**	**3**	**0.03**
Total commercial	**206**	**0.06**	**53**	**0.06**	**19**	**0.02**	**44**	**0.05**	**90**	**0.10**
Consumer:										
Real estate 1-4 family first mortgage	**1,194**	**0.47**	**195**	**0.30**	**242**	**0.38**	**328**	**0.52**	**429**	**0.69**
Real estate 1-4 family junior lien mortgage	**1,309**	**1.86**	**226**	**1.34**	**275**	**1.58**	**359**	**2.02**	**449**	**2.46**
Credit card	**896**	**3.62**	**220**	**3.38**	**207**	**3.28**	**234**	**3.90**	**235**	**3.96**
Automobile	**304**	**0.63**	**108**	**0.85**	**78**	**0.63**	**42**	**0.35**	**76**	**0.66**
Other revolving credit and installment	**600**	**1.43**	**161**	**1.50**	**154**	**1.46**	**145**	**1.38**	**140**	**1.37**
Total consumer	**4,303**	**0.98**	**910**	**0.82**	**956**	**0.86**	**1,108**	**1.01**	**1,329**	**1.23**
Total	**$ 4,509**	**0.56 %**	**$ 963**	**0.47 %**	**$ 975**	**0.48 %**	**$ 1,152**	**0.58 %**	**$ 1,419**	**0.72 %**
2012										
Commercial:										
Commercial and industrial	$ 845	0.49 %	$ 209	0.46 %	$ 131	0.29 %	$ 249	0.58 %	$ 256	0.62 %
Real estate mortgage	219	0.21	38	0.14	54	0.21	81	0.31	46	0.17
Real estate construction	67	0.37	(18)	(0.43)	1	0.03	17	0.40	67	1.43
Lease financing	5	0.04	2	0.04	1	0.03	-	-	2	0.06
Foreign	79	0.20	24	0.25	30	0.29	11	0.11	14	0.14
Total commercial	1,215	0.35	255	0.29	217	0.24	358	0.42	385	0.45
Consumer:										
Real estate 1-4 family first mortgage	2,856	1.22	649	1.05	673	1.15	743	1.30	791	1.39
Real estate 1-4 family junior lien mortgage	3,178	3.93	690	3.57	1,036	5.17	689	3.38	763	3.62
Credit card	916	4.02	222	3.71	212	3.67	240	4.37	242	4.40
Automobile	289	0.64	112	0.97	75	0.66	28	0.25	74	0.68
Other revolving credit and installment	580	1.38	153	1.46	145	1.38	142	1.35	140	1.32
Total consumer (2)	7,819	1.84	1,826	1.68	2,141	2.01	1,842	1.76	2,010	1.91
Total	$ 9,034	1.17 %	$ 2,081	1.05 %	$ 2,358	1.21 %	$ 2,200	1.15 %	$ 2,395	1.25 %

(1) Quarterly net charge-offs (recoveries) as a percentage of average respective loans are annualized.
(2) The year ended December 31, 2012, reflects the impact of the OCC guidance issued in third quarter 2012.

Table 37 presents net charge-offs for the four quarters and full year of 2013 and 2012. Net charge-offs in 2013 were $4.5 billion (0.56% of average total loans outstanding) compared with $9.0 billion (1.17%) in 2012. We continued to have strong improvement in our commercial and residential real estate secured portfolios. Our commercial real estate portfolios were in a net recovery position every quarter in 2013. Our consumer real estate portfolios continued to benefit from the improvement in the housing market with losses down $3.5 billion, or 59%, from 2012.

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 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

We apply a disciplined process and methodology to establish our allowance for credit losses each quarter. This process takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific loss factors. The process involves subjective and complex judgments. In addition, we review a variety of credit metrics and trends. These credit metrics and trends, however, do not solely determine the amount of the allowance as we use several analytical tools. For additional information on our allowance for credit losses, see the "Critical Accounting Policies – Allowance for Credit Losses" section and Note 1 (Summary of Significant Accounting Policies) and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 38 presents the allocation of the allowance for credit losses by loan segment and class for the last five years.

Table 38: Allocation of the Allowance for Credit Losses (ACL)

(in millions)	Dec. 31, 2013 ACL (1)	Dec. 31, 2013 Loans as % of total loans	Dec. 31, 2012 ACL	Dec. 31, 2012 Loans as % of total loans	Dec. 31, 2011 ACL	Dec. 31, 2011 Loans as % of total loans	Dec. 31, 2010 ACL	Dec. 31, 2010 Loans as % of total loans	Dec. 31, 2009 ACL	Dec. 31, 2009 Loans as % of total loans
Commercial:										
Commercial and industrial	**$ 2,775**	**24 %**	$ 2,543	23 %	$ 2,649	22 %	$ 3,299	20 %	$ 4,014	20 %
Real estate mortgage	**2,102**	**13**	2,283	13	2,550	14	3,072	13	2,398	12
Real estate construction	**770**	**2**	552	2	893	2	1,387	4	1,242	5
Lease financing	**127**	**1**	85	2	82	2	173	2	181	2
Foreign	**329**	**6**	251	5	184	5	238	4	306	4
Total commercial	**6,103**	**46**	5,714	45	6,358	45	8,169	43	8,141	43
Consumer:										
Real estate 1-4 family first mortgage	**4,087**	**32**	6,100	31	6,934	30	7,603	30	6,449	29
Real estate 1-4 family junior lien mortgage	**2,534**	**8**	3,462	10	3,897	11	4,557	13	5,430	13
Credit card	**1,224**	**3**	1,234	3	1,294	3	1,945	3	2,745	3
Automobile	**475**	**6**	417	6	555	6	771	6	1,381	6
Other revolving credit and installment	**548**	**5**	550	5	630	5	418	5	885	6
Total consumer	**8,868**	**54**	11,763	55	13,310	55	15,294	57	16,890	57
Total	**$ 14,971**	**100 %**	$ 17,477	100 %	$ 19,668	100 %	$ 23,463	100 %	$ 25,031	100 %

	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Components:					
Allowance for loan losses	**$ 14,502**	17,060	19,372	23,022	24,516
Allowance for unfunded credit commitments	**469**	417	296	441	515
Allowance for credit losses	**$ 14,971**	17,477	19,668	23,463	25,031
Allowance for loan losses as a percentage of total loans	**1.76 %**	2.13	2.52	3.04	3.13
Allowance for loan losses as a percentage of total net charge-offs	**322**	189	171	130	135
Allowance for credit losses as a percentage of total loans	**1.81**	2.19	2.56	3.10	3.20
Allowance for credit losses as a percentage of total nonaccrual loans	**96**	85	92	89	103

(1) Reflects refinement in determination of allowance for the cred t losses inherent in the respective loan classes.

In addition to the allowance for credit losses, there was $5.2 billion at December 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 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, Note 1 (Summary of Significant Accounting Policies) and Note 6 (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 one-half of nonaccrual loans were home mortgages at December 31, 2013.

The allowance for credit losses again declined in 2013, which reflected continued improvement in consumer loss severity, delinquency trends and improved portfolio performance, particularly in residential real estate and primarily associated with continued improvement in the housing market. The total provision for credit losses was $2.3 billion in 2013, $7.2 billion in 2012 and $7.9 billion in 2011.

The 2013 provision for credit losses was $2.3 billion, $2.2 billion less than net charge-offs, due to strong underlying credit, and home prices and market fundamentals improving faster and in more markets than forecasted.

The 2012 provision was $7.2 billion, $1.8 billion less than net charge-offs, and the 2011 provision was $7.9 billion, $3.4 billion less than net charge-offs. In each of 2012 and 2011 the provision was influenced by continually improving credit performance.

We believe the allowance for credit losses of $15.0 billion at December 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. Given current favorable conditions, we continue to expect future allowance releases, absent a significant deterioration in the economy. Our process for determining the allowance for credit losses is discussed in the "Critical Accounting Policies – Allowance for Credit Losses" section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

LIABILITY FOR MORTGAGE LOAN REPURCHASE LOSSES

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

We have established a mortgage repurchase liability, initially at fair value, related to various representations and warranties that reflect management's estimate of losses for loans for which we could 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.

The overall level of unresolved repurchase demands and mortgage insurance rescissions outstanding at December 31, 2013, was down from a year ago both in number of outstanding loans and in total dollar balances as we continued to work through the new demands and mortgage insurance rescissions and as we announced settlements with both FHLMC and FNMA in 2013, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009, and loans sold to FNMA that were originated prior to January 1, 2009. Table 39 provides the number of unresolved repurchase demands and mortgage insurance rescissions.

Customary with industry practice, we have the right of recourse against correspondent lenders from whom we have purchased loans with respect to representations and warranties. Of total repurchase demands and mortgage insurance rescissions outstanding as of December 31, 2013, presented in Table 39, approximately 10% relate to loans purchased from correspondent lenders. Due primarily to the financial difficulties of some correspondent lenders, we have been recovering on average approximately 45% of losses from these lenders. Historical recovery rates as well as projected lender performance are incorporated in the establishment of our mortgage repurchase liability.

We do not typically receive repurchase requests from GNMA, FHA and the Department of Housing and Urban Development (HUD) or VA. As an originator of an FHA-insured or VA-guaranteed loan, we are responsible for obtaining the insurance with FHA or the guarantee with the VA. To the extent we are not able to obtain the insurance or the guarantee we must request permission to repurchase the loan from the GNMA pool. Such repurchases from GNMA pools typically represent a self-

initiated process upon discovery of the uninsurable loan (usually within 180 days from funding of the loan). Alternatively, in lieu of repurchasing loans from GNMA pools, we may be asked by FHA/HUD or the VA to indemnify them (as applicable) for defects found in the Post Endorsement Technical Review process or audits performed by FHA/HUD or the VA. The Post Endorsement Technical Review is a process whereby HUD performs underwriting audits of closed/insured FHA loans for potential deficiencies. Our liability for mortgage loan repurchase losses incorporates probable losses associated with such indemnification.

Table 39: 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								
December 31,	**674**	**$ 124**	**2,260**	**$ 497**	**394**	**$ 87**	**3,328**	**$ 708**
September 30,	**4,422**	**958**	**1,240**	**264**	**385**	**87**	**6,047**	**1,309**
June 30,	**6,313**	**1,413**	**1,206**	**258**	**561**	**127**	**8,080**	**1,798**
March 31,	**5,910**	**1,371**	**1,278**	**278**	**652**	**145**	**7,840**	**1,794**
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 unresolved repurchase demands of 42 and $6 million, 1,247 and $225 million, 942 and $190 million, 674 and $147 million, 661 and $132 mill on, 534 and $111 million, 526 and $103 million and 694 and $131 million at December 31, September 30, June 30 and March 31, 2013, and December 31, September 30, June 30 and March 31, 2012, respectively, received from investors on mortgage servicing rights acquired from other originators. We generally have the right of recourse against the seller and may be able to recover losses related to such repurchase demands subject to counterparty risk associated w th the seller.

(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 rat os 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 representat on or warranty, the lack of insurance may result in a repurchase demand from an investor. Similar to repurchase demands, we evaluate mortgage insurance resciss on 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 appl cable investor category for the loan (GSE or private). Over the last year, approximately 7% of our repurchase demands from GSEs had mortgage insurance resciss on as one of the reasons for the repurchase demand. Of all the mortgage insurance rescission notices received in 2012, approximately 78% have resulted in repurchase demands through December 2013. Not all mortgage insurance rescissions received in 2012 have been completed through the appeals process w th 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 combinat on of factors, such as our appeals success rates, reimbursement by correspondent and other third party originators, and projected loss severity, which is driven by the difference between the current loan balance and the estimated collateral value less costs to sell the property.

We believe we have a high quality residential mortgage loan servicing portfolio. Of the $1.8 trillion in the residential mortgage loan servicing portfolio at December 31, 2013, 94% was current, less than 2% was subprime at origination, and less than 1% was related to home equity loan securitizations. Our combined delinquency and foreclosure rate on this portfolio was 6.40% at December 31, 2013, compared with 7.04% at December 31, 2012. Three percent of this portfolio is private label securitizations for which we originated the loans and therefore have some repurchase risk. We have observed an increase in outstanding demands, compared with December 31, 2012, associated with our pre-2009 private label securitizations due to an increase in new demands received in fourth quarter 2013, most of which were anticipated and were covered through mortgage loan repurchase accruals established in prior periods. Investors continue to review defaulted loans for potential breaches of our loan sale representations and warranties, and we continue to believe the risk of repurchase in our private label securitizations is substantially reduced, relative to third-party issued private label securitizations, because approximately one-half of this portfolio of private label securitizations does not contain representations and warranties regarding borrower or other third party misrepresentations related to the mortgage loan, general compliance with underwriting guidelines, or property valuation, which are commonly asserted bases for repurchase. For the 3% private label securitization segment of our residential mortgage loan servicing portfolio (weighted-average age of 98 months), 57% are loans from 2005 vintages or earlier; 76% were prime at origination; and approximately 60% are jumbo loans. The weighted-average LTV as of December 31, 2013 for this private securitization segment was 67%. We believe the highest risk segment of these private label securitizations is the subprime loans originated in 2006 and 2007. These subprime loans have seller representations and warranties and currently have LTVs close to or exceeding 100%, and represent 10% of the private label securitization portion of the residential mortgage servicing portfolio. We had $67 million of repurchases related to private label securitizations in 2013 compared with $180 million in 2012.

Of the servicing portfolio, 3% is non-agency acquired servicing and 1% is private whole loan sales. We did not underwrite and securitize the non-agency acquired servicing and therefore we have no obligation on that portion of our servicing portfolio to the investor for any repurchase demands arising from origination practices. For the private whole loan segment, while we do have repurchase risk on these loans, less than 2% were subprime at origination and loans that were sold and subsequently securitized are included in the private label securitization segment discussed above.

Table 40 summarizes the changes in our mortgage repurchase liability. We incurred net losses on repurchased loans and investor reimbursements totalling $481 million on mortgage loans with original balances of $1.4 billion in 2013, excluding the $746 million and the $508 million cash payments for the FHLMC and FNMA settlement agreements, respectively, compared with net losses of $1.1 billion on mortgage loans with original balances of $2.5 billion for 2012. Both the FHLMC and FNMA settlement agreements executed in the third and fourth quarters of 2013, respectively, were covered through mortgage loan repurchase accruals established in prior periods.

Table 40: Changes in Mortgage Repurchase Liability

	Quarter ended						
	Dec. 31,	**Sept. 30,**	**June 30,**	**Mar. 31,**		Year ended Dec. 31,	
(in millions)	**2013**	**2013**	**2013**	**2013**	**2013**	2012	2011
Balance, beginning of period	**$ 1,421**	**2,222**	**2,317**	**2,206**	**2,206**	1,326	1,289
Provision for repurchase losses:							
Loan sales	**16**	**28**	**40**	**59**	**143**	275	101
Change in estimate (1)	**10**	**-**	**25**	**250**	**285**	1,665	1,184
Total additions	**26**	**28**	**65**	**309**	**428**	1,940	1,285
Losses (2)	**(548)**	**(829)**	**(160)**	**(198)**	**(1,735)**	(1,060)	(1,248)
Balance, end of period	**$ 899**	**1,421**	**2,222**	**2,317**	**899**	2,206	1,326

(1) Results from changes in investor demand and mortgage insurer practices, credit deterioration and changes in the financial stability of correspondent lenders.
(2) Quarter and year ended September 30 and December 31, 2013, respectively, reflect $746 million as a result of the agreement with FHLMC that resolves substantially all repurchase liabilities related to loans sold to FHLMC prior to January 1, 2009. Quarter and year ended December 31, 2013, reflect $508 million as a result of the agreement with FNMA that resolves substantially all repurchase liabil ties related to loans sold to FNMA that were originated pr or to January 1, 2009.

Our liability for mortgage repurchases, included in "Accrued expenses and other liabilities" in our consolidated balance sheet, was $899 million at December 31, 2013 and $2.2 billion at December 31, 2012. In 2013, we provided $428 million, which reduced net gains on mortgage loan origination/sales activities, compared with a provision of $1.9 billion for 2012 and $1.3 billion for 2011. Our provision in 2013 reflected an increase in projected repurchase losses for the GSE pre-2009 vintages to incorporate the impact of trends in file requests and repurchase demand activity observed in the first quarter (comprising approximately 58% of the 2013 provision), an increase for indemnifications and specific private investor demands (approximately 8%) and new loan sales (approximately 34%). Our provision in 2012 reflected an increase in projections of future GSE repurchase demands, net of appeals, for the pre-2009 vintages to incorporate the impact of trends in file requests and repurchase demand activity (comprising approximately 58% of the 2012 provision), an increase in probable loss estimates for mortgage insurance rescissions (approximately 10%), new loan sales (approximately 14%), an increase in probable loss estimates for non-agency risk (approximately 9%), and various other observed trends affecting our repurchase liability including higher than anticipated loss severity (approximately 9%). The increase in projected future GSE repurchase demands in 2012 was predominantly a result of an increase in the expected file reviews by the GSEs as well as an increase in observed demand rates on these file reviews based on our experience with them at that time.

The mortgage repurchase liability of $899 million at December 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 $896 million at December 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 and Note 9 (Mortgage Banking Activities) to Financial Statements in this Report.

Table 41: Mortgage Repurchase Liability - Sensitivity Assumptions

(in millions)		Mortgage repurchase liability
Balance at December 31, 2013	$	899
Loss on repurchases (1)		28.3 %
Increase in liability from:		
10% higher losses	$	80
25% higher losses		200
Repurchase rate assumption (2)		0.2 %
Increase in liability from:		
10% higher repurchase rates	$	65
25% higher repurchase rates		162

(1) Represents total estimated average loss rate on repurchased loans, net of recovery from third party originators, based on historical experience and current economic cond t ons. The average loss rate includes the impact of repurchased loans for wh ch no loss is expected to be realized.
(2) Represents the combinat on of the estimated investor audit/file review rate, the investor demand rate on those aud ted loans, and the unsuccessful appeal rate on those demands. As such, the repurchase rate can be signif cantly impacted by changes in investor behavior if they decide to review/audit more loans or demand more repurchases on the loans they aud t. These behavior changes drive a signif cant component of our estimated high end of the range of reasonably possible losses in excess of our recorded repurchase liability, which includes adverse assumptions in excess of the sens tivity ranges presented in this table.

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 and as of December 31, 2013, we have resolved substantially all of our repurchase exposures on the pre-2009 vintages with FNMA and FHLMC. Given the tightening of underwriting standards in late 2008, 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. The following discussion summarizes the primary duties and requirements of servicing and related industry developments.

General Servicing Duties and Requirements

The loans we service were originated by us or by other mortgage loan originators. As servicer, our primary duties are typically to (1) collect payments due from borrowers, (2) advance certain delinquent payments of principal and interest, (3) maintain and administer any hazard, title or primary mortgage insurance policies relating to the mortgage loans, (4) maintain any required escrow accounts for payment of taxes and insurance and administer escrow payments, (5) foreclose on defaulted mortgage loans or, to the extent consistent with the documents governing a securitization, consider alternatives to foreclosure, such as loan modifications or short sales, and (6) for loans sold into private label securitizations, manage the foreclosed property through liquidation. As master servicer, our primary duties are typically to (1) supervise, monitor and oversee the servicing of the mortgage loans by the servicer, (2) consult with each servicer and use reasonable efforts to cause the servicer to fulfill its servicing obligations, (3) prepare monthly distribution statements to security holders and, if required by the securitization documents, certain periodic reports required to be filed with the SEC, (4) if required by the securitization documents, calculate distributions and loss allocations on the mortgage-backed securities, (5) prepare tax and information returns of the securitization trust, and (6) advance amounts required by non-affiliated servicers who fail to perform their advancing obligations.

Each agreement under which we act as servicer or master servicer generally specifies a standard of responsibility for actions we take in such capacity and provides protection against expenses and liabilities we incur when acting in compliance with the specified standard. For example, most private label securitization agreements under which we act as servicer or master servicer typically provide that the servicer and the master servicer are entitled to indemnification by the securitization trust for taking action or refraining from taking action in good faith or errors in judgment. However, we are not indemnified, but rather are required to indemnify the securitization trustee, against any failure by us, as servicer or master servicer, to perform our servicing obligations or against any of our acts or omissions that involve wilful misfeasance, bad faith or gross negligence in the performance of, or reckless disregard of, our duties. In addition, if we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period following notice, which can generally be given by the securitization trustee or a specified percentage of security holders. Whole loan sale contracts under which we act as servicer generally include similar provisions with respect to our actions as servicer. The standards governing servicing in GSE-guaranteed securitizations, and the possible remedies for violations of such standards, vary, and those standards and remedies are determined by servicing guides maintained by the GSEs, contracts between the GSEs and individual servicers and topical guides published by the GSEs from time to time. Such remedies could include indemnification or repurchase of an affected mortgage loan.

Consent Orders and Settlement Agreements for Mortgage Servicing and Foreclosure Practices

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

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

In aggregate, the servicers agreed to make cash payments into a qualified settlement fund to be administered by the OCC and the FRB and to provide additional assistance, such as loan modifications, to consumers. Our portion of the cash settlement was $766 million, which was based on the proportionate share of Wells Fargo-serviced loans in the overall IFR population. We accrued the cash portion of the settlement in 2012, along with our estimate of other remediation-related costs, and we paid this settlement in first quarter 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.

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

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

Additionally and simultaneously, the OCC and FRB announced the imposition of civil money penalties of $83 million and $87 million, respectively, pursuant to the

Consent Orders. While still subject to FRB confirmation, Wells Fargo believes the civil money obligations were satisfied through payments made under the Foreclosure Assistance Program to the federal government and participating states for their use to address the impact of foreclosure challenges as they determine and which may include direct payments to consumers.

We believe we have successfully executed activities required under both the Consumer Relief (and state-level sub-commitments) and the Refinance Programs in accordance with the terms of our commitments. In our August 14, 2013, submission to the Monitor of the National Mortgage Settlement, we reported sufficient credits to satisfy the requirements of both programs. Our earned credits are subject to review and approval by the Monitor.

Asset/Liability Management

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

INTEREST 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 investment securities 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. During a transition to a higher or lower interest rate environment, a reduction or increase in interest-sensitive earnings from the mortgage banking business could occur quickly, while the benefit or detriment from balance sheet repricing could take more time to develop. For example, our lower rate scenarios (scenario 1 and scenario 2) in the following table initially measure a decline in long-term interest rates versus our most likely scenario. Although the performance in both lower rate scenarios contains initial benefit from increased mortgage banking activity, each results in lower earnings relative to the most likely scenario over time given pressure on net interest income. The higher rate scenarios (scenario 3 and scenario 4) measure the impact of varying degrees of rising short-term and long-term interest rates over the course of the forecast horizon relative to the most likely scenario, both resulting in positive earnings sensitivity.

As of December 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 42, 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 42: Earnings Sensitivity Over 24 Month Horizon Relative to Most Likely Earnings Plan

	Most likely	Lower rates		Higher rates	
		Scenario 1	Scenar o 2	Scenar o 3	Scenario 4
Ending rates:					
Fed funds	0.50 %	0.25	0.25	1.25	4.00
10-year treasury (1)	3.60	1.70	3.10	4.10	5.40
Earnings relative to most likely	N/A	-4.2%	-0.4%	0 - 5%	>5%

(1) U.S. Constant Maturity Treasury Rate

We use the investment securities portfolio and exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. See the "Balance Sheet Analysis – Investment Securities" section in this Report for more information on the use of the available-for-sale and held-to-maturity securities portfolios. The notional or contractual amount, credit risk amount and fair value of the derivatives used to hedge our interest rate risk exposures as of December 31, 2013, and December 31, 2012, are presented in Note 16 (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. Based on market conditions and other factors, we reduce credit and liquidity risks by selling or securitizing some or all of the long-term fixed-rate mortgage loans we originate and most of the ARMs we originate. On the other hand, we may hold originated ARMs and fixed-rate mortgage loans in our loan portfolio as an investment for our growing base of core deposits. We determine whether the loans will be held for investment or held for sale at the time of commitment. We may subsequently change our intent to hold loans for investment and sell some or all of our ARMs or fixed-rate mortgages as part of our corporate asset/liability management. We may also acquire and add to our securities available for sale a portion of the securities issued at the time we securitize MHFS.

As expected, with the increase in mortgage interest rates in 2013, our mortgage banking revenue declined as the level of mortgage loan refinance activity significantly decreased compared with 2012. The decline in mortgage loan origination income (primarily driven by the decline in mortgage loan refinancing volume) more than offset the increase in net servicing income. The 2012 results reflected an environment of very low mortgage interest rates which led to high origination volumes and margins. Despite the increase in mortgage interest rates, the slow recovery in the housing sector, and the continued lack of liquidity in the nonconforming secondary markets, our mortgage banking revenue was strong in 2013, reflecting the complementary origination and servicing strengths of the business. The secondary market for agency-conforming mortgages functioned well during 2013.

Interest rate and market risk can be substantial in the mortgage business. Changes in interest rates may potentially reduce total origination and servicing fees, the value of our residential MSRs measured at fair value, the value of MHFS and the associated income and loss reflected in mortgage banking noninterest income, the income and expense associated with instruments (economic hedges) used to hedge changes in the fair value of MSRs and MHFS, and the value of derivative loan commitments (interest rate "locks") extended to mortgage applicants.

Interest rates affect the amount and timing of origination and servicing fees because consumer demand for new mortgages and the level of refinancing activity are sensitive to changes in mortgage interest rates. Typically, a decline in mortgage interest rates will lead to an increase in mortgage originations and fees and may also lead to an increase in servicing fee income, depending on the level of new loans added to the servicing portfolio and prepayments. Given the time it takes for consumer behavior to fully react to interest rate changes, as well as the time required for processing a new application, providing the commitment, and securitizing and selling the loan, interest rate changes will affect origination and servicing fees with a lag. The amount and timing of the impact on origination and servicing fees will depend on the magnitude, speed and duration of the change in interest rates.

We measure originations of MHFS at fair value where an active secondary market and readily available market prices exist to reliably support fair value pricing models used for these loans. Loan origination fees on these loans are recorded when earned, and related direct loan origination costs are recognized when incurred. We also measure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe fair value measurement for MHFS and other interests held, which we hedge with free-standing derivatives (economic hedges) along with our MSRs measured at fair value, reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets. During 2013 and 2012, in response to continued secondary market illiquidity, we continued to originate certain prime non-agency loans to be held for investment for the foreseeable future rather than to be held for sale. In addition, in 2013 and 2012, we originated certain prime agency-eligible loans to be held for investment as part of our asset/liability management strategy.

We initially measure all of our MSRs at fair value and carry substantially all of them at fair value depending on our strategy for managing interest rate risk. Under this method, the MSRs are recorded at fair value at the time we sell or securitize the related mortgage loans. The carrying value of MSRs carried at fair value reflects changes in fair value at the end of each quarter

and changes are included in net servicing income, a component of mortgage banking noninterest income. If the fair value of the MSRs increases, income is recognized; if the fair value of the MSRs decreases, a loss is recognized. We use a dynamic and sophisticated model to estimate the fair value of our MSRs and periodically benchmark our estimates to independent appraisals. The valuation of MSRs can be highly subjective and involve complex judgments by management about matters that are inherently unpredictable. See "Critical Accounting Policies – Valuation of Residential Mortgage Servicing Rights" section in this Report for additional information. Changes in interest rates influence a variety of significant assumptions included in the periodic valuation of MSRs, including prepayment speeds, expected returns and potential risks on the servicing asset portfolio, the value of escrow balances and other servicing valuation elements.

A decline in interest rates generally increases the propensity for refinancing, reduces the expected duration of the servicing portfolio and therefore reduces the estimated fair value of MSRs. This reduction in fair value causes a charge to income for MSRs carried at fair value, net of any gains on free-standing derivatives (economic hedges) used to hedge MSRs. We may choose not to fully hedge all the potential decline in the value of our MSRs resulting from a decline in interest rates because the potential increase in origination/servicing fees in that scenario provides a partial "natural business hedge." An increase in interest rates generally reduces the propensity for refinancing, extends the expected duration of the servicing portfolio and therefore increases the estimated fair value of the MSRs. However, an increase in interest rates can also reduce mortgage loan demand and therefore reduce origination income.

The price risk associated with our MSRs is economically hedged with a combination of highly liquid interest rate forward instruments including mortgage forward contracts, interest rate swaps and interest rate options. All of the instruments included in the hedge are marked to market daily. Because the hedging instruments are traded in highly liquid markets, their prices are readily observable and are fully reflected in each quarter's mark to market. Quarterly MSR hedging results include a combination of directional gain or loss due to market changes as well as any carry income generated. If the economic hedge is effective, its overall directional hedge gain or loss will offset the change in the valuation of the underlying MSR asset. Gains or losses associated with these economic hedges are included in mortgage banking noninterest income. Consistent with our longstanding approach to hedging interest rate risk in the mortgage business, the size of the hedge and the particular combination of forward hedging instruments at any point in time is designed to reduce the volatility of the mortgage business's earnings over various time frames within a range of mortgage interest rates. Because market factors, the composition of the mortgage servicing portfolio and the relationship between the origination and servicing sides of our mortgage business change continually, the types of instruments used in our hedging are reviewed daily and rebalanced based on our evaluation of current market factors and the interest rate risk inherent in our MSRs portfolio. Throughout 2013, our economic hedging strategy generally used forward mortgage purchase contracts that were effective at offsetting the impact of interest rates on the value of the MSR asset.

Mortgage forward contracts are designed to pass the full economics of the underlying reference mortgage securities to the holder of the contract, including both the directional gain and loss from the forward delivery of the reference securities and the corresponding carry income. Carry income represents the contract's price accretion from the forward delivery price to the spot price including both the yield earned on the reference securities and the market implied cost of financing during the period. The actual amount of carry income earned on the hedge each quarter will depend on the amount of the underlying asset that is hedged and the particular instruments included in the hedge. The level of carry income is driven by the slope of the yield curve and other market driven supply and demand factors affecting the specific reference securities. A steep yield curve generally produces higher carry income while a flat or inverted yield curve can result in lower or potentially negative carry income. The level of carry income is also affected by the type of instrument used. In general, mortgage forward contracts tend to produce higher carry income than interest rate swap contracts. Carry income is recognized over the life of the mortgage forward as a component of the contract's mark to market gain or loss.

Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires sophisticated modeling and constant monitoring. While we attempt to balance these various aspects of the mortgage business, there are several potential risks to earnings:

- Valuation changes for MSRs associated with interest rate changes are recorded in earnings immediately within the accounting period in which those interest rate changes occur, whereas the impact of those same changes in interest rates on origination and servicing fees occur with a lag and over time. Thus, the mortgage business could be protected from adverse changes in interest rates over a period of time on a cumulative basis but still display large variations in income from one accounting period to the next.
- The degree to which the "natural business hedge" offsets valuation changes for MSRs is imperfect, varies at different points in the interest rate cycle, and depends not just on the direction of interest rates but on the pattern of quarterly interest rate changes.
- Origination volumes, the valuation of MSRs and hedging results and associated costs are also affected by many factors. Such factors include the mix of new business between ARMs and fixed-rate mortgages, the relationship between short-term and long-term interest rates, the degree of volatility in interest rates, the relationship between mortgage interest rates and other interest rate markets, and other interest rate factors. Additional factors that can impact the valuation of the MSRs include changes in servicing and foreclosure costs due to changes in investor or regulatory guidelines, as well as individual state foreclosure legislation, and changes in discount rates due to market participants requiring a higher return due to updated market expectations on costs and risks associated with investing in MSRs. Many of these factors are hard to predict

and we may not be able to directly or perfectly hedge their effect.

- 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 we earn 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 $16.8 billion and $12.7 billion at December 31, 2013 and 2012, respectively. The weighted-average note rate on our portfolio of loans serviced for others was 4.52% and 4.77% at December 31, 2013 and 2012, respectively. The carrying value of our total MSRs represented 0.88% and 0.67% of mortgage loans serviced for others at December 31, 2013 and 2012, respectively.

As part of our mortgage banking activities, we enter into commitments to fund residential mortgage loans at specified times in the future. A mortgage loan commitment is an interest rate lock that binds us to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock. These loan commitments are derivative loan commitments if the loans that will result from the exercise of the commitments will be held for sale. These derivative loan commitments are recognized at fair value on the balance sheet with changes in their fair values recorded as part of mortgage banking noninterest income. The fair value of these commitments include, at inception and during the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan as part of the fair value measurement of derivative loan commitments. Changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment, referred to as a fall-out factor. The value of the underlying loan commitment is affected primarily by changes in interest rates and the passage of time.

Outstanding derivative loan commitments expose us to the risk that the price of the mortgage loans underlying the commitments might decline due to increases in mortgage interest rates from inception of the rate lock to the funding of the loan. To minimize this risk, we employ mortgage forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts as economic hedges against the potential decreases in the values of the loans. We expect that these derivative financial instruments will experience changes in fair value that will either fully or partially offset the changes in fair value of the derivative loan commitments. However, changes in investor demand, such as concerns about credit risk, can also cause changes in the spread relationships between underlying loan value and the derivative financial instruments that cannot be hedged.

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 of our 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. The primary risk metric used to monitor our trading assets and liabilities is Value-at-Risk (VaR). Value-at-Risk is covered in more detail in the Value-At-Risk Overview section in this Report. Assets and liabilities held outside of our trading portfolio are primarily monitored through the use of earnings simulations as described above.

Valuation Process 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. For a discussion of our significant accounting policies and how we determine fair value, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report. For descriptions of the valuation methodologies we use for assets and liabilities recorded at fair value on a recurring basis and for estimating fair value for financial instruments at fair value, see Note 16 (Derivatives) and Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

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 management committee reporting to the Finance Committee of the Board, provides governance and oversight over market risk-taking activities across the Company.

Table 43 presents total revenue from trading activities.

Table 43: Income from Trading Activities

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Interest income (1)	**$ 1,376**	1,358	1,440
Less: Interest expense (2)	**307**	245	316
Net interest income	**1,069**	1,113	1,124
Noninterest income:			
Net gains (losses) from trading activities (3):			
Customer accommodation	**1,278**	1,347	1,029
Economic hedges and other (4)	**332**	345	(1)
Proprietary trading	**13**	15	(14)
Total net trading gains	**1,623**	1,707	1,014
Total trading-related net interest and noninterest income	**$ 2,692**	2,820	2,138

(1) Represents interest and div dend income earned on trading securities.
(2) Represents interest and div dend expense incurred on trading securities we have sold but have not yet purchased.
(3) Represents realized gains (losses) from our trading activ ty and unrealized gains (losses) due to changes in fair value of our trading pos tions, attributable to the type of business activity.
(4) Excludes economic hedging of mortgage banking activities and asset/liabil ty management.

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 of or in response to customer needs. This category also includes positions we use to manage our exposure to such transactions.

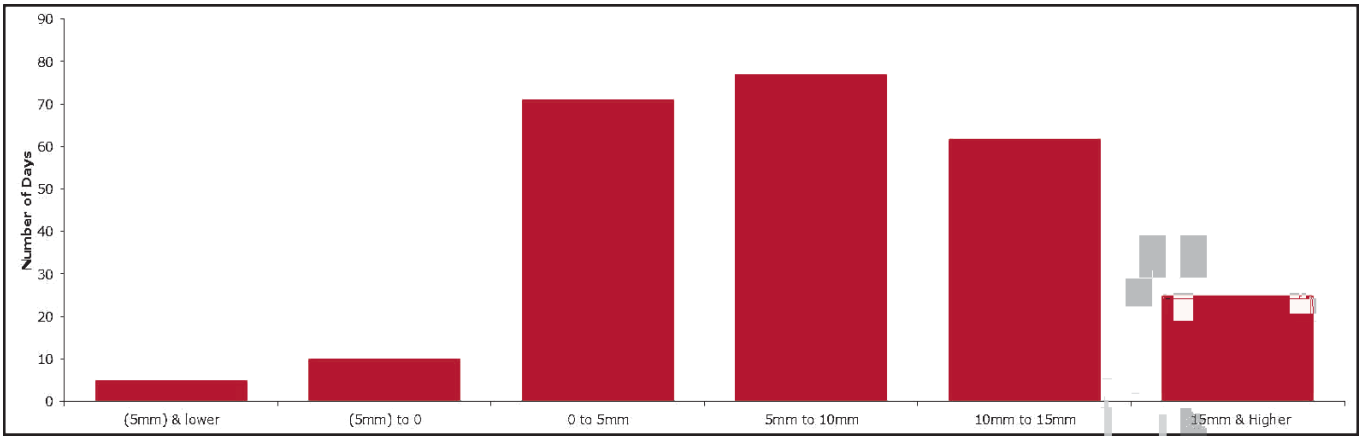
For the majority of our customer accommodation trading, we serve as intermediary between buyer and seller. For example, we may purchase or sell a derivative to a customer who wants to manage interest rate risk exposure. We typically enter into offsetting derivative or security positions with a separate counterparty or exchange to manage our exposure to the derivative with our customer. We earn income on this activity based on the transaction price difference between the customer and offsetting derivative or security positions, which is reflected in the fair value changes of the positions recorded in net gains (losses) on trading activities.

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 has been substantially restricted by the Dodd-Frank Act provisions known as the "Volcker Rule." On December 10, 2013, federal banking regulators, the SEC and CFTC jointly released a final rule to implement the Volcker Rule's restrictions. Banking entities are not required to come into compliance with the Volcker Rule's restrictions until July 21, 2015, however, we will be required to report certain trading metrics beginning June 30, 2014. During the conformance period, banking entities are expected to engage in "good faith" planning efforts, appropriate for their activities and investments, to enable them to conform all of their activities and investments to the Volcker Rule's restrictions by no later than July 21, 2015. Accordingly, we reduced and are exiting certain business activities in anticipation of the final Volcker Rule. As discussed within this section and the noninterest income section of our financial results, proprietary trading activity is insignificant to our business and financial results. For more details on the Volcker Rule, see the "Regulatory Reform" section in this Report.

Daily Trading Revenue Table 44 and Table 45 provide information on daily trading-related revenues for the Company's trading portfolio. This trading-related revenue is defined as the change in value of the trading assets and trading liabilities, trading-related net interest income and trading-related intra-day gains and losses. Net trading-related revenue does not include activity related to long-term positions held for economic hedging purposes, period-end adjustments and other activity not representative of daily price changes driven by market factors.


Number of Days
90
80
70
60
50
40
30
20
10
0
(5mm) & lower
(5mm) to 0
0 to 5mm
5mm to 10mm
10mm to 15mm
15mm & Higher

Millibars
30
25
20
15
10
5
0
(5)
(10)
(15)
(20)
Jan-13
Feb-13
Mar-13
Apr-13
May-13
Jun-13
Jul-13
Aug-13
Sep-13
Oct-13
Nov-13
Dec-13

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

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

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

The VaR model is subject to limitations which are well established in the industry. Some of the primary limitations include availability of historical data and determining the appropriate mathematical model assumptions. These limitations are monitored by a management committee of the Market Risk Committee and Corporate Model Risk Committee (CMoR). The CMoR consists of senior executive management and reports on material model risk issues to the Risk Committee of the Board.

Sensitivity Analysis Overview Sensitivity analysis is the measure of exposure to a single risk factor, such as a one basis point increase in rates or a 1% increase in equity prices. We conduct and monitor sensitivity on interest rates, credit spreads, volatility, equity, commodity, and foreign exchange exposure. Since VaR is based upon previous moves in market risk factors over recent historical periods, it may not provide accurate predictions of future market moves. Sensitivity analysis complements VaR as it provides an indication of risk relative to each factor irrespective of historical market moves.

Stress Testing Overview While VaR captures the risk of loss due to adverse changes in markets using recent historical market data, stress testing captures the Company's exposure to extreme, but low probability market movements. Stress scenarios estimate the risk of losses based on management's assumptions of abnormal but severe market movements such as severe credit spread widening or a large decline in equity prices. These scenarios also assume that the market moves happen instantaneously and no repositioning or hedging activity takes place to mitigate losses as events unfold (although experience demonstrates otherwise).

An inventory of scenarios is maintained representing both historical and hypothetical stress events that affect a broad range of market risk factors with varying degrees of correlation and differing time horizons. Historical scenarios utilize an event-driven approach: the stress scenarios are based on plausible but rare events, and the analysis addresses how these events might affect the risk factors relevant to a portfolio. Hypothetical scenarios assess the impact of large movements in financial variables on portfolio values. Typical examples include a 100 basis point increase across the yield curve or a 10% decline in stock market indexes. However, this analysis lacks historical and economic content, which can limit its usefulness.

The Company's stress testing framework is also used in calculating results in support of the Federal Reserve Board's Comprehensive Capital Analysis & Review (CCAR) and internal risk measures. Stress scenarios are regularly reviewed and updated to address potential market events or concerns. For more detail on the CCAR process, see the "Capital Management" section in this Report.

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

Table 46 shows the results of the Company's Trading VaR by risk category. As presented in the table, average Trading VaR was $21 million for the quarter ended December 31, 2013, compared with $18 million for the quarter ended September 30, 2013. The increase was primarily driven by changes in portfolio composition.

Table 46: Trading 1-Day 99% VaR Metrics

	Quarter ended							
	December 31, 2013				September 30, 2013			
(in millions)	Period end	Average	Low	High	Period end	Average	Low	High
VaR Risk Categories								
Credit	**$ 32**	**33**	**30**	**36**	31	32	29	34
Interest rate	**20**	**19**	**13**	**25**	25	24	17	31
Equity	**9**	**6**	**4**	**9**	6	7	6	8
Commodity	**1**	**2**	**1**	**3**	3	3	2	4
Foreign exchange	**-**	**1**	**-**	**2**	1	1	1	2
Diversification benefit (1)	**(38)**	**(40)**			(47)	(49)		
Total VaR	**24**	**21**			19	18		

(1) The period-end VaR was less than the sum of the VaR components described above, which is due to portfolio diversification. The diversificat on effect arises because the risks are not perfectly correlated causing a portfol o of posit ons to usually be less risky than the sum of the risks of the posit ons alone. The diversif cat on benefit is not meaningful for low and high metrics since they may occur on different days.

Model Risk Management Internal market risk models are governed by our Corporate Model Risk policies and procedures, which include model validation. The purpose of model validation includes ensuring the model is appropriate for its intended use and that appropriate controls exist to help mitigate the risk of invalid results. Model validation assesses the adequacy and appropriateness of the model, including reviewing its key components such as inputs, processing components, logic or theory, output results and supporting model documentation. Validation also includes ensuring significant unobservable model inputs are appropriate given observable market transactions or other market data within the same or similar asset classes. This ensures modeled approaches are appropriate given similar product valuation techniques and are in line with their intended purpose. The Corporate Model Risk group provides oversight of model validation and assessment processes.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are subject to additional oversight by a corporate-level risk management department. Corporate oversight responsibilities include evaluating the adequacy of business unit risk management programs, maintaining company-wide model validation policies and standards and reporting the results of these activities to management and CMoR.

Regulatory Market Risk Capital Effective January 1, 2013, U.S. banking regulators adopted "Risk-Based Capital Guidelines: Market Risk" as the regulations covering the calculation of market risk regulatory capital. The market risk capital rule, commonly known as Basel 2.5, requires banking organizations with significant trading activities to adjust their capital requirements to better account for the market risks of those activities. The rule substantially modified the determination of market risk-weighted assets, and implements a more risk sensitive methodology. The Basel 2.5 regulatory market risk capital rule introduced new measures of market risk including stressed VaR, an incremental risk charge, and updates to standard specific risk charges. The market risk capital rule was reflected in the Company's calculation of risk-weighted assets upon initial adoption in first quarter 2013.

Table 47 summarizes the market risk-based capital requirements charge and market RWA as of December 31, 2013, in accordance with the Basel 2.5 market risk capital rule.

Table 47: Market Risk Regulatory Capital and RWA

		December 31, 2013	
(in millions)		Risk-based capital	Risk-weighted assets
Total VaR Measure	$	252	3,149
Total Stressed VaR Measure		921	11,512
Incremental Risk Charge (IRC)		393	4,913
Total Modeled Capital (1)		1,566	19,574
Comprehensive Risk Charge (CRC)		-	-
Standard Specific Risk Charge:			
Securitized Charge		633	7,913
Non-securitized Charge		583	7,289
Total Standard Specific Risk Charge		1,216	15,202
De minimus Charges		125	1,563
Total	$	2,907	36,339

(1) Includes the capital multiplier.

Composition of Material Portfolio of Covered Positions The Basel 2.5 market risk capital rule substantially modified the determination of market RWA, and implemented a more risk sensitive methodology for the risks inherent in certain "covered" trading positions. The positions that are "covered" by the market risk capital rule are generally a subset of our trading assets and trading liabilities, specifically those held by the Company for the purpose of short-term resale or with the intent of benefiting from actual or expected short-term price movements, or to lock in arbitrage profits.

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

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

Basel 2.5 prescribes various VaR measures (e.g., Total VaR Measure) in the determination of regulatory capital and risk-weighted assets. The Company uses the same VaR models for both market risk management purposes as well as regulatory capital calculations.

Regulatory VaR The Regulatory VaR measures include:

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

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

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

Table 48 shows the General VaR measure categorized by major risk categories. Table 49 shows the results of the Company's modeled components for regulatory capital calculations. As presented in Table 48, average 10-day General VaR was $80 million for the quarter ended December 31, 2013, compared with $64 million for the quarter ended September 30, 2013. The increase was primarily driven by changes in portfolio composition.

Table 48: 10-Day 99% Regulatory General VaR Categories

	Quarter ended							
	December 31, 2013				September 30, 2013			
(in millions)	Period end	Average	Low	High	Period end	Average	Low	High
Wholesale General VaR Risk Categories								
Credit	**$ 102**	**107**	**92**	**120**	111	107	81	130
Interest rate	**40**	**40**	**24**	**61**	51	39	23	58
Equity	**7**	**4**	**2**	**8**	4	4	2	8
Commodity	**4**	**4**	**2**	**5**	3	3	2	4
Foreign exchange	**1**	**2**	**1**	**6**	2	2	1	4
Diversification benefit (1)	**(81)**	**(92)**	**-**	**-**	(115)	(105)	-	-
Wholesale General VaR	**$ 73**	**65**	**49**	**79**	56	50	26	66
Company General VaR	**79**	**80**	**60**	**96**	70	64	41	81

(1) The period-end VaR was less than the sum of the VaR components described above, which is due to portfolio diversification. The diversificat on effect arises because the risks are not perfectly correlated causing a portfolio of pos tions to usually be less risky than the sum of the risks of the pos tions alone. The diversification benef t is not meaningful for low and high metrics since they may occur on different days.

Table 49: Regulatory Modeled Components Used to Calculate RWA

	Quarter ended							
	December 31, 2013				September 30, 2013			
(in millions)	Period end	Average	Low	High	Period end	Average	Low	High
Total VaR Measure	**$ 84**	**84**	**67**	**103**	75	70	47	86
Total Stressed VaR Measure	**328**	**307**	**245**	**420**	746	355	269	746
Incremental Risk Charge (IRC)	**425**	**393**	**354**	**442**	383	348	297	403
Comprehensive Risk Charge (CRC)	**-**	**-**	**-**	**-**	-	-	-	-
Total Modeled Capital	**$ 837**	**784**			1,204	773		

Securitization Positions Basel 2.5 imposes a separate market risk capital charge for positions classified as a securitization or re-securitization. The primary criteria for classification as a securitization is whether there is a transfer of risk and whether the credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority. Covered trading securitizations positions under Basel 2.5 include ABS, commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), and collateralized loan and other debt obligations (CLO/CDO) positions. The securitization capital requirements are the greater of the capital requirements of the net long or short exposure, and are capped at the maximum loss that could be incurred on any given transaction. Table 50 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 at December 31, 2013.

Table 50: Covered Securitization Positions by Exposure Type (Market Value)

		December 31, 2013			
(in millions)		ABS	CMBS	RMBS	CLO/CDO
Securitization Exposure					
Securities	$	604	559	479	561
Derivatives		(2)	2	16	(72)
Total	$	602	561	495	489

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

Comprehensive Risk Charge / Correlation Trading The market risk capital rule requires capital for correlation trading positions. The net market value of correlation trading positions that meet the definition of a covered position at December 31, 2013 was a net loss of less than $1 million, all of which were long positions. Correlation trading is a discontinued business in which the Company is no longer active, with current positions hedged and maturing over time. Given the immaterial aspect of this discontinued activity, the Company has elected not to develop an internal model based approach but will utilize standard specific risk charges for these positions.

Other Specific Risk For positions that are not evaluated by the approved internal specific risk models, a regulatory prescribed standard specific risk charge is applied. The standard specific risk add-on for sovereign entities, public sector entities and depository institutions is based on the Organization for Economic Co-operation and Development (OECD) country risk classifications (CRC) and the remaining contractual maturity of the position. These risk add-ons for debt positions ranges from 0.25% to 12%. The add-on for corporate debt is based on credit spreads and the remaining contractual maturity of the position. All other types of debt positions are subject to an 8% add-on. The standard specific risk add-on for equity positions is generally 8%.

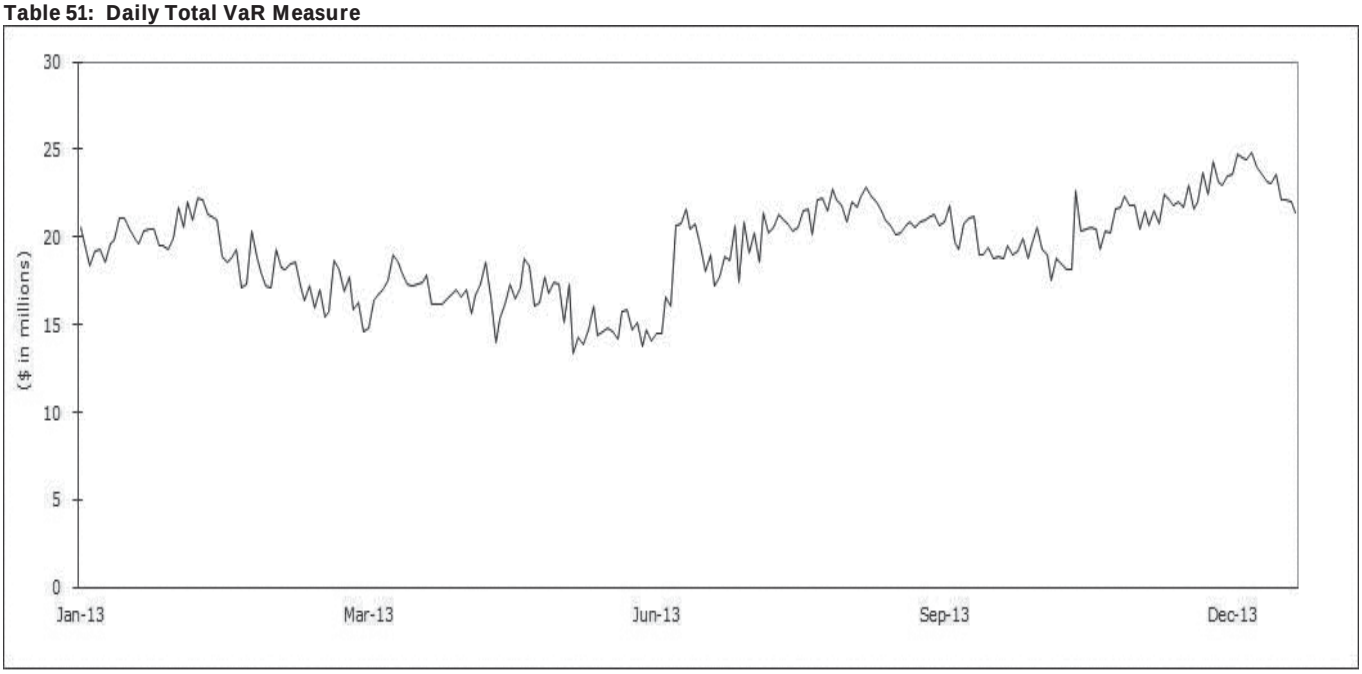
VaR Backtesting The Basel 2.5 market risk capital rule requires conducting backtesting as one form of validation of the VaR model. Backtesting is a comparison of the daily VaR estimate with the actual clean profit and loss (clean P&L) as defined by the market risk capital rule. Clean P&L is the change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

Any observed clean P&L loss in excess of the Total VaR Measure is considered an exception. The actual number of exceptions (that is, the number of business days for which the clean P&L losses exceed the corresponding 1-day, 99% Total VaR Measure) over the preceding 12 months is used to determine the VaR multiplier for the capital calculation. The number of actual backtesting exceptions is dependent on current market performance relative to historic market volatility. This capital multiplier increases from a minimum of three to a maximum of four, depending on the number of exceptions.

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

Table 51 shows daily Total VaR Measure (1-day, 99%) for the year ended December 31, 2013. The Wells Fargo average Total VaR Measure for fourth quarter 2013 was $21 million with a low of $18 million and a high of $25 million.

Table 51: Daily Total VaR Measure



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

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

Changes in equity market prices may also indirectly affect our net income by (1) the value of third party assets under management and, hence, fee income, (2) borrowers whose ability to repay principal and/or interest may be affected by the stock market, or (3) brokerage activity, related commission income and other business activities. Each business line monitors and manages these indirect risks.

Table 52 provides information regarding our marketable and nonmarketable equity investments.

Table 52: Nonmarketable and Marketable Equity Investments

		December 31,
(in millions)	**2013**	2012
Nonmarketable equity investments:		
Cost method:		
Private equity investments	**$ 2,308**	2,572
Federal bank stock	**4,670**	4,227
Total cost method	**6,978**	6,799
Equity method and other:		
LIHTC investments (1)	**6,209**	4,767
Private equity and other	**5,782**	6,156
Total equity method and other	**11,991**	10,923
Fair value (2)	**1,386**	-
Total nonmarketable equity investments (3)	**$ 20,355**	17,722
Marketable equity securities:		
Cost	**$ 2,039**	2,337
Net unrealized gains	**1,346**	448
Total marketable equity securities (4)	**$ 3,385**	2,785

(1) Represents low income housing tax credit investments.
(2) Represents nonmarketable equity investments for which we have elected the fair value option. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets) and Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information.
(3) Included in other assets on the balance sheet. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets) to Financial Statements in this Report for addit onal information.
(4) Included in securities available for sale. See Note 5 (Investment Secur ties) to Financial Statements in this Report for add tional information.

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 periods of Wells Fargo-specific and/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 company and for the Parent to ensure that the Parent is a source of strength for its regulated, deposit-taking banking subsidiaries.

We maintain liquidity in the form of cash, cash equivalents and unencumbered high-quality, liquid securities. These assets make up our primary sources of liquidity. Our cash is primarily on deposit with the Federal Reserve. Securities included as part of our primary sources of liquidity are comprised of U.S. Treasury and federal agency debt, and mortgage-backed securities issued by federal agencies within the available-for-sale securities portfolio. We believe these securities provide quick sources of liquidity through repurchase agreements or sales, regardless of market conditions. High-quality, liquid held-to-maturity securities are not intended for sale but may be utilized in repurchase agreements to obtain financing. Some of the legal entities within our consolidated group of companies are subject

to various regulatory, tax, legal and other restrictions that can limit the transferability of their funds. Accordingly, we believe we maintain adequate liquidity at these entities in consideration of such funds transfer restrictions.

Table 53 provides the primary sources of liquidity as of December 31, 2013.

Table 53: Primary Sources of Liquidity

		December 31, 2013		
(in millions)		Total	Encumbered	Unencumbered
Cash on deposit	$	186,249	-	186,249
Securities of U.S. Treasury and federal agencies		6,280	571	5,709
Mortgage-backed securities of federal agencies (1)		123,796	60,605	63,191
Total	$	316,325	61,176	255,149

(1) Included in encumbered securities are securities w th a fair value of $653 mill on wh ch were purchased in December 2013 but settled in January 2014.

Other than our primary sources of liquidity shown in Table 53, liquidity is also available through the sale or financing of other securities including trading and/or available-for-sale securities, as well as through the sale, securitization or financing of loans, to the extent such securities and loans are not encumbered. In addition, other held-to-maturity securities, to the extent not encumbered, may be used in repurchase agreements to obtain financing.

Core customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. At December 31, 2013, core deposits were 119% of total loans compared with 118% a year ago. Additional funding is provided by long-term debt, other foreign deposits, and short-term borrowings. Long-term debt averaged $134.9 billion in 2013 and $127.5 billion in 2012. Short-term borrowings averaged $54.7 billion in 2013 and $51.2 billion in 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, our debt securities do not contain credit rating covenants.

Generally, rating agencies review a firm's ratings at least annually. There were no changes to our credit ratings in 2013, and both the Parent and Wells Fargo Bank, N.A. remain among the top-rated financial firms in the U.S. On October 8, 2013, Fitch Ratings affirmed all the ratings of the Parent and its rated subsidiaries; on October 25, 2013, Standard & Poor's Ratings Services (S&P) affirmed all the ratings of the Parent and its rated subsidiaries; and on November 14, 2013, Moody's Investors Service (Moody's) confirmed all the ratings of the Parent and its rated subsidiaries. This ratings confirmation by Moody's followed completion of their review regarding whether to continue incorporating the possibility of federal support in ratings applicable to certain bank holding companies in light of recent regulatory developments related to the Title II Orderly Liquidation Authority of the Dodd-Frank Act. Moody's decided to eliminate any assumption of federal support for the impacted holding companies, including the Parent. However, Moody's also concluded that the same regulatory developments were likely to reduce the severity of losses for bank holding company creditors in the event of default, reflecting the potential benefits of a more orderly resolution of bank holding companies and their related banks. The net result of these offsetting conclusions was the confirmation of our ratings. S&P is likewise reviewing their support assumptions for certain bank holding companies in light of the same regulatory developments. That review is ongoing and S&P has not specified a timeframe for completion of their review.

See the "Risk Management – Asset/Liability Management" and "Risk Factors" sections in this Report for additional information regarding our credit ratings as of December 31, 2013, and the potential impact a credit rating downgrade would have on our liquidity and operations, as well as Note 16 (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.

The credit ratings of the Parent and Wells Fargo Bank, N.A. as of December 31, 2013, are presented in Table 54.

Table 54: Credit Ratings

	Wells Fargo & Company		Wells Fargo Bank, N.A.	
	Senior debt	Short-term borrowings	Long-term deposits	Short-term borrowings
Moody's	A2	P-1	Aa3	P-1
S&P	A+	A-1	AA-	A-1+
Fitch Ratings	AA-	F1+	AA	F1+
DBRS	AA	R-1*	AA**	R-1**

* middle **high

On January 6, 2013, the Basel Committee on Bank Supervision (BCBS) endorsed a revised Basel III liquidity framework for banks. In October 2013, a Notice of Proposed Rulemaking (NPR) regarding the U.S. implementation of the Basel III liquidity coverage ratio (LCR) was issued by the FRB, OCC and FDIC. The NPR's public comment period closed on January 31, 2014, and the agencies will review and take into consideration the comments filed on the proposal before adopting a final rule. The FRB recently finalized rules imposing enhanced liquidity management standards on large BHCs such as Wells Fargo. We will continue to analyze these proposed and recently finalized rules and other regulatory proposals that may affect liquidity risk management to determine the level of operational or compliance impact to Wells Fargo. For additional information see the "Capital Management" and "Regulatory Reform" sections in this Report.

Parent Under SEC rules, our Parent is classified as a "well-known seasoned issuer," which allows it to file a registration statement that does not have a limit on issuance capacity. In April 2012, the Parent filed a registration statement with the SEC for the issuance of senior and subordinated notes, preferred stock and other securities. The Parent's ability to issue debt and other securities under this registration statement is limited by the debt issuance authority granted by the Board. The Parent is currently authorized by the Board to issue $60 billion in outstanding short-term debt and $170 billion in outstanding long-term debt. At December 31, 2013, the Parent had available $41.9 billion in short-term debt issuance authority and $82.2 billion in long-term debt issuance authority. The Parent's debt issuance authority granted by the Board includes short-term and long-term debt issued to affiliates. During 2013, the Parent issued $13.1 billion of senior notes, of which $6.9 billion were registered with the SEC. In addition, during 2013, the Parent issued $5.5 billion of subordinated notes, all of which were registered with the SEC. During fourth quarter 2013, the Parent exchanged $2.1 billion of subordinated notes issued by Wells Fargo Bank, N.A. for $2.4 billion of unregistered subordinated notes issued by the Parent. In addition, during fourth quarter 2013, the Parent exchanged $672 million of subordinated notes issued by the Parent for $723 million of unregistered subordinated notes issued by the Parent. A registration statement filed by the Parent on December 17, 2013, was declared effective on January 3, 2014, and provides for these newly issued unregistered subordinated notes to be exchanged for registered securities. The offer to exchange these unregistered subordinated notes for registered notes commenced on January 6, 2014. In addition, in January 2014, the Parent issued $1.7 billion of registered senior notes.

The Parent's proceeds from securities issued in 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 55 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 55: Medium-Term Note (MTN) Programs

		December 31, 2013	
(in billions)	Date established	Debt issuance authority	Available for issuance
MTN program:			
Series L & M (1)	May 2012	$ 25.0	9.4
Series K (1)(3)	April 2010	25.0	22.3
European (2)(4)	December 2009	25.0	16.7
European (2)(5)	August 2013	10.0	10.0
Australian (2)(6)	June 2005	AUD 10.0	5.7

(1) SEC registered.
(2) Not registered w th the SEC. May not be offered in the United States w thout appl cable exemptions from registration.
(3) As amended in April 2012.
(4) As amended in April 2012 and April 2013. For securities to be adm tted to listing on the Official List of the United Kingdom Financial Conduct Authority and to trade on the Regulated Market of the London Stock Exchange.
(5) For secur ties that will not be adm tted to listing, trading and/or quotat on by any stock exchange or quotat on system, or will be admitted to listing, trading and/or quotation by a stock exchange or quotation system that is not cons dered to be a regulated market.
(6) As amended in October 2005, March 2010 and September 2013.

Wells Fargo Bank, N.A. Wells Fargo Bank, N.A. is authorized by its board of directors to issue $100 billion in outstanding short-term debt and $125 billion in outstanding long-term debt. At December 31, 2013, Wells Fargo Bank, N.A. had available $100 billion in short-term debt issuance authority and $80.1 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 2013, Wells Fargo Bank, N.A. issued $8.9 billion of senior notes under the bank note program. At December 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 $36.6 billion in long-term senior or subordinated notes. In addition, during 2013, Wells Fargo Bank, N.A. executed advances of $24.0 billion with the Federal Home Loan Bank of Des Moines, of which $19.0 billion remained outstanding at December 31, 2013.

Wells Fargo Canada Corporation In February 2014, Wells Fargo Canada Corporation (WFCC), 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 2013, WFCC issued CAD $1.5 billion in medium-term notes using availability outstanding under its prior base shelf prospectus. In January 2014, WFCC issued an additional CAD $1.3 billion in

medium-term notes also using availability outstanding under its prior base shelf prospectus. All medium-term notes issued by WFCC are unconditionally guaranteed by the Parent.

FEDERAL HOME LOAN BANK MEMBERSHIP The Federal Home Loan Banks (the FHLBs) are a group of cooperatives that lending institutions use to finance housing and economic development in local communities. We are a member of the FHLBs based in Dallas, Des Moines and San Francisco. 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.

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. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. Our potential sources of stockholders' equity primarily include retention of earnings net of dividends, as well as issuances of common and preferred stock. Retained earnings increased $14.7 billion from December 31, 2012, predominantly from Wells Fargo net income of $21.9 billion, less common and preferred stock dividends of $7.2 billion. During 2013, we issued approximately 115 million shares of common stock, substantially all of which related to employee benefit plans. In March 2013, we issued 25 million Depositary Shares, each representing a 1/1,000th interest in a share of the Company's newly issued 5.25% Non-Cumulative Perpetual Class A Preferred Stock, Series P, for an aggregate public offering price of $625 million. In July 2013, we issued 69 million Depositary Shares, each representing a 1/1,000th interest in a share of the Company's newly issued 5.85% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series Q, for an aggregate public offering price of $1.7 billion. In December 2013, we issued 34 million Depositary Shares, each representing a 1/1000th interest in a share of the Company's newly issued 6.625% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series R, for an aggregate public offering price of $840 million. During 2013, we repurchased approximately 124 million shares of common stock in open market transactions and from employee benefit plans, at a net cost of $5.1 billion. In addition, the Company entered into a $500 million forward purchase contract in December 2013 with an unrelated third party that is expected to settle in first quarter 2014 for approximately 11 million shares. 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 insured depository institutions are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC. Risk-based capital (RBC) guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures. At December 31, 2013, the Company and each of our insured depository institutions were "well-capitalized" under applicable regulatory capital adequacy guidelines. See Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

Current regulatory RBC rules are based primarily on broad credit risk considerations and market-related risks, but do not take into account other types of risk facing a financial services company. The RBC rules are based primarily upon the 1988 capital accord of the Basel Committee on Banking Supervision (BCBS) establishing international guidelines for determining regulatory capital known as "Basel I." Our capital adequacy assessment process contemplates a wide range of risks that the Company is exposed to and also takes into consideration our performance under a variety of stressed economic conditions, as well as regulatory expectations and guidance, rating agency viewpoints and the view of capital markets participants.

Effective January 1, 2013, the Company implemented changes to the market risk capital rule, commonly referred to as Basel 2.5, as required by federal banking regulators. Basel 2.5 requires banking organizations with significant trading activities to adjust their capital requirements to better account for the market risks of those activities. The market risk capital rule is reflected in the Company's calculation of RWA and, upon initial adoption in first quarter 2013, reduced 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. In December 2013, the FRB approved a final rule, effective April 1, 2014, revising the market risk capital rule to, among other things, conform the rule to the FRB's new capital framework finalized in July 2013 and discussed below. For additional information see the "Risk Management – Asset/Liability Management" section in this Report.

In 2007, federal banking regulators approved a final rule adopting revised international guidelines for determining regulatory capital known as "Basel II." Basel II incorporates three pillars that address (a) capital adequacy, (b) supervisory review, which relates to the computation of capital and internal assessment processes, and (c) market discipline, through increased disclosure requirements. We entered the "parallel run phase" of Basel II in July 2012. During the "parallel run phase," banking organizations must successfully complete an evaluation period under supervision from regulatory agencies in order to receive approval to calculate risk-based capital requirements under the advanced approach guidelines. The parallel run phase will continue until we receive regulatory approval to exit parallel reporting and subsequently begin publicly reporting our

advanced approach regulatory capital results and related disclosures.

In December 2010, the BCBS finalized a set of further revised international guidelines for determining regulatory capital known as "Basel III." These guidelines were developed in response to the financial crisis of 2008 and 2009 and were intended to address many of the weaknesses identified in the previous Basel standards, as well as in the banking sector that contributed to the crisis including excessive leverage, inadequate and low quality capital and insufficient liquidity buffers.

In July 2013, federal banking regulators approved final and interim final rules to implement the BCBS Basel III capital guidelines for U.S. banking organizations. These final capital rules, among other things:

- implement in the United States the Basel III regulatory capital reforms including those that revise the definition of capital, increase minimum capital ratios, and introduce a minimum Common Equity Tier 1 (CET1) ratio of 4.5% and a capital conservation buffer of 2.5% (for a total minimum CET1 ratio of 7.0%) and a potential countercyclical buffer of up to 2.5%, which would be imposed by regulators at their discretion if it is determined that a period of excessive credit growth is contributing to an increase in systemic risk;
- require a Tier 1 capital to average total consolidated assets ratio of 4% and introduce, for large and internationally active bank holding companies (BHCs), a Tier 1 supplementary leverage ratio of 3% that incorporates off-balance sheet exposures;
- revise Basel I rules for calculating RWA to enhance risk sensitivity under a standardized approach;
- modify the existing Basel II advanced approaches rules for calculating RWA to implement Basel III;
- deduct certain assets from CET1, such as deferred tax assets that could not be realized through net operating loss carry-backs, significant investments in non-consolidated financial entities, and MSRs, to the extent any one category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1;
- eliminate the accumulated other comprehensive income or loss filter that applies under RBC rules over a five-year phase in beginning in 2014; and
- comply with the Dodd-Frank Act provision prohibiting the reliance on external credit ratings.

We were required to comply with the final Basel III capital rules beginning January 2014, with certain provisions subject to phase-in periods. The Basel III capital rules are scheduled to be fully phased in by January 1, 2022. Based on our interpretation of the final capital rules, we estimate that our CET1 ratio under the final Basel III capital rules using the advanced approach method exceeded the fully phased-in minimum of 7.0% by 276 basis points at December 31, 2013. Because the rules were only recently finalized, the interpretations and assumptions we use in estimating our calculations are subject to change depending on our ongoing review of the final capital rules and any guidance received from our regulators.

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

In July 2013, federal banking regulators introduced proposals that would enhance the recently finalized supplementary leverage ratio requirements for large BHCs like Wells Fargo and their insured depository institutions. Under the proposals, effective on January 1, 2018, a covered BHC would be required to maintain a supplementary leverage ratio of at least 5% to avoid restrictions on capital distributions and discretionary bonus payments. The proposals would also require that all of our insured depository institutions maintain a supplementary leverage ratio of 6% in order to be considered well capitalized. Based on our review, our current leverage levels would exceed the applicable proposed requirements for the holding company and each of our insured depository institutions. Federal banking regulators, however, have indicated they may make further changes to the U.S. supplementary leverage ratio requirements based on revisions to the Basel III leverage framework proposed by the BCBS in 2013 and finalized in January 2014. In addition, as discussed in the "Risk Management – Asset/Liability Management – Liquidity and Funding" section in this Report, a Notice of Proposed Rulemaking regarding the U.S. implementation of the Basel III LCR was issued by the FRB, OCC and FDIC in October 2013. The proposal, which has not been finalized, was substantially similar to the BCBS proposal but differed in some respects that may be viewed as a stricter version of the LCR, such as proposing a more aggressive phase-in period.

The FRB has also indicated that it is in the process of considering new rules to address the amount of equity and unsecured debt a company must hold to facilitate its orderly liquidation and to address risks related to banking organizations that are substantially reliant on short-term wholesale funding. In addition, the FRB is developing rules to implement an additional CET1 capital surcharge on those U.S. banking organizations, such as the Company, that have been designated by the Financial Stability Board (FSB) as global systemically important banks (G-SIBs). The G-SIB surcharge would be in addition to the minimum Basel III 7.0% CET1 requirement and ranges from 1.0% to 3.5% of RWA, depending on the bank's systemic importance, which would be determined under an indicator-based approach that considers five broad categories: cross-jurisdictional activity; size; inter-connectedness; substitutability/financial institution infrastructure; and complexity. The G-SIB surcharge is expected to be phased in beginning in January 2016 and become fully effective on January 1, 2019. The FSB, in an updated listing published in November 2013 based on year-end 2012 data, identified the Company as one of the 29 G-SIBs and provisionally determined that the Company's surcharge would be 1.0%. The FSB is expected to update the list of G-SIBs and their required

surcharges prior to implementation based on additional or future data.

Capital Planning and Stress Testing

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

On March 14, 2013, the FRB notified us that it did not object to our 2013 capital plan included in the 2013 CCAR. Since the FRB notification, the Company took several capital actions, including increasing its quarterly common stock dividend rate to $0.30 per share, redeeming Wachovia Preferred Funding Corp. preferred securities that will no longer count as Tier 1 capital under the Dodd-Frank Act and the final Basel III capital standards, and repurchasing shares of our common stock.

Our 2014 CCAR, which was submitted on January 3, 2014, 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 the CCAR in 2013. As part of the 2014 CCAR, the FRB also generated a supervisory stress test, which assumed a sharp decline in the economy and significant decline in asset pricing using the information provided by the Company to estimate performance. The FRB is expected to review 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 has indicated that it will publish its supervisory stress test results as required under the Dodd-Frank Act, and the related CCAR results taking into account the Company's proposed capital actions, in March 2014.

In addition to CCAR, federal banking regulators also require stress tests to evaluate whether an institution has sufficient capital to continue to operate during periods of adverse economic and financial conditions. In October 2012, the FRB issued final rules regarding stress testing requirements as required under the Dodd-Frank Act provision imposing enhanced prudential standards on large BHCs such as Wells Fargo. The OCC issued and finalized similar rules during 2012 for stress testing of large national banks. The FRB issued interim final rules in September 2013 clarifying how companies should incorporate the Basel III capital rules into their capital planning and stress testing exercises. These stress testing rules, which became effective for Wells Fargo on November 15, 2012, set forth the timing and type of stress test activities large BHCs and banks must undertake as well as rules governing stress testing controls, oversight and disclosure requirements. As required under the FRB's stress testing rule, we completed a mid-cycle stress test based on March 31, 2013, data and scenarios developed by the Company. We submitted the results of the mid-cycle stress test to the FRB in July 2013 and disclosed a summary of the results in September 2013.

Securities Repurchases

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

In October 2012, the Board authorized the repurchase of 200 million shares. At December 31, 2013, we had remaining authority under this authorization to purchase approximately 74 million shares, subject to regulatory and legal conditions. For more information about share repurchases during 2013, see Part II, Item 2 in this Report.

Historically, our policy has been to repurchase shares under the "safe harbor" conditions of Rule 10b-18 of the Securities Exchange Act of 1934 including a limitation on the daily volume of repurchases. Rule 10b-18 imposes an additional daily volume limitation on share repurchases during a pending merger or acquisition in which shares of our stock will constitute some or all of the consideration. Our management may determine that during a pending stock merger or acquisition when the safe harbor would otherwise be available, it is in our best interest to repurchase shares in excess of this additional daily volume limitation. In such cases, we intend to repurchase shares in compliance with the other conditions of the safe harbor, including the standing daily volume limitation that applies whether or not there is a pending stock merger or acquisition.

In connection with our participation in the Capital Purchase Program (CPP), a part of the Troubled Asset Relief Program (TARP), we issued to the U.S. Treasury Department warrants to purchase 110,261,688 shares of our common stock with an exercise price of $34.01 per share expiring on October 28, 2018. The Board authorized the repurchase by the Company of up to $1 billion of the warrants. On May 26, 2010, in an auction by the U.S. Treasury, we purchased 70,165,963 of the warrants at a price of $7.70 per warrant. We have purchased an additional 986,426 warrants, all on the open market, since the U.S. Treasury auction. At December 31, 2013, there were 39,108,864 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.

Risk-Based Capital and Risk-Weighted Assets

Table 56 and Table 57 provide information regarding the composition of and change in our risk-based capital, respectively, under Basel I.

Table 56: Risk-Based Capital Components Under Basel I

(in billions)		December 31, 2013	2012
Total equity		$ **171.0**	158.9
Noncontrolling interests		**(0.9)**	(1.3)
Common stockholders' equity		**170.1**	157.6
Adjustments:			
Preferred stock		**(15.2)**	(12.0)
Cumulative other comprehensive income		**(1.4)**	(5.6)
Goodwill and other intangible assets (1)		**(29.6)**	(30.4)
Investment in certain subsidiaries and other		**(0.4)**	(0.6)
Tier 1 common equity (2)	(A)	**123.5**	109.0
Preferred stock		**15.2**	12.0
Qualifying hybrid securities and noncontrolling interests		**2.0**	5.6
Total Tier 1 capital		**140.7**	126.6
Long-term debt and other instruments qualifying as Tier 2		**20.5**	17.2
Qualifying allowance for credit losses		**14.3**	13.6
Other		**0.7**	0.2
Total Tier 2 capital		**35.5**	31.0
Total qualifying capital	(B)	$ **176.2**	157.6
Risk-weighted assets (RWAs) (3):			
Credit risk		$ **1,105.2**	1,066.2
Market risk		**36.3**	10.9
Total RWAs	(C)	$ **1,141.5**	1,077.1
Capital Ratios:			
Tier 1 common equity to total RWAs	(A)/(C)	**10.82 %**	10.12
Total capital	(B)/(C)	**15.43**	14.63

(1) Goodwill and other intangible assets are net of any associated deferred tax liabilities.

(2) Tier 1 common equity is a non-GAAP financial measure that is used by investors, analysts and bank regulatory agencies to assess the cap tal 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 reconciliat on to total equity, because of current interest in such information on the part of market participants.

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

Table 57: Analysis of Changes in Capital Under Basel I

(in billions)			
Tier 1 common equity at December 31, 2012		$	109.0
Net income			20.9
Common stock dividends			(6.1)
Common stock repurchased			(2.6)
Other changes in addition paid in capital			0.7
Goodwill and other intangible assets (net of any associated deferred tax liabilities)			0.9
Other			0.7
Change in Tier 1 common equity			14.5
Tier 1 common equity at December 31, 2013		$	123.5
Tier 1 capital at December 31, 2012		$	126.6
Change in Tier 1 common equity			14.5
Issuance of noncumulative perpetual preferred			3.1
Redemption of trust preferred securities			(2.8)
Other			(0.7)
Change in Tier 1 capital			14.1
Tier 1 capital at December 31, 2013	(A)	$	140.7
Tier 2 capital at December 31, 2012		$	31.0
Change in long-term debt and other instruments qualifying as Tier 2			3.3
Change in qualifying allowance for credit losses			0.7
Other			0.5
Change in Tier 2 capital			4.5
Tier 2 capital at December 31, 2013	(B)		35.5
Qualifying capital	(A) + (B)	$	176.2

Table 58 presents information on the components of RWAs included within our regulatory capital ratios under Basel I. Additional information regarding the composition of market risk-weighted assets is provided in Table 59 in this Report.

Table 58: Risk-Weighted Assets Under Basel I

	December 31,	
(in millions)	**2013**	2012
On-balance sheet RWAs		
Investment securities	**$ 93,445**	85,205
Securities financing transactions (1)	**10,385**	20,040
Loans (2)	**680,953**	660,724
Market risk	**36,339**	10,947
Other	**91,788**	83,981
Total on-balance sheet RWAs	**912,910**	860,897
Off-balance sheet RWAs		
Commitments and guarantees (3)	**199,197**	180,151
Derivatives	**10,545**	13,599
Other	**18,862**	22,503
Total off-balance sheet RWAs	**228,604**	216,253
Total RWAs under Basel I	**$ 1,141,514**	1,077,150

(1) Represents fed funds sold and securities purchased under resale agreements.
(2) Represents loans held for sale and loans held for investment.
(3) Primarily includes financial standby letters of credit and other unused comm tments.

Table 59 presents changes in RWAs for the year ended December 31, 2013.

Table 59: Analysis of Changes in Risk-Weighted Assets Under Basel I

(in millions)	
RWAs at December 31, 2012	$ 1,077,150
Net change in on-balance sheet RWAs:	
Investment securities	8,240
Securities financing transactions	(9,655)
Loans	20,229
Market risk	25,392
Other	7,807
Total change in on-balance sheet RWAs	52,013
Net change in off-balance sheet RWAs:	
Commitments and guarantees	19,046
Derivatives	(3,054)
Other	(3,641)
Total change in off-balance sheet RWAs	12,351
RWAs at December 31, 2013	$ 1,141,514

The increase in on-balance sheet RWAs was primarily due to increased market risk, loan exposure and investment securities. Off-balance sheet RWAs primarily increased due to newly issued commitments and guarantees.

Table 60 provides information regarding our CET1 calculation as estimated under Basel III using the advanced approach method.

Table 60: Common Equity Tier 1 Under Basel III (1)(2)

(in billions)		December 31, 2013	
Tier 1 common equity under Basel I		$ 123.5	
Adjustments from Basel I to Basel III (3) (4):			
Cumulative other comprehensive income related to AFS securities and defined benefit pension plans		1.3	
Other		1.4	
Total adjustments from Basel I to Basel III		2.7	
Threshold deductions, as defined under Basel III (4) (5)		-	
Common Equity Tier 1 anticipated under Basel III	(C)	$ 126.2	
Total RWAs anticipated under Basel III (6)	(D)	$ 1,293.4	
Common Equity Tier 1 to total RWAs anticipated under Basel III	(C)/(D)	9.76	%

(1) Common Equity Tier 1 is a non-GAAP financial measure that is used by investors, analysts and bank regulatory agencies to assess the cap tal position of financial serv ces companies. Management reviews Common Equ ty Tier 1 along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliat on to total equity, because of current interest in such information on the part of market participants.

(2) The Basel III Common Equity Tier 1 and RWAs are estimated based on management's interpretation of the Basel III cap tal rules adopted July 2, 2013, by the FRB. The rules establish a new comprehensive capital framework for U.S. banking organizations that implement the Basel III capital framework and certain provisions of the Dodd-Frank Act.

(3) Adjustments from Basel I to Basel III represent reconciling adjustments, primarily certain components of cumulative other comprehensive income deducted for Basel I purposes, to derive Common Equity Tier 1 under Basel III.

(4) Volatility in interest rates can have a significant impact on the valuat on 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.

(5) Threshold deductions, as defined under Basel III, include individual and aggregate limitations, as a percentage of Common Equity Tier 1, with respect to MSRs (net of related deferred tax liability, wh ch approximates the MSR book value times the appl cable statutory tax rates), deferred tax assets and investments in unconsolidated financial companies.

(6) The final Basel III capital rules provide for two cap tal frameworks: the "standardized" approach intended to replace Basel I, and the "advanced" approach applicable to certain institut ons as originally defined under Basel II. Under the final rules, we will be subject to the lower of our Common Equity Tier 1 rat o calculated under the standardized approach and under the advanced approach in the assessment of our capital adequacy. Accordingly, the estimate of RWA reflects management's interpretat on of RWA determined under the advanced approach because management expects RWA to be higher using the advanced approach compared with the standardized approach. Basel III capital rules adopted by the Federal Reserve Board incorporate different classif cat on of assets, with certain risk weights based on a borrower's credit rating or Wells Fargo's own models, along w th adjustments to address a combinat on of cred t/counterparty, operat onal and market risks, and other Basel III elements.

Regulatory Reform

Since the enactment of the Dodd-Frank Act in 2010, the U.S. financial services industry has been subject to a significant increase in regulation and regulatory oversight initiatives. This increased regulation and oversight has substantially changed how most U.S. financial services companies conduct business and has increased their regulatory compliance costs. The following highlights the more significant regulations and regulatory oversight initiatives that have affected or may affect our business. For additional information about the regulatory reform matters discussed below and other regulations and regulatory oversight matters, see Part I, Item 1 "Regulation and Supervision" of our 2013 Form 10-K, and the "Capital Management," "Forward-Looking Statements" and "Risk Factors" sections and Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

Dodd-Frank Act

The Dodd-Frank Act is the most significant financial reform legislation since the 1930s and is driving much of the current U.S. regulatory reform efforts. The Dodd-Frank Act and many of its provisions became effective in July 2010 and July 2011. However, a number of its provisions still require final rulemaking or additional guidance and interpretation by regulatory authorities or will be implemented over time. Accordingly, in many respects the ultimate impact of the Dodd-Frank Act and its effects on the U.S. financial system and the Company remain uncertain. The following provides additional information on the Dodd-Frank Act, including the current status of certain of its rulemaking initiatives.

- *Enhanced supervision and regulation of systemically important firms*. The Dodd-Frank Act grants broad authority to federal banking regulators to establish enhanced supervisory and regulatory requirements for systemically important firms. The FRB has finalized a number of regulations implementing enhanced prudential requirements for large bank holding companies (BHCs) like Wells Fargo regarding risk-based capital and leverage, risk and liquidity management, and stress testing and imposing debt-to-equity limits on any BHC that regulators determine poses a grave threat to the financial stability of the United States. The FRB has also proposed, but not yet finalized, additional enhanced prudential standards that would implement single counterparty credit limits and establish remediation requirements for large BHCs experiencing financial distress. In addition to the authorization of enhanced supervisory and regulatory requirements for systemically important firms, the Dodd-Frank Act also established the Financial Stability Oversight Council (FSOC) and the Office of Financial Research, which may recommend new systemic risk management requirements and require new reporting of systemic risks. The OCC, under separate authority, has also recently released for public comment proposed new guidelines establishing heightened governance and risk management standards for large national banks such as Wells Fargo Bank, N.A.
- *The Collins Amendment.* This provision of the Dodd-Frank Act phases out the benefit of issuing trust preferred securities by eliminating them from Tier 1 capital over a three year period that began on January 1, 2013.
- *Regulation of consumer financial products.* The Dodd-Frank Act established the Consumer Financial Protection Bureau (CFPB) to ensure consumers receive clear and accurate disclosures regarding financial products and to protect them from hidden fees and unfair or abusive practices. With respect to residential mortgage lending, the CFPB issued a number of final rules in 2013 implementing new requirements that generally became effective in January 2014. These rules include provisions requiring creditors originating residential mortgage loans to make a reasonable and good faith determination that each applicant has a reasonable ability to repay the loan. In addition, these rules established a definition of "qualified mortgage" to support a broad access to credit for consumers coupled with legal protections for lenders and secondary market purchasers. These rules also impose requirements on servicers to correct loan information errors, to provide information in response to borrower requests, and to provide protection to borrowers in cases of force-placed insurance. Other rules address policy and procedural concerns, such as requirements to provide notice or information regarding certain interest rate adjustments or payoff information; to evaluate borrower applications for and to provide delinquent borrowers with information regarding loss mitigation options; and to establish loan originator compensation restrictions, high-cost mortgage requirements, appraisal requirements, and escrow standards for higher-priced mortgages. In November 2013, the CFPB also finalized rules integrating disclosures required of lenders and settlement agents under the Truth in Lending Act and the Real Estate Settlement Procedures Act effective August 1, 2015. In addition to these rulemaking activities, the CFPB is continuing its on-going supervisory examination activities of the financial services industry with respect to a number of consumer businesses and products, including credit card add-on products, fair lending requirements, and student lending activities. At this time, the Company cannot predict the full impact of the CFPB's rulemaking and supervisory authority on our business practices or financial results.

  Regulators also provided guidance to the financial services industry regarding the provision of short-term, small-dollar loans to consumers, such as our direct deposit advance service. On January 17, 2014, we announced that we would discontinue our direct deposit advance service. New consumer checking accounts opened February 1, 2014, or later will not be eligible to access the service, while existing customers will be able to access the service until mid-2014. Discontinuation of the service is not expected to have a material financial impact on the Company.
- *Volcker Rule.* The Volcker Rule substantially restricts banking entities from engaging in proprietary trading or

owning any interest in or sponsoring or having certain relationships with a hedge fund, a private equity fund or certain structured transactions that are deemed covered funds. On December 10, 2013, federal banking regulators, the SEC and CFTC jointly released a final rule to implement the Volcker Rule's restrictions. Banking entities are not required to come into compliance with the Volcker Rule's restrictions until July 21, 2015. Banking entities with $50 billion or more in trading assets and liabilities such as Wells Fargo, however, will be required to report certain trading metrics beginning June 30, 2014. During the conformance period, banking entities are expected to engage in "good-faith" planning efforts, appropriate for their activities and investments, to enable them to conform all of their activities and investments to the Volcker Rule's restrictions by no later than July 21, 2015. Limited further extensions of the compliance period may be granted at the discretion of the FRB. As a banking entity with more than $50 billion in consolidated assets, we will also be subject to enhanced compliance program requirements. We continue to evaluate the final rule and assess its impact on our trading and investment activities, but we do not anticipate a material impact to our financial results as proprietary trading is not significant to our financial results. Moreover, we already have reduced or exited certain businesses in anticipation of the rule's compliance date and, although we expect to have to divest certain investments in non-conforming funds as a result of the rule, such divestments will be limited and are not expected to be material to our financial results.

- *Regulation of swaps and other derivatives activities.* The Dodd-Frank Act established a comprehensive framework for regulating over-the-counter derivatives and authorized the CFTC and the SEC to regulate swaps and security-based swaps, respectively. The CFTC and SEC jointly adopted new rules and interpretations that established the compliance dates for many of their rules implementing the new regulatory framework, including provisional registration of our national bank subsidiary, Wells Fargo Bank, N.A., as a swap dealer, which occurred at the end of 2012. In addition, the CFTC has adopted final rules that, among other things, require extensive regulatory and public reporting of swaps, require certain swaps to be centrally cleared and traded on exchanges or other multilateral platforms, and require swap dealers to comply with comprehensive internal and external business conduct standards. Margin rules for swaps not centrally cleared have been proposed and, if adopted, may significantly increase the cost of hedging in the over-the-counter market. These new rules, as well as others being considered by regulators in other jurisdictions, may negatively impact customer demand for over-the-counter derivatives.

  Also included in this regulatory framework are certain "push-out" provisions affecting U.S. banks acting as dealers in commodity swaps, equity swaps and certain credit default swaps, which will require that these activities be conducted through an affiliate. The "push-out" provision in the Dodd-Frank Act provided for a July 2013 effective date and granted the OCC discretion to provide a transition period of up to two years for banks to comply with the new requirements. Wells Fargo Bank, N.A. prepared and filed a transition period request with the OCC, and the OCC granted the request providing a twenty-four month transition period which began on July 16, 2013.
- *Changes to ABS markets.* The Dodd-Frank Act requires sponsors of ABS to hold at least a 5% ownership stake in the ABS. Exemptions from the requirement include qualified residential mortgages (QRMs) and FHA/VA loans. Federal regulatory agencies proposed initial joint rules in 2011 to implement this credit risk retention requirement, which included an exemption for the GSE's mortgage-backed securities. The 2011 proposal was subject to extensive public comment, and the agencies issued a second proposal in 2013. The second proposal revised the definition of QRMs, which are exempt from the risk retention requirements, to align the definition with the Consumer Financial Protection Bureau's definition of "qualified mortgage." The second proposal also addressed the measures for complying with the risk retention requirement and continued to provide limited exemptions for qualifying commercial loans, qualifying commercial real estate loans, and qualifying automobile loans that meet certain requirements. If adopted as written, the current proposal may impact our ability to issue certain asset-backed securities or otherwise participate in various securitization transactions. Final rules have not yet been issued.
- *Enhanced regulation of money market mutual funds.* Citing concerns with perceived risks that money market mutual funds may pose to the financial stability of the United States, the FSOC released proposed recommendations to the SEC for additional regulations governing these funds. The FSOC's proposed recommendations included implementation of floating net asset value requirements, redemption holdback provisions, and capital buffer requirements. These proposed recommendations would be in addition to regulatory changes with respect to money market mutual funds made by the SEC in 2010. The FSOC released the proposed recommendations for public comment but has not yet adopted final recommendations. Following the FSOC's proposal, the SEC issued its own proposed regulatory changes that would, among other things, require a floating net asset value for prime institutional money market funds, or liquidity fees and redemption gates during periods of stress for non-governmental money market funds, or a combination of both measures. The SEC's proposal was subject to public comment, but the SEC has not yet adopted any of the proposed regulatory changes.
- *Regulation of interchange transaction fees (the Durbin Amendment).* On October 1, 2011, the FRB rule enacted to implement the Durbin Amendment to the Dodd-Frank Act that limits debit card interchange transaction fees to those "reasonable" and "proportional" to the cost of the transaction became effective. The rule generally established that the maximum allowable interchange fee that an issuer may receive or charge for an electronic debit transaction is

the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction. On July 31, 2013, the U.S. District Court for the District of Columbia ruled that the approach used by the FRB in setting the maximum allowable interchange transaction fee impermissibly included costs that were specifically excluded from consideration under the Durbin Amendment. The District Court's decision maintained the current interchange transaction fee standards until the FRB drafts new regulations or interim standards. In August 2013, the FRB filed a notice of appeal of the decision to the United States Court of Appeals for the District of Columbia. In September 2013, the Court of Appeals granted a joint motion for an expedited appeal, and the District Court's order has been stayed pending the appeal. The Court of Appeals held oral arguments on the appeal in January 2014.

Regulatory Capital Guidelines and Capital Plans

During 2013, federal banking regulators issued final rules that substantially amended the risk-based capital rules for banking organizations. The rules implement the Basel III regulatory capital reforms in the U.S., comply with changes required by the Dodd-Frank Act, and replace the existing Basel I-based capital requirements. We were required to begin complying with the rules on January 1, 2014, subject to phase-in periods that are scheduled to be fully phased in by January 1, 2022. Federal banking regulators have also issued proposals to impose a supplementary leverage ratio on large BHCs like Wells Fargo and our insured depository institutions and to implement the Basel III liquidity coverage ratio. For more information on the final capital rules, the proposed leverage and liquidity rules, and additional capital requirements under consideration by federal banking regulators, see the "Capital Management" section in this Report.

"Living Will" Requirements and Related Matters

Rules adopted by the FRB and the FDIC under the Dodd-Frank Act require large financial institutions, including Wells Fargo, to prepare and periodically revise resolution plans, so called "living-wills", that would facilitate their resolution in the event of material distress or failure. Under the rules, resolution plans are required to provide strategies for resolution under the Bankruptcy Code and other applicable insolvency regimes that can be accomplished in a reasonable period of time and in a manner that mitigates the risk that failure would have serious adverse effects on the financial stability of the United States. Wells Fargo submitted its resolution plan under these rules on June 29, 2013. If the FRB and FDIC determine that our resolution plan is deficient, the Dodd-Frank Act authorizes the FRB and FDIC to impose more stringent capital, leverage or liquidity requirements on us or restrict our growth or activities until we submit a plan remedying the deficiencies. If the FRB and FDIC ultimately determine that we have been unable to remedy the deficiencies, they could order us to divest assets or operations in order to facilitate our orderly resolution in the event of our material distress or failure. Our national bank subsidiary, Wells Fargo Bank, N.A., is also required to prepare a resolution plan for the FDIC under separate regulatory authority and submitted the plan on June 29, 2013.

The Dodd-Frank Act also establishes an orderly liquidation process which allows for the appointment of the FDIC as a receiver of a systemically important financial institution that is in default or in danger of default. The FDIC has issued rules to implement its orderly liquidation authority and recently released a notice regarding a proposed resolution strategy, known as "single point of entry," designed to resolve a large financial institution in a manner that holds management responsible for its failure, maintains market stability, and imposes losses on shareholders and creditors in accordance with statutory priorities, without imposing a cost on U.S. taxpayers. Implementation of the strategy would require that institutions maintain a sufficient amount of available equity and unsecured debt to absorb losses and recapitalize operating subsidiaries. The FDIC has requested public comment on this proposed resolution strategy.

Critical Accounting Policies

Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report) 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.

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, including unfunded credit commitments, at the balance sheet date, excluding loans carried at fair value. We develop and document our allowance methodology at the portfolio segment level. Our loan portfolio consists of a commercial loan portfolio segment and a consumer loan portfolio segment.

We employ a disciplined process and methodology to establish our allowance for credit losses. The total allowance for

credit losses considers both impaired and unimpaired loans. While our methodology attributes portions of the allowance to specific portfolio segments, the entire allowance for credit losses is available to absorb credit losses inherent in the total loan portfolio and unfunded credit commitments. No single statistic or measurement determines the appropriateness of the allowance for credit losses.

COMMERCIAL PORTFOLIO SEGMENT The allowance for credit losses for unimpaired commercial loans is estimated through the application of loss factors to loans based on credit risk ratings for each loan. In addition, the allowance for unfunded credit commitments, including letters of credit, is estimated by applying these loss factors to loan equivalent exposures. The loss factors reflect the estimated default probability and quality of the underlying collateral. The loss factors used are statistically derived through the observation of historical losses incurred for loans within each credit risk rating over a relevant specified period of time. We apply our judgment to adjust or supplement these loss factors and estimates to reflect other risks that may be identified from current conditions and developments in selected portfolios. These risk ratings are subject to review by an internal team of credit specialists.

The allowance also includes an amount for estimated credit losses on impaired loans such as nonaccrual loans and loans that have been modified in a TDR, whether on accrual or nonaccrual status.

CONSUMER PORTFOLIO SEGMENT Loans are pooled generally by product type with similar risk characteristics. Losses are estimated using forecasted losses to represent our best estimate of inherent loss based on historical experience, quantitative and other mathematical techniques over the loss emergence period. Each business group exercises significant judgment in the determination of the credit loss estimation model that fits the credit risk characteristics of its portfolio. We use both internally developed and vendor supplied models in this process. We often use roll rate or net flow models for near-term loss projections, and vintage-based models, behavior score models, and time series or statistical trend models for longer-term projections. Management must use judgment in establishing additional input metrics for the modeling processes, considering further stratification into sub-product, origination channel, vintage, loss type, geographic location and other predictive characteristics. In addition, we establish an allowance for consumer loans modified in a TDR, whether on accrual or nonaccrual status.

The models used to determine the allowance are validated by an internal model validation group operating in accordance with Company policies.

OTHER ACL MATTERS The allowance for credit losses for both portfolio segments includes an amount for imprecision or uncertainty that may change from period to period. This amount represents management's judgment of risks inherent in the processes and assumptions used in establishing the allowance. This imprecision considers economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends and risk assessments for our commitments to regulatory and government agencies regarding settlements of mortgage foreclosure-related matters.

Impaired loans, which predominantly include nonaccrual commercial loans and any loans that have been modified in a TDR have an estimated allowance calculated as the difference, if any, between the impaired value of the loan and the recorded investment in the loan. The impaired value of the loan is generally calculated as the present value of expected future cash flows from principal and interest, which incorporates expected lifetime losses, discounted at the loan's effective interest rate. The development of these expectations requires significant management review and judgment. When collateral is the sole source of repayment for an impaired loan, rather than the borrower's income or other sources of repayment, we charge down to net realizable value which may reduce or eliminate the need for an allowance. The allowance for an unimpaired loan is based solely on principal losses without consideration for timing of those losses. The allowance for an impaired loan that was modified in a TDR may be lower than the previously established allowance for that loan due to benefits received through modification, such as lower probability of default and/or severity of loss, and the impact of prior charge-offs or charge-offs at the time of the modification that may reduce or eliminate the need for an allowance.

Commercial and consumer PCI loans may require an allowance subsequent to their acquisition. This allowance requirement is due to probable decreases in expected principal and interest cash flows (other than due to decreases in interest rate indices and changes in prepayment assumptions).

SENSITIVITY TO CHANGES Changes in the allowance for credit losses and, therefore, in the related provision for credit losses can materially affect net income. In applying the review and judgment required to determine the allowance for credit losses, management considers changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, economic factors or business decisions, such as the addition or liquidation of a loan product or business unit, may affect the loan portfolio, causing management to provide or release amounts from the allowance for credit losses.

The allowance for credit losses for commercial loans, including unfunded credit commitments (individually risk weighted) is sensitive to credit risk ratings assigned to each credit exposure. Commercial loan risk ratings are evaluated based on each situation by experienced senior credit officers and are subject to periodic review by an internal team of credit specialists.

The allowance for credit losses for consumer loans (statistically modeled) is sensitive to economic assumptions and delinquency trends. Forecasted losses are modeled using a range of economic scenarios.

Assuming a one risk rating downgrade throughout our commercial portfolio segment, a more pessimistic economic outlook for modeled losses on our consumer portfolio segment and incremental deterioration in our PCI portfolio could imply

an additional allowance requirement of approximately $8.4 billion.

Assuming a one risk rating upgrade throughout our commercial portfolio segment and a more optimistic economic outlook for modeled losses on our consumer portfolio segment could imply a reduced allowance requirement of approximately $2.0 billion.

The sensitivity analyses provided are hypothetical scenarios and are not considered probable. They do not represent management's view of inherent losses in the portfolio as of the balance sheet date. Because significant judgment is used, it is possible that others performing similar analyses could reach different conclusions.

See the "Risk Management – Credit Risk Management" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for further discussion of our allowance.

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. 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.

Management evaluates whether there is evidence of credit quality deterioration as of the purchase date using indicators such as past due and nonaccrual status, commercial risk ratings, recent borrower credit scores and recent loan-to-value percentages.

The fair value at acquisition is based on an estimate of cash flows, both principal and interest, expected to be collected, discounted at the prevailing market rate of interest. We estimate the cash flows expected to be collected at acquisition using our internal credit risk, interest rate risk and prepayment risk models, which incorporate our best estimate of current key assumptions, such as property values, default rates, loss severity and prepayment speeds.

Substantially all commercial and industrial, CRE and foreign PCI loans are accounted for as individual loans. Conversely, Pick-a-Pay and other consumer PCI loans have been aggregated into pools based on common risk characteristics. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

The excess of cash flows expected to be collected over the carrying value (estimated fair value at acquisition date) is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the loan, or pool of loans, in situations where there is a reasonable expectation about the timing and amount of cash flows expected to be collected. The difference between the contractually required payments and the cash flows expected to be collected at acquisition, considering the impact of prepayments, is referred to as the nonaccretable difference.

Subsequent to acquisition, we regularly evaluate our estimates of cash flows expected to be collected. These evaluations, performed quarterly, require the continued usage of key assumptions and estimates, similar to our initial estimate of fair value. We must apply judgment to develop our estimates of cash flows for PCI loans given the impact of home price and property value changes, changing loss severities, modification activity, and prepayment speeds.

If we have probable decreases in cash flows expected to be collected (other than due to decreases in interest rate indices and changes in prepayment assumptions), we charge the provision for credit losses, resulting in an increase to the allowance for loan losses. If we have probable and significant increases in cash flows expected to be collected, we first reverse any previously established allowance for loan losses and then increase interest income as a prospective yield adjustment over the remaining life of the loan, or pool of loans. Estimates of cash flows are impacted by changes in interest rate indices for variable rate loans and prepayment assumptions, both of which are treated as prospective yield adjustments included in interest income.

The amount of cash flows expected to be collected and, accordingly, the appropriateness of the allowance for loan loss due to certain decreases in cash flows expected to be collected, is particularly sensitive to changes in loan credit quality. The sensitivity of the overall allowance for credit losses, including PCI loans, is presented in the preceding section, "Critical Accounting Policies – Allowance for Credit Losses."

See the "Risk Management – Credit Risk Management" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for further discussion of PCI loans.

Valuation of Residential Mortgage Servicing Rights

MSRs are assets that represent the rights to service mortgage loans for others. We recognize MSRs when we purchase servicing rights from third parties, or retain servicing rights in connection with the sale or securitization of loans we originate (asset transfers). We also have MSRs acquired in the past under co-issuer agreements that provide for us to service loans that were originated and securitized by third-party correspondents. We initially measure and carry our MSRs related to residential mortgage loans at fair value.

At the end of each quarter, we determine the fair value of MSRs using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds (including housing price volatility), discount rates, default rates, cost to service (including delinquency and foreclosure costs), escrow account earnings, contractual servicing fee income, ancillary income and late fees.

Net servicing income, a component of mortgage banking noninterest income, includes the changes from period to period in fair value of both our residential MSRs and the free-standing derivatives (economic hedges) used to hedge our residential MSRs. Changes in the fair value of residential MSRs result from (1) changes in the valuation model inputs or assumptions and

(2) other changes, representing changes due to collection/realization of expected cash flows. Changes in fair value due to changes in significant model inputs and assumptions include prepayment speeds (which are influenced by changes in mortgage interest rates and borrower behavior, including estimates for borrower default), discount rates, and servicing and foreclosure costs.

We use a dynamic and sophisticated model to estimate the value of our MSRs. The model is validated by an internal model validation group operating in accordance with Company policies. Senior management reviews all significant assumptions quarterly. Mortgage loan prepayment speed – a key assumption in the model – is the annual rate at which borrowers are forecasted to repay their mortgage loan principal including estimates for borrower default. The discount rate used to determine the present value of estimated future net servicing income – another key assumption in the model – is the required rate of return investors in the market would expect for an asset with similar risk. To determine the discount rate, we consider the risk premium for uncertainties from servicing operations (e.g., possible changes in future servicing costs, ancillary income and earnings on escrow accounts). Both assumptions can, and generally will, change quarterly as market conditions and interest rates change. For example, an increase in either the prepayment speed or discount rate assumption results in a decrease in the fair value of the MSRs, while a decrease in either assumption would result in an increase in the fair value of the MSRs. In recent years, there have been significant market-driven fluctuations in loan prepayment speeds and the discount rate. These fluctuations can be rapid and may be significant in the future. Therefore, estimating prepayment speeds within a range that market participants would use in determining the fair value of MSRs requires significant management judgment. Additionally, in recent years, we have made significant adjustments to the assumptions for servicing and foreclosure costs as a result of an increase in the number of defaulted loans as well as changes in servicing processes associated with default and foreclosure management. While our current valuation reflects our best estimate of these costs, future regulatory changes in servicing standards, as well as changes in individual state foreclosure legislation, may have an impact on these assumptions and our MSR valuation in future periods.

The valuation and sensitivity of MSRs is discussed further in Note 1 (Summary of Significant Accounting Policies), Note 8 (Securitizations and Variable Interest Entities), Note 9 (Mortgage Banking Activities) and Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Liability for Mortgage Loan Repurchase Losses

We sell residential mortgage loans to various parties, including (1) GSEs, which include the mortgage loans in GSE-guaranteed mortgage securitizations, (2) special purpose entities 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, which back securities guaranteed by GNMA. The agreements under which we sell mortgage loans and the insurance or guaranty agreements with FHA and VA contain provisions that include various representations and warranties regarding the origination and characteristics of the mortgage loans. Although the specific representations and warranties vary among different sales, insurance or guarantee agreements, they typically cover ownership of the loan, compliance with loan criteria set forth in the applicable agreement, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, compliance with applicable origination laws, and other matters. For more information about these loan sales and the related risks that may result in liability see the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section in this Report.

We may be required to repurchase 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. Our loan sale contracts to private investors (non-GSE) typically contain an additional provision where we would only be required to repurchase loans if any such breach is deemed to have a material and adverse effect on the value of the mortgage loan or to the interests of the investors or interests of security holders in the mortgage loan. The time periods specified in our mortgage loan sales contracts to respond to repurchase requests vary, but are generally 90 days or less. While many contracts do not include specific remedies if the applicable time period for a response is not met, contracts for mortgage loan sales to the GSEs include various types of specific remedies and penalties that could be applied to inadequate responses to repurchase requests. Similarly, the agreements under which we sell mortgage loans require us to deliver various documents to the securitization trust or investor, and we may be obligated to repurchase any mortgage loan for which the required documents are not delivered or are defective. In addition, 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. Upon receipt of a repurchase request or a mortgage insurance rescission, we work with securitization trusts, investors or insurers to arrive at a mutually agreeable resolution. Repurchase demands are typically reviewed on an individual loan by loan basis to validate the claims made by the securitization trust, investor or insurer, and to determine whether a contractually required repurchase event occurred. Occasionally, in lieu of conducting a loan level evaluation, we may negotiate global settlements in order to resolve a pipeline of demands in lieu of repurchasing the loans. We manage the risk associated with potential repurchases or other forms of settlement through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor and secondary market standards.

We establish mortgage repurchase liabilities related to various representations and warranties that reflect

management's estimate of losses for loans for which we could have a repurchase obligation, whether or not we currently service those loans, based on a combination of factors. Such factors include default expectations, expected investor repurchase demands (influenced by current and expected mortgage loan file requests and mortgage insurance rescission notices, as well as estimated levels of origination defects) and appeals success rates (where the investor rescinds the demand based on a cure of the defect or acknowledges that the loan satisfies the investor's applicable representations and warranties), reimbursement by correspondent and other third party originators, and projected loss severity. We establish a liability at the time loans are sold and continually update our liability estimate during the remaining life of such loans. Although activity can vary by investor, investors may demand repurchase at any time and there is often a lag from the date of default to the time we receive a repurchase demand. The majority of repurchase demands are on loans that default in the first 24 to 36 months following origination of the mortgage loan. The most significant portion of our repurchases under our representation and warranty provisions are attributable to borrower misrepresentations and loan underwriting issues.

To date, repurchase demands from private label MBS have been more limited than GSE-guaranteed securities; however, it is possible that requests to repurchase mortgage loans in private label securitizations may increase in frequency as investors explore every possible avenue to recover losses on their securities. We evaluate the validity and materiality of any claim of breach of representations and warranties in private label MBS that is brought to our attention and work with securitization trustees to resolve any repurchase requests. Nevertheless, we may be subject to legal and other expenses if private label securitization trustees or investors choose to commence legal proceedings in the event of disagreements.

The mortgage loan repurchase liability at December 31, 2013, represents our best estimate of the probable loss that we may incur for various representations and warranties in the contractual provisions of our sales of mortgage loans. Because the level of mortgage loan repurchase losses is dependent on economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. We maintain regular contact with the GSEs and other significant investors to monitor and address their repurchase demand practices and concerns. For additional information on our repurchase liability, including an adverse impact analysis, see the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section and Note 9 (Mortgage Banking Activities) to Financial Statements in this Report.

Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures. Trading assets, securities available for sale, derivatives, substantially all residential MHFS, certain loans held for investment, certain nonmarketable equity investments, securities sold but not yet purchased (short sale liabilities) and certain long-term debt instruments are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other assets on a nonrecurring basis, such as certain MHFS and LHFS, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets. Additionally, for certain financial instruments not recorded at fair value we disclose the estimate of their fair value.

Fair value represents the price that would be received to sell the financial asset or paid to transfer the financial liability in an orderly transaction between market participants at the measurement date.

The accounting provisions for fair value measurements include a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data. For additional information on fair value levels, see Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

When developing fair value measurements, we maximize the use of observable inputs and minimize the use of unobservable inputs. When available, we use quoted prices in active markets to measure fair value. If quoted prices in active markets are not available, fair value measurement is based upon models that use primarily market-based or independently sourced market parameters, including interest rate yield curves, prepayment speeds, option volatilities and currency rates. However, in certain cases, when market observable inputs for model-based valuation techniques are not readily available, we are required to make judgments about assumptions market participants would use to estimate fair value.

The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted prices in active markets or observable market parameters. For financial instruments with quoted market prices or observable market parameters in active markets, there is minimal subjectivity involved in measuring fair value. When quoted prices and observable data in active markets are not fully available, management judgment is necessary to estimate fair value. Changes in the market conditions, such as reduced liquidity in the capital markets or changes in secondary market activities, may reduce the availability and reliability of quoted prices or observable data used to determine fair value. When significant adjustments are required to price quotes or inputs, it may be appropriate to utilize an estimate based primarily on unobservable inputs. When an active market for a financial instrument does not exist, the use of management estimates that incorporate current market participant expectations of future cash flows, adjusted for an appropriate risk premium, is acceptable.

We may use third party pricing services and brokers (collectively, "pricing vendors") to obtain fair values ("vendor

prices") which are used to either record the price of an instrument or to corroborate internally developed prices. We have processes in place to approve such vendors to ensure information obtained and valuation techniques used are appropriate. Once these vendors are approved to provide pricing information, we monitor and review the results to ensure the fair values are reasonable and in line with market experience with similar asset classes. For certain securities, we may use internal traders to price instruments. Where vendor prices are utilized for recording the price of an instrument, we determine the most appropriate and relevant pricing vendor for each security class and obtain a price from that particular pricing vendor for each security.

Determination of the fair value of financial instruments using either vendor prices or internally developed prices is subject to our internal price validation procedures, which include, but are not limited to, one or a combination of the following procedures:

- comparison to pricing vendors (for internally developed prices) or to other pricing vendors (for vendor developed prices);
- variance analysis of prices;
- corroboration of pricing by reference to other independent market data such as secondary broker quotes and relevant benchmark indices;
- review of pricing by Company personnel familiar with market liquidity and other market-related conditions; and
- investigation of prices on a specific instrument-by-instrument basis.

For instruments where we utilize vendor prices to record the price of an instrument, we perform additional procedures. We evaluate pricing vendors by comparing prices from one vendor to prices of other vendors for identical or similar instruments and evaluate the consistency of prices to known market transactions when determining the level of reliance to be placed on a particular pricing vendor. Methodologies employed, controls in place and inputs used by third party pricing vendors are subject to additional review when such services are provided. This review may consist of, in part, obtaining and evaluating control reports issued and pricing methodology materials distributed.

Significant judgment is required to determine whether certain assets measured at fair value are included in Level 2 or Level 3. When making this judgment, we consider available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, we use a predetermined percentage to evaluate the impact of fair value adjustments derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Otherwise, the classification of Level 2 or Level 3 is based upon the specific facts and circumstances of each instrument or instrument category and judgments are made regarding the significance of the Level 3 inputs to the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

Our financial assets valued using Level 3 measurements consist of collateralized debt obligations (CDOs), certain collateralized loan obligations (CLOs), asset-backed securities, auction-rate securities, certain derivative contracts such as interest rate lock loan commitments on residential MHFS and credit default swaps related to collateralized mortgage obligation (CMO), CDO and CLO exposures and certain MHFS, certain loans, and MSRs. For additional information on how we value MSRs refer to the discussion earlier in this section.

Table 61 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 61: Fair Value Level 3 Summary

		December 31, 2013		December 31, 2012	
($ in billions)		**Total balance**	**Level 3 (1)**	Total balance	Level 3 (1)
Assets carried at fair value		**$ 353.1**	**37.2**	358.7	51.9
As a percentage of total assets		**23 %**	**2**	25	4
Liabilities carried at fair value		**$ 22.7**	**3.7**	22.4	3.1
As a percentage of total liabilities		**2 %**	*****	2	*

* Less than 1%.

(1) Before derivative netting adjustments.

See Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for a complete discussion on our fair valuation of financial instruments, our related measurement techniques and the impact to our financial statements.

Income Taxes

We are subject to the income tax laws of the U.S., its states and municipalities and those of the foreign jurisdictions in which we operate. Our income tax expense consists of current and deferred income tax expense. Current income tax expense represents our estimated taxes to be paid or refunded for the current period and includes income tax expense related to our uncertain tax positions. We determine deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and recognizes enacted changes in tax rates and laws in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized subject to management's judgment that realization is "more likely than not." Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement. Tax benefits not meeting our realization criteria represent unrecognized tax

benefits. Our unrecognized tax benefits on uncertain tax positions are reflected in Note 21 (Income Taxes) to Financial Statements in this Report. Foreign taxes paid are generally applied as credits to reduce federal income taxes payable. We account for interest and penalties as a component of income tax expense.

The income tax laws of the jurisdictions in which we operate are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of these inherently complex tax laws. We must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions by the government taxing authorities, both domestic and foreign. Our interpretations may be subjected to review during examination by taxing authorities and disputes may arise over the respective tax positions. We attempt to resolve these disputes during the tax examination and audit process and ultimately through the court systems when applicable.

We monitor relevant tax authorities and revise our estimate of accrued income taxes due to changes in income tax laws and their interpretation by the courts and regulatory authorities on a quarterly basis. Revisions of our estimate of accrued income taxes also may result from our own income tax planning and from the resolution of income tax controversies. Such revisions in our estimates may be material to our operating results for any given quarter.

See Note 21 (Income Taxes) to Financial Statements in this Report for a further description of our provision for income taxes and related income tax assets and liabilities.

Current Accounting Developments

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

- Accounting Standards Update (ASU or Update) 2014-04, Receivables – *Troubled Debt Restructurings by Creditors (Subtopic 310-40) – Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*
- ASU 2014-01, *Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*
- ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*; and
- ASU 2013-08, *Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements*.

ASU 2014-04 clarifies the timing of when a creditor is considered to have taken physical possession of residential real estate collateral for a consumer mortgage loan, resulting in the reclassification of the loan receivable to real estate owned. A creditor has taken physical possession of the property when either (1) the creditor obtains legal title through foreclosure, or (2) the borrower transfers all interests in the property to the creditor via a deed in lieu of foreclosure or a similar legal agreement. The Update also requires disclosure of the amount of foreclosed residential real estate property held by the creditor and the recorded investment in residential real estate mortgage loans that are in process of foreclosure. These changes are effective for us in first quarter 2015 with prospective application. Early adoption is permitted. Our adoption of this guidance will not have a material effect on our consolidated financial statements.

ASU 2014-01 amends the criteria a company must meet to elect to account for investments in qualified affordable housing projects using a method other than the cost or equity methods. If the criteria are met, a company is permitted to amortize the initial investment cost in proportion to and over the same period as the total tax benefits the company expects to receive. The amortization of the initial investment cost and tax benefits are to be recorded in the income tax expense line. The Update also requires new disclosures about all investments in qualified affordable housing projects regardless of the accounting method used. These changes are effective for us in first quarter 2015 with retrospective application. Early adoption is permitted. We are evaluating the impact this Update will have on our consolidated financial statements.

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

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

Forward-Looking Statements

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

Forward-looking statements are not based on historical facts but instead represent our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

- current and future economic and market conditions, including the effects of declines in housing prices, high unemployment rates, U.S. fiscal debt, budget and tax matters, and the overall slowdown in global economic growth;
- our capital and liquidity requirements (including under regulatory capital standards, such as the Basel III capital standards) and our ability to generate capital internally or raise capital on favorable terms;
- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and other legislation and regulation relating to bank products and services;
- the extent of our success in our loan modification efforts, as well as the effects of regulatory requirements or guidance regarding loan modifications;
- the amount of mortgage loan repurchase demands that we receive and our ability to satisfy any such demands without having to repurchase loans related thereto or otherwise indemnify or reimburse third parties, and the credit quality of or losses on such repurchased mortgage loans;
- negative effects relating to our mortgage servicing and foreclosure practices, including our obligations under the settlement with the Department of Justice and other federal and state government entities, as well as changes in industry standards or practices, regulatory or judicial requirements, penalties or fines, increased servicing and other costs or obligations, including loan modification requirements, or delays or moratoriums on foreclosures;
- our ability to realize our efficiency ratio target as part of our expense management initiatives, including as a result of business and economic cyclicality, seasonality, changes in our business composition and operating environment, growth in our businesses and/or acquisitions, and unexpected expenses relating to, among other things, litigation and regulatory matters;
- the effect of the current low interest rate environment or changes in interest rates on our net interest income, net interest margin and our mortgage originations, mortgage servicing rights and mortgages held for sale;
- a recurrence of significant turbulence or disruption in the capital or financial markets, which could result in, among other things, reduced investor demand for mortgage loans, a reduction in the availability of funding or increased funding costs, and declines in asset values and/or recognition of other-than-temporary impairment on securities held in our investment securities portfolio;
- the effect of a fall in stock market prices on our investment banking business and our fee income from our brokerage, asset and wealth management businesses;
- reputational damage from negative publicity, protests, fines, penalties and other negative consequences from regulatory violations and legal actions;
- a failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors or other service providers, including as a result of cyber attacks;
- the effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin;
- fiscal and monetary policies of the Federal Reserve Board; and
- the other risk factors and uncertainties described under "Risk Factors" in this Report.

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

For more information about factors that could cause actual results to differ materially from our expectations, refer to our reports filed with the Securities and Exchange Commission, including the discussion under "Risk Factors" in this Report, as filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

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

Risk Factors

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. We discuss below risk factors that could adversely affect our financial results and condition, and the value of, and return on, an investment in the Company.

RISKS RELATED TO THE ECONOMY, FINANCIAL MARKETS, INTEREST RATES AND LIQUIDITY

As one of the largest lenders in the U.S. and a provider of financial products and services to consumers and businesses across the U.S. and internationally, our financial results have been, and will continue to be, materially affected by general economic conditions, particularly unemployment levels and home prices in the U.S., and a deterioration in economic conditions or in the financial markets may materially adversely affect our lending and other businesses and our financial results and condition. We generate revenue from the interest and fees we charge on the loans and other products and services we sell, and a substantial amount of our revenue and earnings comes from the net interest income and fee income that we earn from our consumer and commercial lending and banking businesses, including our mortgage banking business where we currently are the largest mortgage originator in the U.S. These businesses have been, and will continue to be, materially affected by the state of the U.S. economy, particularly unemployment levels and home prices. Although the U.S. economy has continued to gradually improve from the depressed levels of 2008 and early 2009, economic growth has been slow and uneven. In addition, the negative effects and continued uncertainty stemming from U.S. fiscal and political matters, including concerns about deficit levels, taxes and U.S. debt ratings, have impacted and may continue to impact the continuing global economic recovery. For example, the U.S. government experienced a temporary closure in October 2013 due to the government's inability to reach a budget agreement, and, although a temporary agreement was reached, the risk of future closures or even a U.S. government default exists if further agreements cannot be achieved. A prolonged period of slow growth in the global economy, particularly in the U.S., or any deterioration in general economic conditions and/or the financial markets resulting from the above matters or any other events or factors that may disrupt or dampen the global economic recovery**,** could materially adversely affect our financial results and condition.

The improvement in the U.S. economy as well as higher home prices contributed to our strengthened credit performance and allowed us to release amounts from our allowance for credit losses, however there is no guarantee we will have allowance releases in the future. If unemployment levels worsen or if home prices fall we would expect to incur elevated charge-offs and provision expense from increases in our allowance for credit losses. These conditions may adversely affect not only consumer loan performance but also commercial and CRE loans, especially for those business borrowers that rely on the health of industries that may experience deteriorating economic conditions. The ability of these and other borrowers to repay their loans may deteriorate, causing us, as one of the largest commercial lenders and the largest CRE lender in the U.S., to incur significantly higher credit losses. In addition, weak or deteriorating economic conditions make it more challenging for us to increase our consumer and commercial loan portfolios by making loans to creditworthy borrowers at attractive yields. Although we have significant capacity to add loans to our balance sheet, loan demand, especially consumer loan demand, has been soft resulting in our retaining a much higher amount of lower yielding liquid assets on our balance sheet. If economic conditions do not continue to improve or if the economy worsens and unemployment rises, which also would likely result in a decrease in consumer and business confidence and spending, the demand for our credit products, including our mortgages, may fall, reducing our interest and noninterest income and our earnings.

A deterioration in business and economic conditions, which may erode consumer and investor confidence levels, and/or increased volatility of financial markets, also could adversely affect financial results for our fee-based businesses, including our investment advisory, mutual fund, securities brokerage, wealth management, and investment banking businesses. In 2013, approximately 25% of our revenue was fee income, which included trust and investment fees, card fees and other fees. We earn fee income from managing assets for others and providing brokerage and other investment advisory and wealth

management services. Because investment management fees are often based on the value of assets under management, a fall in the market prices of those assets could reduce our fee income. Changes in stock market prices could affect the trading activity of investors, reducing commissions and other fees we earn from our brokerage business. The U.S. stock market experienced all-time highs in 2013 and there is no guarantee that those price levels will continue. Poor economic conditions and volatile or unstable financial markets also can negatively affect our debt and equity underwriting and advisory businesses, as well as our trading and venture capital businesses. Any deterioration in global financial markets and economies, including as a result of any international political unrest or disturbances, may adversely affect the revenues and earnings of our international operations, particularly our global financial institution and correspondent banking services.

For more information, refer to the "Risk Management – Asset/Liability Management" and "– Credit Risk Management" sections in this Report.

Changes in interest rates and financial market values could reduce our net interest income and earnings, including as a result of recognizing losses or OTTI on the securities that we hold in our portfolio or trade for our customers. Our net interest income is the interest we earn on loans, debt securities and other assets we hold less the interest we pay on our deposits, long-term and short-term debt, and other liabilities. Net interest income is a measure of both our net interest margin – the difference between the yield we earn on our assets and the interest rate we pay for deposits and our other sources of funding – and the amount of earning assets we hold. Changes in either our net interest margin or the amount or mix of earning assets we hold could affect our net interest income and our earnings. Changes in interest rates can affect our net interest margin. Although the yield we earn on our assets and our funding costs tend to move in the same direction in response to changes in interest rates, one can rise or fall faster than the other, causing our net interest margin to expand or contract. Our liabilities tend to be shorter in duration than our assets, so they may adjust faster in response to changes in interest rates. When interest rates rise, our funding costs may rise faster than the yield we earn on our assets, causing our net interest margin to contract until the asset yield increases.

The amount and type of earning assets we hold can affect our yield and net interest margin. We hold earning assets in the form of loans and investment securities, among other assets. As noted above, if the economy worsens we may see lower demand for loans by creditworthy customers, reducing our net interest income and yield. In addition, our net interest income and net interest margin can be negatively affected by a prolonged low interest rate environment, which as noted below is currently being experienced as a result of economic conditions and FRB monetary policies, as it may result in us holding short-term lower yielding loans and securities on our balance sheet, particularly if we are unable to replace the maturing higher yielding assets, including the loans in our non-strategic and liquidating loan portfolio, with similar higher yielding assets. Increases in interest rates, however, may negatively affect loan demand and could result in higher credit losses as borrowers may have more difficulty making higher interest payments. As described below, changes in interest rates also affect our mortgage business, including the value of our MSRs.

Changes in the slope of the "yield curve" – or the spread between short-term and long-term interest rates – could also reduce our net interest margin. Normally, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. Because our liabilities tend to be shorter in duration than our assets, when the yield curve flattens, as is the case in the current interest rate environment, or even inverts, our net interest margin could decrease as our cost of funds increases relative to the yield we can earn on our assets.

The interest we earn on our loans may be tied to U.S.-denominated interest rates such as the federal funds rate while the interest we pay on our debt may be based on international rates such as LIBOR. If the federal funds rate were to fall without a corresponding decrease in LIBOR, we might earn less on our loans without any offsetting decrease in our funding costs. This could lower our net interest margin and our net interest income.

We assess our interest rate risk by estimating the effect on our earnings under various scenarios that differ based on assumptions about the direction, magnitude and speed of interest rate changes and the slope of the yield curve. We hedge some of that interest rate risk with interest rate derivatives. We also rely on the "natural hedge" that our mortgage loan originations and servicing rights can provide.

We generally do not hedge all of our interest rate risk. There is always the risk that changes in interest rates could reduce our net interest income and our earnings in material amounts, especially if actual conditions turn out to be materially different than what we assumed. For example, if interest rates rise or fall faster than we assumed or the slope of the yield curve changes, we may incur significant losses on debt securities we hold as investments. To reduce our interest rate risk, we may rebalance our investment and loan portfolios, refinance our debt and take other strategic actions. We may incur losses when we take such actions.

We hold securities in our investment securities portfolio, including U.S. Treasury and federal agency securities and federal agency MBS, securities of U.S. states and political subdivisions, residential and commercial MBS, corporate debt securities, other asset-backed securities and marketable equity securities, including securities relating to our venture capital activities. We analyze securities held in our investment securities portfolio for OTTI on at least a quarterly basis. The process for determining whether impairment is other than temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving contractual principal and interest payments on the security. Because of changing economic and market conditions, as well as credit ratings, affecting issuers and the performance of the underlying collateral, we may be required to recognize OTTI in future periods. Our net income also is exposed to changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices in connection with our trading activities, which are conducted primarily to accommodate our customers in

the management of their market price risk, as well as when we take positions based on market expectations or to benefit from differences between financial instruments and markets. The securities held in these activities are carried at fair value with realized and unrealized gains and losses recorded in noninterest income. As part of our business to support our customers, we trade public securities and these securities also are subject to market fluctuations with gains and losses recognized in net income when realized and periodically include OTTI charges. Although we have processes in place to measure and monitor the risks associated with our trading activities, including stress testing and hedging strategies, there can be no assurance that our processes and strategies will be effective in avoiding losses that could have a material adverse effect on our financial results.

The value of our public and private equity investments can fluctuate from quarter to quarter. Certain of these investments are carried under the cost or equity method, while others are carried at fair value with unrealized gains and losses reflected in earnings. Earnings from our equity investments may be volatile and hard to predict, and may have a significant effect on our earnings from period to period. When, and if, we recognize gains may depend on a number of factors, including general economic and market conditions, the prospects of the companies in which we invest, when a company goes public, the size of our position relative to the public float, and whether we are subject to any resale restrictions.

Our venture capital investments could result in significant OTTI losses for those investments carried under the cost or equity method. Our assessment for OTTI is based on a number of factors, including the then current market value of each investment compared with its carrying value. If we determine there is OTTI for an investment, we write-down the carrying value of the investment, resulting in a charge to earnings. The amount of this charge could be significant.

For more information, refer to the "Risk Management – Asset/Liability Management – Interest Rate Risk", "– Market Risk – Equity Investments", and "– Market Risk – Trading Activities" and the "Balance Sheet Analysis – Investment Securities" sections in this Report and Note 5 (Investment Securities) to Financial Statements in this Report.

Effective liquidity management, which ensures that we can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments, including principal and interest payments on our debt, efficiently under both normal operating conditions and other unpredictable circumstances of industry or financial market stress, is essential for the operation of our business, and our financial results and condition could be materially adversely affected if we do not effectively manage our liquidity. Our liquidity is essential for the operation of our business. We primarily rely on bank deposits to be a low cost and stable source of funding for the loans we make and the operation of our business. Core customer deposits, which include noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits, have historically provided us with a sizeable source of relatively stable and low-cost funds. In addition to customer deposits, our sources of liquidity include investments in our securities portfolio, our ability to sell or securitize loans in secondary markets and to pledge loans to access secured borrowing facilities through the FHLB and the FRB, and our ability to raise funds in domestic and international money through capital markets.

Our liquidity and our ability to fund and run our business could be materially adversely affected by a variety of conditions and factors, including financial and credit market disruption and volatility or a lack of market or customer confidence in financial markets in general similar to what occurred during the financial crisis in 2008 and early 2009, which may result in a loss of customer deposits or outflows of cash or collateral and/or our inability to access capital markets on favorable terms. Market disruption and volatility could impact our credit spreads, which are the amount in excess of the interest rate of U.S. Treasury securities, or other benchmark securities, of the same maturity that we need to pay to our funding providers. Increases in interest rates and our credit spreads could significantly increase our funding costs. Other conditions and factors that could materially adversely affect our liquidity and funding include a lack of market or customer confidence in the Company or negative news about the Company or the financial services industry generally which also may result in a loss of deposits and/or negatively affect our ability to access the capital markets; our inability to sell or securitize loans or other assets, and, as described below, reductions in one or more of our credit ratings. Many of the above conditions and factors may be caused by events over which we have little or no control. While market conditions have continued to improve since the financial crisis, there can be no assurance that significant disruption and volatility in the financial markets will not occur in the future. For example, the U.S. government's temporary closure in October 2013 and continued concerns over the government's ability to reach a budget agreement caused financial market volatility. In addition, concerns regarding the potential failure to raise the U.S. government debt limit and any associated downgrade of U.S. government debt ratings may cause uncertainty and volatility as well. A failure to raise the U.S. debt limit in the future and/or additional downgrades of the sovereign debt ratings of the U.S. government or the debt ratings of related institutions, agencies or instrumentalities, as well as other fiscal or political events could, in addition to causing economic and financial market disruptions, materially adversely affect the market value of the U.S. government securities that we hold, the availability of those securities as collateral for borrowing, and our ability to access capital markets on favorable terms, as well as have other material adverse effects on the operation of our business and our financial results and condition.

As noted above, we rely heavily on bank deposits for our funding and liquidity. We compete with banks and other financial services companies for deposits. If our competitors raise the rates they pay on deposits our funding costs may increase, either because we raise our rates to avoid losing deposits or because we lose deposits and must rely on more expensive sources of funding. Higher funding costs reduce our net interest margin and net interest income. Checking and savings account balances and other forms of customer deposits

may decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. When customers move money out of bank deposits and into other investments, we may lose a relatively low cost source of funds, increasing our funding costs and negatively affecting our liquidity.

If we are unable to continue to fund our assets through customer bank deposits or access capital markets on favorable terms or if we suffer an increase in our borrowing costs or otherwise fail to manage our liquidity effectively, our liquidity, net interest margin, financial results and condition may be materially adversely affected. As we did during the financial crisis, we may also need, or be required by our regulators, to raise additional capital through the issuance of common stock, which could dilute the ownership of existing stockholders, or reduce or even eliminate our common stock dividend to preserve capital or in order to raise additional capital.

For more information, refer to the "Risk Management – Asset/Liability Management" section in this Report.

Adverse changes in our credit ratings could have a material adverse effect on our liquidity, cash flows, financial results and condition. Our borrowing costs and ability to obtain funding are influenced by our credit ratings. Reductions in one or more of our credit ratings could adversely affect our ability to borrow funds and raise the costs of our borrowings substantially and could cause creditors and business counterparties to raise collateral requirements or take other actions that could adversely affect our ability to raise funding. Credit ratings and credit ratings agencies' outlooks are based on the ratings agencies' analysis of many quantitative and qualitative factors, such as our capital adequacy, liquidity, asset quality, business mix, the level and quality of our earnings, rating agency assumptions regarding the probability and extent of federal financial assistance or support, and other rating agency specific criteria. In addition to credit ratings, our borrowing costs are affected by various other external factors, including market volatility and concerns or perceptions about the financial services industry generally.

On October 8, 2013, Fitch Ratings affirmed all the ratings of the Parent and its rated subsidiaries. On October 25, 2013, Standard & Poor's Ratings Services (S&P) affirmed all the ratings of the Parent and its rated subsidiaries, and on November 14, 2013, Moody's Investors Service (Moody's) confirmed all of the ratings of the Parent and its rated subsidiaries. This ratings confirmation by Moody's followed completion of their review regarding whether to continue incorporating the possibility of federal support in ratings applicable to certain bank holding companies in light of recent regulatory developments related to the Title II Orderly Liquidation Authority of the Dodd-Frank Act. Moody's decided to eliminate any assumption of federal support for the impacted holding companies, including the Parent. However, Moody's also concluded that the same regulatory developments were likely to reduce the severity of losses for bank holding company creditors in the event of default, reflecting the potential benefits of a more orderly resolution of bank holding companies and their related banks. The net result of these offsetting conclusions was the confirmation of our ratings. S&P is likewise reviewing their support assumptions for certain bank holding companies in light of the same regulatory developments. That review is ongoing and S&P has not specified a timeframe for completion of their review. There can be no assurance that we will maintain our credit ratings and outlooks and that credit ratings downgrades in the future would not materially affect our ability to borrow funds and borrowing costs.

Downgrades in our credit ratings also may trigger additional collateral or funding obligations which could negatively affect our liquidity, including as a result of credit-related contingent features in certain of our derivative contracts. Although a one or two notch downgrade in our current credit ratings would not be expected to trigger a material increase in our collateral or funding obligations, a more severe credit rating downgrade of our long-term and short-term credit ratings could increase our collateral or funding obligations and the effect on our liquidity could be material. For information regarding additional collateral and funding obligations required of certain derivative instruments in the event our credit ratings were to fall below investment grade, see Note 16 (Derivatives) to Financial Statements in this Report.

We rely on dividends from our subsidiaries for liquidity, and federal and state law can limit those dividends. Wells Fargo & Company, the parent holding company, is a separate and distinct legal entity from its subsidiaries. It receives a significant portion of its funding and liquidity from dividends and other distributions from its subsidiaries. We generally use these dividends and distributions, among other things, to pay dividends on our common and preferred stock and interest and principal on our debt. Federal and state laws limit the amount of dividends and distributions that our bank and some of our nonbank subsidiaries, including our broker-dealer subsidiaries, may pay to our parent holding company. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors.

For more information, refer to the "Regulation and Supervision – Dividend Restrictions" and "– Holding Company Structure" sections in our 2013 Form 10-K and to Note 3 (Cash, Loan and Dividend Restrictions) and Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

RISKS RELATED TO FINANCIAL REGULATORY REFORM AND OTHER LEGISLATION AND REGULATIONS

Enacted legislation and regulation, including the Dodd-Frank Act, as well as future legislation and/or regulation, could require us to change certain of our business practices, reduce our revenue and earnings, impose additional costs on us or otherwise adversely affect our business operations and/or competitive position. Our parent company, our subsidiary banks and many of our nonbank subsidiaries such as those related to our brokerage and mutual fund businesses, are subject to significant

regulation under state and federal laws in the U.S., as well as the applicable laws of the various jurisdictions outside of the U.S. where we conduct business. These regulations protect depositors, federal deposit insurance funds, consumers, investors and the banking and financial system as a whole, not necessarily our stockholders. Economic, market and political conditions during the past few years have led to a significant amount of new legislation and regulation in the U.S. and abroad, as well as heightened expectations and scrutiny of financial services companies from banking regulators. These laws and regulations may affect the manner in which we do business and the products and services that we provide, affect or restrict our ability to compete in our current businesses or our ability to enter into or acquire new businesses, reduce or limit our revenue in businesses or impose additional fees, assessments or taxes on us, intensify the regulatory supervision of us and the financial services industry, and adversely affect our business operations or have other negative consequences.

On July 21, 2010, the Dodd-Frank Act, the most significant financial reform legislation since the 1930s, became law. The Dodd-Frank Act, among other things, (i) established the Financial Stability Oversight Council to monitor systemic risk posed by financial firms and imposes additional and enhanced FRB regulations, including capital and liquidity requirements, on certain large, interconnected bank holding companies such as Wells Fargo and systemically significant nonbanking firms intended to promote financial stability; (ii) creates a liquidation framework for the resolution of covered financial companies, the costs of which would be paid through assessments on surviving covered financial companies; (iii) makes significant changes to the structure of bank and bank holding company regulation and activities in a variety of areas, including prohibiting proprietary trading and private fund investment activities, subject to certain exceptions; (iv) creates a new framework for the regulation of over-the-counter derivatives and new regulations for the securitization market and strengthens the regulatory oversight of securities and capital markets by the SEC; (v) established the Consumer Financial Protection Bureau (CFPB) within the FRB, which has sweeping powers to administer and enforce a new federal regulatory framework of consumer financial regulation; (vi) may limit the existing pre-emption of state laws with respect to the application of such laws to national banks, makes federal pre-emption no longer applicable to operating subsidiaries of national banks, and gives state authorities, under certain circumstances, the ability to enforce state laws and federal consumer regulations against national banks; (vii) provides for increased regulation of residential mortgage activities; (viii) revised the FDIC's assessment base for deposit insurance by changing from an assessment base defined by deposit liabilities to a risk-based system based on total assets; (ix) phases out over three years beginning January 2013 the Tier 1 capital treatment of trust preferred securities; (x) permitted banks to pay interest on business checking accounts beginning on July 1, 2011; (xi) authorized the FRB under the Durbin Amendment to adopt regulations that limit debit card interchange fees received by debit card issuers; and (xii) includes several corporate governance and executive compensation provisions and requirements, including mandating an advisory stockholder vote on executive compensation.

The Dodd-Frank Act and many of its provisions became effective in July 2010 and July 2011. However, a number of its provisions still require final rulemaking, guidance, and interpretation by regulatory authorities. Accordingly, in many respects the ultimate impact of the Dodd-Frank Act and its effects on the U.S. financial system and the Company still remain uncertain. Nevertheless, the Dodd-Frank Act, including current and future rules implementing its provisions and the interpretation of those rules, could result in a loss of revenue, require us to change certain of our business practices, limit our ability to pursue certain business opportunities, increase our capital requirements and impose additional assessments and costs on us and otherwise adversely affect our business operations and have other negative consequences.

Our consumer businesses, including our mortgage, credit card and other consumer lending and non-lending businesses, may be negatively affected by the activities of the CFPB, which has broad rulemaking powers and supervisory authority over consumer financial products and services. Although the full impact of the CFPB on our businesses is uncertain, the CFPB's activities may increase our compliance costs and require changes in our business practices as a result of new regulations and requirements which could limit or negatively affect the products and services that we currently offer our customers. For example, in 2013, the CFPB issued a number of new rules impacting residential mortgage lending practices. As a result of greater regulatory scrutiny of our consumer businesses, we also may become subject to more or expanded regulatory examinations and/or investigations, which also could result in increased costs and harm to our reputation in the event of a failure to comply with the increased regulatory requirements.

The Dodd-Frank Act's proposed prohibitions or limitations on proprietary trading and private fund investment activities, known as the "Volcker Rule," also may reduce our revenue and earnings, although proprietary trading has not been significant to our financial results. Rules to implement the requirements of the Volcker Rule were first proposed in 2011, and final rules were issued in December 2013. Pursuant to an order of the FRB, banking entities are required to make good faith planning efforts to come into compliance with the Volcker Rule's restrictions by July 21, 2015, subject to potential limited further extensions of the compliance period that may be granted at the discretion of the FRB. Companies with $50 billion or more in trading assets and liabilities such as Wells Fargo will be required to report trading metrics beginning June 30, 2014. Under the final rule, Wells Fargo will also be subject to enhanced compliance program requirements. Because we continue to evaluate the final rule and assess its requirements, the ultimate impact of the final Volcker Rule on our investment activities, including our venture capital business, is uncertain.

The Dodd-Frank Act also imposes changes on the ABS markets by requiring sponsors of ABS to hold at least a 5% ownership stake in the ABS. Exemptions from the requirement include qualified residential mortgages and FHA/VA loans. Federal regulatory agencies have proposed rules to implement this credit risk retention requirement, which have only included

limited exemptions. If adopted as written, the current proposal may impact our ability to issue certain ABS or otherwise participate in various securitization transactions.

Money market mutual fund reform is also currently being evaluated. The Financial Stability Oversight Council (FSOC) released for public comment proposed recommendations for new SEC regulations to address the perceived risks that money market mutual funds may pose to the financial stability of the United States. These proposed recommendations include implementation of floating net asset value requirements, redemption holdback provisions, and capital buffer requirements and would be in addition to regulatory changes with respect to money market mutual funds made by the SEC in 2010. The FSOC has not yet adopted final recommendations. Following the FSOC's proposals, the SEC issued its own proposed regulatory changes that would, among other things, require a floating net asset value for prime institutional money market funds, or liquidity fees and redemption gates during periods of stress for non-governmental money market funds, or a combination of both measures. The SEC has not issued final regulations. Until final regulations are adopted, the ultimate effect on our business and financial results remains uncertain.

Federal banking regulators also continue to implement the provisions of the Dodd-Frank Act addressing the risks to the financial system posed by the failure of a systemically important financial institution. Pursuant to rules adopted by the FRB and the FDIC, Wells Fargo has prepared and filed a resolution plan, a so called "living will," that would facilitate our resolution in the event of material distress or failure. If the FRB and FDIC determine that our plan is deficient, the Dodd-Frank Act authorizes the FRB and FDIC to impose more stringent capital, leverage or liquidity requirements on us or restrict our growth or activities until we submit a plan remedying the deficiencies. If the FRB and FDIC ultimately determine that we have been unable to remedy the deficiencies, they could order us to divest assets or operations in order to facilitate our orderly resolution in the event of our material distress or failure. Our national bank subsidiary, Wells Fargo Bank, N.A., is also required to prepare and submit a resolution plan to the FDIC under separate regulatory authority.

The Dodd-Frank Act also establishes an orderly liquidation process which allows for the appointment of the FDIC as a receiver of a systemically important financial institution that is in default or in danger of default. The FDIC has issued rules to implement its orderly liquidation authority and recently released a notice regarding a proposed resolution strategy, known as "single point of entry," designed to resolve a large financial institution in a manner that would, among other things, impose losses on shareholders and creditors in accordance with statutory priorities, without imposing a cost on U.S. taxpayers. Implementation of the strategy would require that institutions maintain a sufficient amount of available equity and unsecured debt to absorb losses and recapitalize operating subsidiaries.

Other future regulatory initiatives that could significantly affect our business include proposals to reform the housing finance market in the United States. These proposals, among other things, consider winding down the GSEs and reducing or eliminating over time the role of the GSEs in guaranteeing mortgages and providing funding for mortgage loans, as well as the implementation of reforms relating to borrowers, lenders, and investors in the mortgage market, including reducing the maximum size of a loan that the GSEs can guarantee, phasing in a minimum down payment requirement for borrowers, improving underwriting standards, and increasing accountability and transparency in the securitization process. Congress also may consider the adoption of legislation to reform the mortgage financing market in an effort to assist borrowers experiencing difficulty in making mortgage payments or refinancing their mortgages. The extent and timing of any regulatory reform or the adoption of any legislation regarding the GSEs and/or the home mortgage market, as well as any effect on the Company's business and financial results, are uncertain.

Any other future legislation and/or regulation, if adopted, also could significantly change our regulatory environment and increase our cost of doing business, limit the activities we may pursue or affect the competitive balance among banks, savings associations, credit unions, and other financial services companies, and have a material adverse effect on our financial results and condition.

For more information, refer to the "Regulatory Reform" section in this Report and the "Regulation and Supervision" section in our 2013 Form 10-K.

Bank regulations, including Basel capital and liquidity standards and FRB guidelines and rules, may require higher capital and liquidity levels, limiting our ability to pay common stock dividends, repurchase our common stock, invest in our business or provide loans to our customers. Federal banking regulators continually monitor the capital position of banks and bank holding companies. In December 2010, the Basel Committee on Banking Supervision (BCBS) finalized a set of international guidelines for determining regulatory capital known as Basel III. These guidelines are designed to address many of the weaknesses identified in the previous Basel standards and in the banking sector as contributing to the financial crisis of 2008 and 2009 by, among other things, increasing minimum capital requirements, increasing the quality of capital, increasing the risk coverage of the capital framework, increasing liquidity buffers, and increasing standards for the supervisory review process and public disclosure. When fully phased in, the Basel III guidelines require bank holding companies to maintain a minimum ratio of Common Equity Tier 1 (CET1) to risk-weighted assets of at least 7.0%. The BCBS has also proposed certain liquidity coverage and funding ratios. The BCBS liquidity framework was initially proposed in 2010 and included a liquidity coverage ratio (LCR) to measure the stock of high-quality liquid assets to total net cash outflows over the next 30 calendar day period. The BCBS recently published revisions to the LCR, including revisions to the definitions of high quality liquid assets and net cash outflows. As originally proposed, the LCR would be introduced on January 1, 2015, but the revisions provided for phased-in implementation over a four year period beginning January 1, 2015, with full phase-in on January 1, 2019.

In June 2011, the BCBS also proposed additional CET1 surcharge requirements for global systemically important banks

(G-SIBs) ranging from 1.0% to 3.5% depending on the bank's systemic importance to be determined based on certain factors. This new capital surcharge, which would be phased in beginning in January 2016 and become fully effective on January 1, 2019, would be in addition to the Basel III 7.0% CET1 requirement proposed in December 2010. The Financial Stability Board (FSB), in an updated list published in November 2013 based on year-end 2012 data, identified the Company as one of 29 G-SIBs and provisionally determined that the Company's surcharge would be 1%. 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 related proposals, and in July 2013, U.S. banking regulators approved final and interim final rules to implement the Basel III capital guidelines for U.S. banks. These final capital rules, among other things:

- implement in the United States the Basel III regulatory capital reforms including those that revise the definition of capital, increase minimum capital ratios, and introduce a minimum CET1 ratio of 4.5% and a capital conservation buffer of 2.5% (for a total minimum CET 1 ratio of 7.0%) and a potential countercyclical buffer of up to 2.5%, which would be imposed by regulators at their discretion if it is determined that a period of excessive credit growth is contributing to an increase in systemic risk;
- require a Tier 1 capital to average total consolidated assets ratio of 4% and introduce, for large and internationally active bank holding companies (BHCs), a Tier 1 supplementary leverage ratio of 3% that incorporates off-balance sheet exposures;
- revise "Basel I" rules for calculating risk-weighted assets to enhance risk sensitivity under a standardized approach;
- modify the existing Basel II advanced approaches rules for calculating risk-weighted assets to implement Basel III;
- deduct certain assets from CET1, such as deferred tax assets that could not be realized through net operating loss carry-backs, significant investments in non-consolidated financial entities, and mortgage servicing rights, to the extent any one category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1;
- eliminate the accumulated other comprehensive income or loss filter that applies under risk-based capital rules over a five-year phase in period beginning in 2014; and
- comply with the Dodd-Frank Act provision prohibiting the reliance on external credit ratings.

The final capital rules became effective for Wells Fargo in January 2014, with certain provisions subject to phase-in periods. The final rules did not implement the capital surcharge proposals for G-SIBs or the proposed Basel III liquidity standards. Federal banking regulators did issue a proposal that has not yet been finalized that would enhance the supplementary leverage ratio requirements provided in the final capital rules for large BHCs like Wells Fargo and their insured depository institutions. The proposal would be effective January 1, 2018 and would require covered BHCs to maintain a supplementary leverage ratio of at least 5% to avoid restrictions on capital distributions and discretionary bonus payments and require that its insured depository institutions maintain a supplementary leverage ratio of 6% to be considered well capitalized. Federal banking regulators have indicated additional changes to the proposal could be made in light of changes to the Basel III leverage framework recently finalized by the BCBS. Federal banking regulators have also recently proposed rules implementing the Basel III LCR. The U.S. proposal to implement the LCR was substantially similar to the LCR agreed to by the BCBS, but differed in some respects that may be viewed as a stricter version of the LCR, such as proposing a more aggressive phase-in period.

The FRB has indicated it is in the process of considering new rules to implement the G-SIB capital surcharge, to address the amount of equity and unsecured debt certain large BHCs must hold in order to facilitate their orderly resolution, and to address risks related to banking organizations that are substantially reliant on short-term wholesale funding. The ultimate impact of all of these finalized and proposed or contemplated rules on our capital and liquidity requirements will depend on final rulemaking and regulatory interpretation of the rules as we, along with our regulatory authorities, apply the final rules during the implementation process.

As part of its obligation to impose enhanced capital and risk-management standards on large financial firms pursuant to the Dodd-Frank Act, the FRB issued a final capital plan rule that became effective December 30, 2011. The final capital plan rule requires top-tier BHCs, including the Company, to submit annual capital plans for review and to obtain regulatory approval before making capital distributions. There can be no assurance that the FRB would respond favorably to the Company's future capital plans. The FRB has also finalized a number of regulations implementing enhanced prudential requirements for large BHCs like Wells Fargo regarding risk-based capital and leverage, risk and liquidity management, and stress testing. The FRB has also proposed, but not yet finalized, remediation requirements for large BHCs experiencing financial distress that would restrict capital distributions upon the occurrence of capital, stress test, or risk and liquidity management triggers.

The Basel standards and FRB regulatory capital and liquidity requirements may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases, and may require us to increase our capital and/or liquidity. Any requirement that we increase our regulatory capital, regulatory capital ratios or liquidity could require us to liquidate assets or otherwise change our business and/or investment plans, which may negatively affect our financial results. Although not currently anticipated, the proposed Basel capital requirements and/or our regulators may require us to raise additional capital in the future. Issuing additional common stock may dilute the ownership of existing stockholders.

For more information, refer to the "Capital Management" and "Regulatory Reform" sections in this Report and the "Regulation and Supervision" section of our 2013 Form 10-K.

FRB policies, including policies on interest rates, can significantly affect business and economic conditions and our financial results and condition. The FRB

regulates the supply of money in the United States. Its policies determine in large part our cost of funds for lending and investing and the return we earn on those loans and investments, both of which affect our net interest income and net interest margin. The FRB's interest rate policies also can materially affect the value of financial instruments we hold, such as debt securities and MSRs. In addition, its policies can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in FRB policies are beyond our control and can be hard to predict. As a result of the FRB's concerns regarding, among other things, continued slow economic growth, the FRB recently reaffirmed that it intends to keep the target range for the federal funds rate near zero until the unemployment rate falls to at least 6.5% and inflation expectations remain within FRB targets. However, the FRB has indicated that it will consider other factors, such as additional labor market and financial market conditions, before deciding to increase the federal funds target rate. Although the amount of monthly purchases has been tapered recently, the FRB also has continued its purchases of U.S. government and mortgage-backed securities and may take further actions in an effort to reduce or maintain low long-term interest rates. As noted above, a declining or low interest rate environment and a flattening yield curve which may result from the FRB's actions could negatively affect our net interest income and net interest margin as it may result in us holding lower yielding loans and investment securities on our balance sheet.

RISKS RELATED TO CREDIT AND OUR MORTGAGE BUSINESS

As one of the largest lenders in the U.S., increased credit risk, including as a result of a deterioration in economic conditions, could require us to increase our provision for credit losses and allowance for credit losses and could have a material adverse effect on our results of operations and financial condition. When we loan money or commit to loan money we incur credit risk, or the risk of losses if our borrowers do not repay their loans. As one of the largest lenders in the U.S., the credit performance of our loan portfolios significantly affects our financial results and condition. As noted above, if the current economic environment were to deteriorate, more of our customers may have difficulty in repaying their loans or other obligations which could result in a higher level of credit losses and provision for credit losses. We reserve for credit losses by establishing an allowance through a charge to earnings. The amount of this allowance is based on our assessment of credit losses inherent in our loan portfolio (including unfunded credit commitments). The process for determining the amount of the allowance is critical to our financial results and condition. It requires difficult, subjective and complex judgments about the future, including forecasts of economic or market conditions that might impair the ability of our borrowers to repay their loans. We might increase the allowance because of changing economic conditions, including falling home prices and higher unemployment, or other factors. For example, the regulatory environment or external factors, such as natural disasters, also can influence recognition of credit losses in the portfolio and our allowance for credit losses.

Reflecting the continued improved credit performance in our loan portfolios, our provision for credit losses was $2.2 billion and $1.8 billion less than net charge-offs in 2013 and 2012, respectively, which had a positive effect on our earnings. Given current favorable conditions, we continue to expect future allowance releases, absent a significant deterioration in the economy. While we believe that our allowance for credit losses was appropriate at December 31, 2013, there is no assurance that it will be sufficient to cover future credit losses, especially if housing and employment conditions worsen. In the event of significant deterioration in economic conditions, we may be required to build reserves in future periods, which would reduce our earnings.

For more information, refer to the "Risk Management – Credit Risk Management" and "Critical Accounting Policies – Allowance for Credit Losses" sections in this Report.

We may have more credit risk and higher credit losses to the extent our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. Our credit risk and credit losses can increase if our loans are concentrated to borrowers engaged in the same or similar activities or to borrowers who as a group may be uniquely or disproportionately affected by economic or market conditions. We experienced the effect of concentration risk in 2009 and 2010 when we incurred greater than expected losses in our residential real estate loan portfolio due to a housing slowdown and greater than expected deterioration in residential real estate values in many markets, including the Central Valley California market and several Southern California metropolitan statistical areas. As California is our largest banking state in terms of loans and deposits, deterioration in real estate values and underlying economic conditions in those markets or elsewhere in California could result in materially higher credit losses. In addition, deterioration in macro-economic conditions generally across the country could result in materially higher credit losses, including for our residential real estate loan portfolio. We may experience higher delinquencies and higher loss rates as our consumer real estate secured lines of credit reach their contractual end of draw period and begin to amortize. Additionally, we may experience higher delinquencies and higher loss rates as borrowers in our consumer Pick-a-Pay portfolio reach their recast trigger, particularly if interest rates increase significantly which may cause more borrowers to experience a payment increase of more than 7.5% upon recast.

We are currently the largest CRE lender in the U.S. A deterioration in economic conditions that negatively affects the business performance of our CRE borrowers, including increases in interest rates and/or declines in commercial property values, could result in materially higher credit losses and have a material adverse effect on our financial results and condition.

Challenging economic conditions in Europe have increased our foreign credit risk. Although our foreign loan exposure represented only approximately 6% of our total consolidated outstanding loans and 3% of our total assets at December 31, 2013, continued European economic difficulties

could indirectly have a material adverse effect on our credit performance and results of operations and financial condition to the extent it negatively affects the U.S. economy and/or our borrowers who have foreign operations.

For more information, refer to the "Risk Management – Credit Risk Management" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

We may incur losses on loans, securities and other acquired assets of Wachovia that are materially greater than reflected in our fair value adjustments. We accounted for the Wachovia merger under the purchase method of accounting, recording the acquired assets and liabilities of Wachovia at fair value. All PCI loans acquired in the merger were recorded at fair value based on the present value of their expected cash flows. We estimated cash flows using internal credit, interest rate and prepayment risk models using assumptions about matters that are inherently uncertain. We may not realize the estimated cash flows or fair value of these loans. In addition, although the difference between the pre-merger carrying value of the credit-impaired loans and their expected cash flows – the "nonaccretable difference" – is available to absorb future charge-offs, we may be required to increase our allowance for credit losses and related provision expense because of subsequent additional credit deterioration in these loans.

For more information, refer to the "Critical Accounting Policies – Purchased Credit-Impaired (PCI) Loans" and "Risk Management – Credit Risk Management" sections in this Report.

Our mortgage banking revenue can be volatile from quarter to quarter, including as a result of changes in interest rates and the value of our MSRs and MHFS, and we rely on the GSEs to purchase our conforming loans to reduce our credit risk and provide liquidity to fund new mortgage loans. We were the largest mortgage originator and residential mortgage servicer in the U.S. as of December 31, 2013, and we earn revenue from fees we receive for originating mortgage loans and for servicing mortgage loans. As a result of our mortgage servicing business, we have a sizeable portfolio of MSRs. An MSR is the right to service a mortgage loan – collect principal, interest and escrow amounts – for a fee. We acquire MSRs when we keep the servicing rights after we sell or securitize the loans we have originated or when we purchase the servicing rights to mortgage loans originated by other lenders. We initially measure and carry all our residential MSRs using the fair value measurement method. Fair value is the present value of estimated future net servicing income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers. Changes in interest rates can affect prepayment assumptions and thus fair value. When interest rates fall, borrowers are usually more likely to prepay their mortgage loans by refinancing them at a lower rate. As the likelihood of prepayment increases, the fair value of our MSRs can decrease. Each quarter we evaluate the fair value of our MSRs, and any decrease in fair value reduces earnings in the period in which the decrease occurs. We also measure at fair value MHFS for which an active secondary market and readily available market prices exist. In addition, we measure at fair value certain other interests we hold related to residential loan sales and securitizations. Similar to other interest-bearing securities, the value of these MHFS and other interests may be negatively affected by changes in interest rates. For example, if market interest rates increase relative to the yield on these MHFS and other interests, their fair value may fall.

When rates rise, the demand for mortgage loans usually tends to fall, reducing the revenue we receive from loan originations. Under the same conditions, revenue from our MSRs can increase through increases in fair value. When rates fall, mortgage originations usually tend to increase and the value of our MSRs usually tends to decline, also with some offsetting revenue effect. Even though they can act as a "natural hedge," the hedge is not perfect, either in amount or timing. For example, the negative effect on revenue from a decrease in the fair value of residential MSRs is generally immediate, but any offsetting revenue benefit from more originations and the MSRs relating to the new loans would generally accrue over time. It is also possible that, because of economic conditions and/or a weak or deteriorating housing market, even if interest rates were to fall or remain low, mortgage originations may also fall or any increase in mortgage originations may not be enough to offset the decrease in the MSRs value caused by the lower rates.

We typically use derivatives and other instruments to hedge our mortgage banking interest rate risk. We may not hedge all of our risk, and we may not be successful in hedging any of the risk. Hedging is a complex process, requiring sophisticated models and constant monitoring, and is not a perfect science. We may use hedging instruments tied to U.S. Treasury rates, LIBOR or Eurodollars that may not perfectly correlate with the value or income being hedged. We could incur significant losses from our hedging activities. There may be periods where we elect not to use derivatives and other instruments to hedge mortgage banking interest rate risk.

We rely on GSEs to purchase mortgage loans that meet their conforming loan requirements and on other capital markets investors to purchase loans that do not meet those requirements – referred to as "nonconforming" loans. During the past few years investor demand for nonconforming loans has fallen, thereby reducing the liquidity for those loans. In response to the reduced liquidity in the capital markets, we may retain more nonconforming loans. When we retain a loan not only do we forgo fee revenue and keep the credit risk of the loan but we also do not receive any sale proceeds that could be used to generate new loans. Continued lack of liquidity could limit our ability to fund – and thus originate – new mortgage loans, reducing the fees we earn from originating and servicing loans. In addition, we cannot assure that GSEs will not materially limit their purchases of conforming loans, including because of capital constraints, or change their criteria for conforming loans (e.g., maximum loan amount or borrower eligibility). Each of the GSEs is currently in conservatorship, with its primary regulator, the Federal Housing Agency acting as conservator. We cannot predict if, when or how the conservatorship will end, or any associated changes to the GSEs business structure and operations that could result. As noted above, there are various

proposals to reform the housing finance market in the U.S., including the role of the GSEs in the housing finance market. The extent and timing of any such regulatory reform regarding the housing finance market and the GSEs, including whether the GSEs will continue to exist in their current form, as well as any effect on the Company's business and financial results, are uncertain.

For more information, refer to the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" and "Critical Accounting Policies" sections in this Report.

We may be required to repurchase mortgage loans or reimburse investors and others as a result of breaches in contractual representations and warranties. We sell residential mortgage loans to various parties, including GSEs, SPEs that issue private label MBS, and other financial institutions that purchase mortgage loans for investment or private label securitization. We may also pool FHA-insured and VA-guaranteed mortgage loans which back securities guaranteed by GNMA. The agreements under which we sell mortgage loans and the insurance or guaranty agreements with the FHA and VA contain various representations and warranties regarding the origination and characteristics of the mortgage loans, including ownership of the loan, compliance with loan criteria set forth in the applicable agreement, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, and compliance with applicable origination laws. We may be required to repurchase mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for credit losses incurred on loans 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. Contracts for mortgage loan sales to the GSEs include various types of specific remedies and penalties that could be applied to inadequate responses to repurchase requests. Similarly, the agreements under which we sell mortgage loans require us to deliver various documents to the securitization trust or investor, and we may be obligated to repurchase any mortgage loan as to which the required documents are not delivered or are defective. We may negotiate global settlements in order to resolve a pipeline of demands in lieu of repurchasing the loans. We establish a mortgage repurchase liability related to the various representations and warranties that reflect management's estimate of losses for loans which we have a repurchase obligation. Our mortgage repurchase liability represents management's best estimate of the probable loss that we may expect to incur for the representations and warranties in the contractual provisions of our sales of mortgage loans. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. As a result 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. If economic conditions and the housing market do not continue to improve or future investor repurchase demand and our success at appealing repurchase requests differ from past experience, we could continue to have increased repurchase obligations and increased loss severity on repurchases, requiring material additions to the repurchase liability.

For more information, refer to the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section in this Report.

We may be terminated as a servicer or master servicer, be required to repurchase a mortgage loan or reimburse investors for credit losses on a mortgage loan, or incur costs, liabilities, fines and other sanctions if we fail to satisfy our servicing obligations, including our obligations with respect to mortgage loan foreclosure actions. We act as servicer and/or master servicer for mortgage loans included in securitizations and for unsecuritized mortgage loans owned by investors. As a servicer or master servicer for those loans we have certain contractual obligations to the securitization trusts, investors or other third parties, including, in our capacity as a servicer, foreclosing on defaulted mortgage loans or, to the extent consistent with the applicable securitization or other investor agreement, considering alternatives to foreclosure such as loan modifications or short sales and, in our capacity as a master servicer, overseeing the servicing of mortgage loans by the servicer. If we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period of time following notice, which can generally be given by the securitization trustee or a specified percentage of security holders, causing us to lose servicing income. In addition, we may be required to indemnify the securitization trustee against losses from any failure by us, as a servicer or master servicer, to perform our servicing obligations or any act or omission on our part that involves wilful misfeasance, bad faith or gross negligence. For certain investors and/or certain transactions, we may be contractually obligated to repurchase a mortgage loan or reimburse the investor for credit losses incurred on the loan as a remedy for servicing errors with respect to the loan. If we have increased repurchase obligations because of claims that we did not satisfy our obligations as a servicer or master servicer, or increased loss severity on such repurchases, we may have a significant reduction to net servicing income within mortgage banking noninterest income.

We may incur costs if we are required to, or if we elect to, re-execute or re-file documents or take other action in our capacity as a servicer in connection with pending or completed foreclosures. We may incur litigation costs if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, we may have liability to the borrower and/or

to any title insurer of the property sold in foreclosure if the required process was not followed. These costs and liabilities may not be legally or otherwise reimbursable to us, particularly to the extent they relate to securitized mortgage loans. In addition, if certain documents required for a foreclosure action are missing or defective, we could be obligated to cure the defect or repurchase the loan. We may incur liability to securitization investors relating to delays or deficiencies in our processing of mortgage assignments or other documents necessary to comply with state law governing foreclosures. The fair value of our MSRs may be negatively affected to the extent our servicing costs increase because of higher foreclosure costs. We may be subject to fines and other sanctions imposed by Federal or state regulators as a result of actual or perceived deficiencies in our foreclosure practices or in the foreclosure practices of other mortgage loan servicers. Any of these actions may harm our reputation or negatively affect our residential mortgage origination or servicing business. In April 2011, we entered into consent orders with the OCC and the FRB following a joint interagency horizontal examination of foreclosure processing at large mortgage servicers, including the Company. These orders incorporate remedial requirements for identified deficiencies and require the Company to, among other things, take certain actions with respect to our mortgage servicing and foreclosure operations, including submitting various action plans to ensure that our mortgage servicing and foreclosure operations comply with legal requirements, regulatory guidance and the consent orders. As noted above, any increase in our servicing costs from changes in our foreclosure and other servicing practices, including resulting from the consent orders, negatively affects the fair value of our MSRs.

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, we believe 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.

As part of the settlement, the Company was released from claims and allegations relating to servicing, modification and foreclosure practices; however, the settlement does not release the Company from any claims arising out of securitization activities, including representations made to investors respecting mortgage-backed securities; criminal claims; repurchase demands from the GSEs; and inquiries into MERS, among other items. Any investigations or litigation relating to any of the Company's mortgage servicing and foreclosure practices that are not covered or released by the settlement could result in material fines, penalties, equitable remedies, or other enforcement actions.

For more information, refer to the "Risk Management – Liability for Mortgage Loan Repurchase Losses" and "– Risks Relating to Servicing Activities," and "Critical Accounting Policies – Valuation of Residential Mortgage Servicing Rights" sections and Note 14 (Guarantees, Pledged Assets and Collateral) and Note 15 (Legal Actions) to Financial Statements in this Report.

Financial difficulties or credit downgrades of mortgage and bond insurers may negatively affect our servicing and investment portfolios. Our servicing portfolio includes certain mortgage loans that carry some level of insurance from one or more mortgage insurance companies. To the extent that any of these companies experience financial difficulties or credit downgrades, we may be required, as servicer of the insured loan on behalf of the investor, to obtain replacement coverage with another provider, possibly at a higher cost than the coverage we would replace. We may be responsible for some or all of the incremental cost of the new coverage for certain loans depending on the terms of our servicing agreement with the investor and other circumstances, although we do not have an additional risk of repurchase loss associated with claim amounts for loans sold to third-party investors. Similarly, some of the mortgage loans we hold for investment or for sale carry mortgage insurance. If a mortgage insurer is unable to meet its credit obligations with respect to an insured loan, we might incur higher credit losses if replacement coverage is not obtained. For example, in October 2011, PMI Mortgage Insurance Co. (PMI), one of our providers of mortgage insurance, was seized by its regulator. We previously utilized PMI to provide mortgage insurance on certain loans originated and held in our portfolio and on loans originated and sold to third-party investors. We also hold a small amount of residential MBS, which are backed by mortgages with a limited amount of insurance provided by PMI. PMI has announced that it will pay 50% of insurance claim amounts in cash with the rest deferred. Although we do not expect PMI's situation to have a material adverse effect on our financial results because of the limited amount of loans and securities held in our portfolios with PMI insurance support, we cannot be certain that any such future events involving one of our other mortgage insurance company providers will not materially adversely affect our mortgage business and/or financial results. We also have investments in municipal bonds that are guaranteed against loss by bond insurers. The value of these bonds and the payment of principal and interest on them may be negatively affected by

financial difficulties or credit downgrades experienced by the bond insurers.

For more information, refer to the "Earnings Performance – Balance Sheet Analysis – Investment Securities" and "Risk Management – Credit Risk Management– Liability for Mortgage Loan Repurchase Losses" sections in this Report.

OPERATIONAL AND LEGAL RISK

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, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses. As a large financial institution that serves over 70 million customers through over 9,000 locations, 12,000 ATMs, the Internet and other distribution channels across the U.S. and internationally, we depend on our ability to process, record and monitor a large number of customer transactions on a continuous basis. As our customer base and locations have expanded throughout the U.S. and internationally, and as customer, public, legislative and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns. Our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control. For example, there could be sudden increases in customer transaction volume; electrical or telecommunications outages; degradation or loss of public internet domain; climate change related impacts and natural disasters such as earthquakes, tornados, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and, as described below, cyber attacks. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our businesses and customers.

Information security risks for large financial institutions such as Wells Fargo have generally increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties, including foreign state-sponsored parties. Those parties also may attempt to fraudulently induce employees, customers, or other users of our systems to disclose confidential information in order to gain access to our data or that of our customers. As noted above, our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. Our banking, brokerage, investment advisory, and capital markets businesses rely on our digital technologies, computer and email systems, software, and networks to conduct their operations. In addition, to access our products and services, our customers may use personal smartphones, tablet PC's, and other mobile devices that are beyond our control systems. Although we believe we have robust information security procedures and controls, our technologies, systems, networks, and our customers' devices may become the target of cyber attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of Wells Fargo's or our customers' confidential, proprietary and other information, or otherwise disrupt Wells Fargo's or its customers' or other third parties' business operations. For example, various retailers have recently reported they were victims of cyber attacks in which large amounts of their customers' data, including debit and credit card information, was obtained. In these situations we generally incur costs to replace compromised cards and address fraudulent transaction activity affecting our customers.

Third parties with which we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries or vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

To date we have not experienced any material losses relating to cyber attacks or other information security breaches, but there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the prominent size and scale of Wells Fargo and its role in the financial services industry, our plans to continue to implement our Internet banking and mobile banking channel strategies and develop additional remote connectivity solutions to serve our customers when and how they want to be served, our expanded geographic footprint and international presence, the outsourcing of some of our business operations, and the current global economic and political environment. For example, Wells Fargo and reportedly other financial institutions continue to be the target of various evolving and adaptive denial-of-service or other cyber attacks as part of what appears to be a coordinated effort to disrupt the operations of financial institutions and potentially test their cybersecurity capabilities. As a result, cybersecurity and the continued development and enhancement of our controls, processes and systems designed to protect our networks, computers, software and data from attack, damage or unauthorized access remain a priority for Wells Fargo. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of the networks, systems or devices that our customers use to access our products and services could result in customer attrition, financial losses, the inability of our customers to transact business with us, violations of applicable privacy and other laws, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of

which could materially adversely affect our results of operations or financial condition.

Our framework for managing risks may not be effective in mitigating risk and loss to us. Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. In certain instances, we rely on models to measure, monitor and predict risks, such as market and interest rate risks, however there is no assurance that these models will appropriately capture all relevant risks or accurately predict future events or exposures. The recent financial and credit crisis and resulting regulatory reform highlighted both the importance and some of the limitations of managing unanticipated risks, and our regulators remain focused on ensuring that financial institutions build and maintain robust risk management policies. If our risk management framework proves ineffective, we could suffer unexpected losses which could materially adversely affect our results of operations or financial condition.

We may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations. We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations. However, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there was in place at the time systems and procedures designed to ensure compliance. For example, we are subject to regulations issued by the Office of Foreign Assets Control (OFAC) that prohibit financial institutions from participating in the transfer of property belonging to the governments of certain foreign countries and designated nationals of those countries. OFAC may impose penalties for inadvertent or unintentional violations even if reasonable processes are in place to prevent the violations. There may be other negative consequences resulting from a finding of noncompliance, including restrictions on certain activities. Such a finding may also damage our reputation as described below and could restrict the ability of institutional investment managers to invest in our securities.

Under the Iran Threat Reduction and Syria Human Rights Act of 2012, we are required to make certain disclosures in our periodic reports filed with the SEC relating to certain activities that we or our worldwide affiliates knowingly engaged in involving Iran during the quarterly period covered by the report. If we or an affiliate were to engage in a reportable transaction, we must also file a separate notice regarding the activity with the SEC, which the SEC will make publicly available on its website. The SEC will be required to forward the report to the President, the Senate Committees on Foreign Relations and Banking, Housing and Urban Affairs, and the House of Representatives Committees on Foreign Affairs and Financial Services. The President will then be required to initiate an investigation into the reported activity and within 180 days make a determination as to whether to impose sanctions on us. The scope of the reporting requirement is broad and covers any domestic or foreign entity or person that may be deemed to be an affiliate of ours. The potential sanctions and reputational harm for engaging in a reportable activity may be significant.

Negative publicity, including as a result of protests, could damage our reputation and business. Reputation risk, or the risk to our business, earnings and capital from negative public opinion, is inherent in our business and has increased substantially because of the financial crisis and our size and profile in the financial services industry. The reputation of the financial services industry in general has been damaged as a result of the financial crisis and other matters affecting the financial services industry, and negative public opinion about the financial services industry generally or Wells Fargo specifically could adversely affect our ability to keep and attract customers. Negative public opinion could result from our actual or alleged conduct in any number of activities, including mortgage lending practices, servicing and foreclosure activities, corporate governance, regulatory compliance, mergers and acquisitions, and disclosure, sharing or inadequate protection of customer information, and from actions taken by government regulators and community or other organizations in response to that conduct. Because we conduct most of our businesses under the "Wells Fargo" brand, negative public opinion about one business could affect our other businesses and also could negatively affect our "cross-sell" strategy. The proliferation of social media websites utilized by Wells Fargo and other third parties, as well as the personal use of social media by our team members and others, including personal blogs and social network profiles, also may increase the risk that negative, inappropriate or unauthorized information may be posted or released publicly that could harm our reputation or have other negative consequences, including as a result of our team members interacting with our customers in an unauthorized manner in various social media outlets.

As a result of the financial crisis, Wells Fargo and other financial institutions have been targeted from time to time by protests and demonstrations, which have included disrupting the operation of our retail banking stores and have resulted in negative public commentary about financial institutions, including the fees charged for various products and services. There can be no assurance that continued protests and negative publicity for the Company or large financial institutions generally will not harm our reputation and adversely affect our business and financial results.

Risks Relating to Legal Proceedings. Wells Fargo and some of its subsidiaries are involved in judicial, regulatory and arbitration proceedings or investigations concerning matters arising from our business activities. Although we believe we have a meritorious defense in all material significant litigation pending against us, there can be no assurance as to the ultimate

outcome. We establish reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. The ultimate resolution of a pending legal proceeding, depending on the remedy sought and granted, could materially adversely affect our results of operations and financial condition.

For more information, refer to Note 15 (Legal Actions) to Financial Statements in this Report.

RISKS RELATED TO OUR INDUSTRY'S COMPETITIVE OPERATING ENVIRONMENT

We face significant and increasing competition in the rapidly evolving financial services industry. We compete with other financial institutions in a highly competitive industry that is undergoing significant changes as a result of financial regulatory reform and increased public scrutiny stemming from the financial crisis and continued challenging economic conditions. Wells Fargo generally competes on the basis of the quality of our customer service, the wide variety of products and services that we can offer our customers and the ability of those products and services to satisfy our customers' needs, the pricing of our products and services, the extensive distribution channels available for our customers, our innovation, and our reputation. Continued and increased competition in any one or all of these areas may negatively affect our market share and results of operations and/or cause us to increase our capital investment in our businesses in order to remain competitive. Given the current economic, regulatory, and political environment for large financial institutions such as Wells Fargo, and possible public backlash to bank fees, there is increased competitive pressure to provide products and services at current or lower prices. Consequently, our ability to reposition or reprice our products and services from time to time may be limited and could be influenced significantly by the actions of our competitors who may or may not charge similar fees for their products and services. Any changes in the types of products and services that we offer our customers and/or the pricing for those products and services could result in a loss of customers and market share and could materially adversely affect our results of operations.

Continued technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions and other companies to provide electronic and internet-based financial solutions, including electronic payment solutions. We may not respond effectively to these competitive threats from existing and new competitors and may be forced to increase our investment in our business to modify or adapt our existing products and services or develop new products and services to respond to our customers' needs.

Our "cross-selling" efforts to increase the number of products our customers buy from us and offer them all of the financial products that fulfill their needs is a key part of our growth strategy, and our failure to execute this strategy effectively could have a material adverse effect on our revenue growth and financial results. Selling more products to our customers – "cross-selling" – is very important to our business model and key to our ability to grow revenue and earnings especially during the current environment of slow economic growth and regulatory reform initiatives. Many of our competitors also focus on cross-selling, especially in retail banking and mortgage lending. This can limit our ability to sell more products to our customers or influence us to sell our products at lower prices, reducing our net interest income and revenue from our fee-based products. It could also affect our ability to keep existing customers. New technologies could require us to spend more to modify or adapt our products to attract and retain customers. Our cross-sell strategy also is dependent on earning more business from our Wachovia customers, and increasing our cross-sell ratio – or the average number of products sold to existing customers – may become more challenging and we might not attain our goal of selling an average of eight products to each customer.

Our ability to attract and retain qualified team members is critical to the success of our business and failure to do so could adversely affect our business performance, competitive position and future prospects. The success of Wells Fargo is heavily dependent on the talents and efforts of our team members, and in many areas of our business, including the commercial banking, brokerage, investment advisory, and capital markets businesses, the competition for highly qualified personnel is intense. In order to attract and retain highly qualified team members, we must provide competitive compensation. As a large financial institution we may be subject to limitations on compensation by our regulators that may adversely affect our ability to attract and retain these qualified team members. Some of our competitors may not be subject to these same compensation limitations, which may further negatively affect our ability to attract and retain highly qualified team members.

RISKS RELATED TO OUR FINANCIAL STATEMENTS

Changes in accounting policies or accounting standards, and changes in how accounting standards are interpreted or applied, could materially affect how we report our financial results and condition. Our accounting policies are fundamental to determining and understanding our financial results and condition. As described below, some of these policies require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Any changes in our accounting policies could materially affect our financial statements.

From time to time the FASB and the SEC change the financial accounting and reporting standards that govern the preparation of our external financial statements. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, SEC, banking regulators and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be

applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond our control, can be hard to predict and could materially affect how we report our financial results and condition. We may be required to apply a new or revised standard retroactively or apply an existing standard differently, also retroactively, in each case potentially resulting in our restating prior period financial statements in material amounts.

Our financial statements are based in part on assumptions and estimates which, if wrong, could cause unexpected losses in the future, and our financial statements depend on our internal controls over financial reporting. Pursuant to U.S. GAAP, we are required to use certain assumptions and estimates in preparing our financial statements, including in determining credit loss reserves, reserves for mortgage repurchases, reserves related to litigation and the fair value of certain assets and liabilities, among other items. Several of our accounting 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. For a description of these policies, refer to the "Critical Accounting Policies" section in this Report. If assumptions or estimates underlying our financial statements are incorrect, we may experience material losses.

Certain of our financial instruments, including trading assets and liabilities, investment securities, certain loans, MSRs, private equity investments, structured notes and certain repurchase and resale agreements, among other items, require a determination of their fair value in order to prepare our financial statements. Where quoted market prices are not available, we may make fair value determinations based on internally developed models or other means which ultimately rely to some degree on management judgment, and there is no assurance that our models will capture or appropriately reflect all relevant inputs required to accurately determine fair value. Some of these and other assets and liabilities may have no direct observable price levels, making their valuation particularly subjective, being based on significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain loans and securities may make it more difficult to value certain balance sheet items, which may lead to the possibility that such valuations will be subject to further change or adjustment and could lead to declines in our earnings.

The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) requires our management to evaluate the Company's disclosure controls and procedures and its internal control over financial reporting and requires our auditors to issue a report on our internal control over financial reporting. We are required to disclose, in our annual report on Form 10-K, the existence of any "material weaknesses" in our internal controls. We cannot assure that we will not identify one or more material weaknesses as of the end of any given quarter or year, nor can we predict the effect on our stock price of disclosure of a material weakness. Sarbanes-Oxley also limits the types of non-audit services our outside auditors may provide to us in order to preserve their independence from us. If our auditors were found not to be "independent" of us under SEC rules, we could be required to engage new auditors and re-file financial statements and audit reports with the SEC. We could be out of compliance with SEC rules until new financial statements and audit reports were filed, limiting our ability to raise capital and resulting in other adverse consequences.

RISKS RELATED TO ACQUISITIONS

Acquisitions could reduce our stock price upon announcement and reduce our earnings if we overpay or have difficulty integrating them. We regularly explore opportunities to acquire companies in the financial services industry. We cannot predict the frequency, size or timing of our acquisitions, and we typically do not comment publicly on a possible acquisition until we have signed a definitive agreement. When we do announce an acquisition, our stock price may fall depending on the size of the acquisition, the type of business to be acquired, the purchase price, and the potential dilution to existing stockholders or our earnings per share if we issue common stock in connection with the acquisition.

We generally must receive federal regulatory approvals before we can acquire a bank, bank holding company or certain other financial services businesses depending on the size of the financial services business to be acquired. In deciding whether to approve a proposed acquisition, federal bank regulators will consider, among other factors, the effect of the acquisition on competition and the risk to the stability of the U.S. banking or financial system, our financial condition and future prospects including current and projected capital ratios and levels, the competence, experience, and integrity of management and record of compliance with laws and regulations, the convenience and needs of the communities to be served, including our record of compliance under the Community Reinvestment Act, and our effectiveness in combating money laundering. As a result of the Dodd-Frank Act and concerns regarding the large size of financial institutions such as Wells Fargo, the regulatory process for approving acquisitions has become more complex and regulatory approvals may be more difficult to obtain. We cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. We might be required to sell banks, branches and/or business units or assets or issue additional equity as a condition to receiving regulatory approval for an acquisition. In addition, federal bank regulations prohibit FRB regulatory approval of any transaction that would create an institution holding more than 10% of total U.S. insured deposits, or of any transaction (whether or not subject to FRB approval) that would create a financial company with more than 10% of the liabilities of all financial companies in the U.S. As of September 30, 2013, we believe we already held more than 10% of total U.S. insured deposits. As a result, our size may limit our bank acquisition opportunities in the future.

Difficulty in integrating an acquired company may cause us not to realize expected revenue increases, cost savings, increases in geographic or product presence, and other projected benefits from the acquisition. The integration could result in higher than expected deposit attrition, loss of key team members, disruption of our business or the business of the acquired company, or

otherwise harm our ability to retain customers and team members or achieve the anticipated benefits of the acquisition. Time and resources spent on integration may also impair our ability to grow our existing businesses. Also, the negative effect of any divestitures required by regulatory authorities in acquisitions or business combinations may be greater than expected. Many of the foregoing risks may be increased if the acquired company operates internationally or in a geographic location where we do not already have significant business operations and/or team members.

* * *

Any factor described in this Report or in any of our other SEC filings could by itself, or together with other factors, adversely affect our financial results and condition. Refer to our quarterly reports on Form 10-Q filed with the SEC in 2014 for material changes to the above discussion of risk factors. There are factors not discussed above or elsewhere in this Report that could adversely affect our financial results and condition.

Controls and Procedures

Disclosure Controls and Procedures

The Company's management evaluated the effectiveness, as of December 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 December 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 any quarter in 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management's report on internal control over financial reporting is set forth below and should be read with these limitations in mind.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework (1992)*. Based on this assessment, management concluded that as of December 31, 2013, the Company's internal control over financial reporting was effective.

KPMG LLP, the independent registered public accounting firm that audited the Company's financial statements included in this Annual Report, issued an audit report on the Company's internal control over financial reporting. KPMG's audit report appears on the following page.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Wells Fargo & Company:

We have audited Wells Fargo & Company and Subsidiaries' (the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) 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. Also, 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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated February 26, 2014, expressed an unqualified opinion on those consolidated financial statements.

San Francisco, California
February 26, 2014

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Income

(in millions, except per share amounts)		2013	Year ended December 31, 2012	2011
Interest income				
Trading assets	$	**1,376**	1,358	1,440
Investment securities		**8,116**	8,098	8,475
Mortgages held for sale		**1,290**	1,825	1,644
Loans held for sale		**13**	41	58
Loans		**35,571**	36,482	37,247
Other interest income		**723**	587	548
Total interest income		**47,089**	48,391	49,412
Interest expense				
Deposits		**1,337**	1,727	2,275
Short-term borrowings		**60**	79	80
Long-term debt		**2,585**	3,110	3,978
Other interest expense		**307**	245	316
Total interest expense		**4,289**	5,161	6,649
Net interest income		**42,800**	43,230	42,763
Provision for credit losses		**2,309**	7,217	7,899
Net interest income after provision for credit losses		**40,491**	36,013	34,864
Noninterest income				
Service charges on deposit accounts		**5,023**	4,683	4,280
Trust and investment fees		**13,430**	11,890	11,304
Card fees		**3,191**	2,838	3,653
Other fees		**4,340**	4,519	4,193
Mortgage banking		**8,774**	11,638	7,832
Insurance		**1,814**	1,850	1,960
Net gains from trading activities		**1,623**	1,707	1,014
Net gains (losses) on debt securities (1)		**(29)**	(128)	54
Net gains from equity investments (2)		**1,472**	1,485	1,482
Lease income		**663**	567	524
Other		**679**	1,807	1,889
Total noninterest income		**40,980**	42,856	38,185
Noninterest expense				
Salaries		**15,152**	14,689	14,462
Commission and incentive compensation		**9,951**	9,504	8,857
Employee benefits		**5,033**	4,611	4,348
Equipment		**1,984**	2,068	2,283
Net occupancy		**2,895**	2,857	3,011
Core deposit and other intangibles		**1,504**	1,674	1,880
FDIC and other deposit assessments		**961**	1,356	1,266
Other		**11,362**	13,639	13,286
Total noninterest expense		**48,842**	50,398	49,393
Income before income tax expense		**32,629**	28,471	23,656
Income tax expense		**10,405**	9,103	7,445
Net income before noncontrolling interests		**22,224**	19,368	16,211
Less: Net income from noncontrolling interests		**346**	471	342
Wells Fargo net income	$	**21,878**	18,897	15,869
Less: Preferred stock dividends and other		**989**	898	844
Wells Fargo net income applicable to common stock	$	**20,889**	17,999	15,025
Per share information				
Earnings per common share	$	**3.95**	3.40	2.85
Diluted earnings per common share		**3.89**	3.36	2.82
Dividends declared per common share		**1.15**	0.88	0.48
Average common shares outstanding		**5,287.3**	5,287.6	5,278.1
Diluted average common shares outstanding		**5,371.2**	5,351.5	5,323.4

(1) Total other-than-temporary impairment (OTTI) losses (gains) were $39 million, $3 million and $349 million for the year ended December 31, 2013, 2012 and 2011, respectively. Of total OTTI, losses of $158 million, $240 million and $423 million were recognized in earnings, and gains of $(119) million, $(237) million and $(74) million were recognized as non-credit-related OTTI in other comprehensive income for the year ended December 31, 2013, 2012 and 2011, respectively.
(2) Includes OTTI losses of $186 million, $176 million and $288 million for the year ended December 31, 2013, 2012 and 2011, respectively.

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Comprehensive Income

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Wells Fargo net income	**$ 21,878**	18,897	15,869
Other comprehensive income (loss), before tax:			
Investment securities:			
Net unrealized gains (losses) arising during the period	**(7,661)**	5,143	(588)
Reclassification of net gains to net income	**(285)**	(271)	(696)
Derivatives and hedging activities:			
Net unrealized gains (losses) arising during the period	**(32)**	52	190
Reclassification of net gains on cash flow hedges to net income	**(296)**	(388)	(571)
Defined benefit plans adjustments:			
Net actuarial gains (losses) arising during the period	**1,533**	(775)	(1,079)
Amortization of net actuarial loss, settlements and other to net income	**276**	144	99
Foreign currency translation adjustments:			
Net unrealized losses arising during the period	**(44)**	(6)	(37)
Reclassification of net gains to net income	**(12)**	(10)	-
Other comprehensive income (loss), before tax	**(6,521)**	3,889	(2,682)
Income tax (expense) benefit related to other comprehensive income	**2,524**	(1,442)	1,139
Other comprehensive income (loss), net of tax	**(3,997)**	2,447	(1,543)
Less: Other comprehensive income (loss) from noncontrolling interests	**267**	4	(12)
Wells Fargo other comprehensive income (loss), net of tax	**(4,264)**	2,443	(1,531)
Wells Fargo comprehensive income	**17,614**	21,340	14,338
Comprehensive income from noncontrolling interests	**613**	475	330
Total comprehensive income	**$ 18,227**	21,815	14,668

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Balance Sheet

(in millions, except shares)		December 31, 2013	2012
Assets			
Cash and due from banks	$	**19,919**	21,860
Federal funds sold, securities purchased under resale agreements and other short-term investments		**213,793**	137,313
Trading assets		**62,813**	57,482
Investment securities:			
Available-for-sale, at fair value		**252,007**	235,199
Held-to-maturity, at cost (fair value $12,247 and $0)		**12,346**	-
Mortgages held for sale (includes $13,879 and $42,305 carried at fair value) (1)		**16,763**	47,149
Loans held for sale (includes $1 and $6 carried at fair value) (1)		**133**	110
Loans (includes $5,995 and $6,206 carried at fair value) (1)		**825,799**	799,574
Allowance for loan losses		**(14,502)**	(17,060)
Net loans		**811,297**	782,514
Mortgage servicing rights:			
Measured at fair value		**15,580**	11,538
Amortized		**1,229**	1,160
Premises and equipment, net		**9,156**	9,428
Goodwill		**25,637**	25,637
Other assets (includes $1,386 and $0 carried at fair value) (1)		**86,342**	93,578
Total assets (2)	$	**1,527,015**	1,422,968
Liabilities			
Noninterest-bearing deposits	$	**288,117**	288,207
Interest-bearing deposits		**791,060**	714,628
Total deposits		**1,079,177**	1,002,835
Short-term borrowings		**53,883**	57,175
Accrued expenses and other liabilities		**69,949**	76,668
Long-term debt (includes $0 and $1 carried at fair value) (1)		**152,998**	127,379
Total liabilities (3)		**1,356,007**	1,264,057
Equity			
Wells Fargo stockholders' equity:			
Preferred stock		**16,267**	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		**60,296**	59,802
Retained earnings		**92,361**	77,679
Cumulative other comprehensive income		**1,386**	5,650
Treasury stock – 224,648,769 shares and 215,497,298 shares		**(8,104)**	(6,610)
Unearned ESOP shares		**(1,200)**	(986)
Total Wells Fargo stockholders' equity		**170,142**	157,554
Noncontrolling interests		**866**	1,357
Total equity		**171,008**	158,911
Total liabilities and equity	$	**1,527,015**	1,422,968

(1) Parenthetical amounts represent assets and liabilities for which we have elected the fair value option.
(2) Our consolidated assets at December 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, $165 million and $260 million; Trading assets, $162 million and $114 million; Investment Securities, $1.4 billion and $2.8 billion; Mortgages held for sale, $38 million and $469 million; Net loans, $6.0 billion and $10.6 billion; Other assets, $347 million and $457 million, and Total assets, $8.1 billion and $14.6 billion, respectively.
(3) Our consolidated liabilities at December 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, $29 million and $0 million; Accrued expenses and other liabilities, $90 million and $134 million; Long-term debt, $2.3 billion and $3.5 billion; and Total liabilities, $2.4 billion and $3.6 billion, respectively.

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity

	Preferred stock		Common stock	
(in millions, except shares)	*Shares*	Amount	*Shares*	Amount
Balance December 31, 2010	*10,185,303*	$ 8,689	*5,262,283,228*	$ 8,787
Balance January 1, 2011	*10,185,303*	8,689	*5,262,283,228*	8,787
Net income				
Other comprehensive loss, net of tax				
Noncontrolling interests				
Common stock issued			*52,906,564*	88
Common stock repurchased (1)			*(85,779,031)*	
Preferred stock issued to ESOP	*1,200,000*	1,200		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(959,623)*	(959)	*33,200,875*	56
Common stock warrants repurchased				
Preferred stock issued	*25,010*	2,501		
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	*265,387*	2,742	*328,408*	144
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			*97,267,538*	162
Common stock repurchased (1)			*(119,586,873)*	
Preferred stock issued to ESOP	*940,000*	940		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(887,825)*	(888)	*26,021,875*	43
Common stock warrants repurchased				
Preferred stock issued	*56,000*	1,400		
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	*108,175*	1,452	*3,702,540*	205
Balance December 31, 2012	*10,558,865*	$ 12,883	*5,266,314,176*	$ 9,136

(1) For the year ended December 31, 2012, includes $200 million related to a private forward repurchase transaction entered into in fourth quarter 2012 that settled in first quarter 2013 for 6 million shares of common stock. For the year ended December 31, 2011, includes $150 million related to a private forward repurchase transaction entered into in fourth quarter 2011 that settled in first quarter 2012 for 6 million shares of common stock.

The accompanying notes are an integral part of these statements.

(continued on following pages)

				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
53,426	51,918	4,738	(487)	(663)	126,408	1,481	127,889
53,426	51,918	4,738	(487)	(663)	126,408	1,481	127,889
	15,869				15,869	342	16,211
		(1,531)			(1,531)	(12)	(1,543)
(37)					(37)	(365)	(402)
1,208					1,296		1,296
(150)			(2,266)		(2,416)		(2,416)
102				(1,302)	-		-
(80)				1,039	959		959
903					-		-
(2)					(2)		(2)
					2,501		2,501
21	(2,558)				(2,537)		(2,537)
	(844)				(844)		(844)
78					78		78
529					529		529
(41)			9		(32)		(32)
2,531	12,467	(1,531)	(2,257)	(263)	13,833	(35)	13,798
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
	18,897				18,897	471	19,368
		2,443			2,443	4	2,447
(16)					(16)	(564)	(580)
2,326					2,488		2,488
(50)			(3,868)		(3,918)		(3,918)
88				(1,028)	-		-
(80)				968	888		888
845					-		-
(1)					(1)		(1)
(23)					1,377		1,377
55	(4,713)				(4,658)		(4,658)
	(892)				(892)		(892)
230					230		230
560					560		560
(89)			2		(87)		(87)
3,845	13,292	2,443	(3,866)	(60)	17,311	(89)	17,222
59,802	77,679	5,650	(6,610)	(986)	157,554	1,357	158,911

(continued from previous pages)

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity

	Preferred stock		Common stock	
(in millions, except shares)	*Shares*	Amount	*Shares*	Amount
Balance December 31, 2012	*10,558,865*	**$ 12,883**	*5,266,314,176*	**$ 9,136**
Balance January 1, 2013	*10,558,865*	**12,883**	*5,266,314,176*	**9,136**
Net income				
Other comprehensive loss, net of tax				
Noncontrolling interests				
Common stock issued			*89,392,517*	
Common stock repurchased (1)			*(124,179,383)*	
Preferred stock issued to ESOP	*1,200,000*	**1,200**		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(1,005,270)*	**(1,006)**	*25,635,395*	
Common stock warrants repurchased				
Preferred stock issued	*127,600*	**3,190**		
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	*322,330*	**3,384**	*(9,151,471)*	**-**
Balance December 31, 2013	*10,881,195*	**$ 16,267**	*5,257,162,705*	**$ 9,136**

(1) For the year ended December 31, 2013, includes $500 million related to a private forward repurchase transaction entered into in fourth quarter 2013 that is expected to settle in first quarter 2014 for an estimated 11 mill on shares of common stock. See Note 1 for additional information.

The accompanying notes are an integral part of these statements.

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
59,802	77,679	5,650	(6,610)	(986)	157,554	1,357	158,911
59,802	77,679	5,650	(6,610)	(986)	157,554	1,357	158,911
	21,878				21,878	346	22,224
		(4,264)			(4,264)	267	(3,997)
28					28	(1,104)	(1,076)
(2)	(10)		2,745		2,733		2,733
(300)			(5,056)		(5,356)		(5,356)
108				(1,308)	-		-
(88)				1,094	1,006		1,006
191			815		-		-
					-		-
(45)					3,145		3,145
83	(6,169)				(6,086)		(6,086)
	(1,017)				(1,017)		(1,017)
269					269		269
725					725		725
(475)			2		(473)		(473)
494	14,682	(4,264)	(1,494)	(214)	12,588	(491)	12,097
60,296	92,361	1,386	(8,104)	(1,200)	170,142	866	171,008

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Cash Flows

(in millions)		2013	Year ended December 31, 2012	2011
Cash flows from operating activities:				
Net income before noncontrolling interests	$	**22,224**	19,368	16,211
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses		**2,309**	7,217	7,899
Changes in fair value of MSRs, MHFS and LHFS carried at fair value		**(3,229)**	(2,307)	(295)
Depreciation and amortization		**3,293**	2,807	2,208
Other net losses (gains)		**(9,384)**	(3,661)	3,273
Stock-based compensation		**1,920**	1,698	1,488
Excess tax benefits related to stock incentive compensation		**(271)**	(226)	(79)
Originations of MHFS		**(317,054)**	(483,835)	(345,099)
Proceeds from sales of and principal collected on mortgages originated for sale		**311,431**	421,623	298,524
Originations of LHFS		**-**	(15)	(5)
Proceeds from sales of and principal collected on LHFS		**575**	9,383	11,833
Purchases of LHFS		**(291)**	(7,975)	(11,723)
Net change in:				
Trading assets		**43,638**	105,440	35,149
Deferred income taxes		**4,977**	(1,297)	3,573
Accrued interest receivable		**(13)**	293	(401)
Accrued interest payable		**(32)**	(84)	(362)
Other assets		**4,693**	2,064	(11,529)
Other accrued expenses and liabilities		**(7,145)**	(11,953)	3,000
Net cash provided by operating activities		**57,641**	58,540	13,665
Cash flows from investing activities:				
Net change in:				
Federal funds sold, securities purchased under resale agreements and other short-term investments		**(78,184)**	(92,946)	36,270
Available-for-sale securities:				
Sales proceeds		**2,837**	5,210	23,062
Prepayments and maturities		**50,737**	59,712	52,618
Purchases		**(89,474)**	(64,756)	(121,235)
Held-to-maturity securities:				
Paydowns and maturities		**30**	-	-
Purchases		**(5,782)**	-	-
Nonmarketable equity investments:				
Sales proceeds		**2,577**	2,279	2,424
Purchases		**(3,273)**	(2,619)	(2,656)
Loans:				
Loans originated by banking subsidiaries, net of principal collected		**(43,744)**	(53,381)	(38,526)
Proceeds from sales (including participations) of loans originated for investment		**7,694**	6,811	6,555
Purchases (including participations) of loans		**(11,563)**	(9,040)	(8,878)
Principal collected on nonbank entities' loans		**19,955**	25,080	9,782
Loans originated by nonbank entities		**(17,311)**	(23,555)	(7,522)
Net cash paid for acquisitions		**-**	(4,322)	(353)
Proceeds from sales of foreclosed assets and short sales		**11,021**	12,690	13,495
Net cash from purchases and sales of MSRs		**407**	116	(155)
Other, net		**581**	(1,169)	75
Net cash used by investing activities		**(153,492)**	(139,890)	(35,044)
Cash flows from financing activities:				
Net change in:				
Deposits		**76,342**	82,762	72,128
Short-term borrowings		**(3,390)**	7,699	(6,231)
Long-term debt:				
Proceeds from issuance		**53,227**	27,695	11,687
Repayment		**(25,423)**	(28,093)	(50,555)
Preferred stock:				
Proceeds from issuance		**3,145**	1,377	2,501
Cash dividends paid		**(1,017)**	(892)	(844)
Common stock:				
Proceeds from issuance		**2,224**	2,091	1,296
Repurchased		**(5,356)**	(3,918)	(2,416)
Cash dividends paid		**(5,953)**	(4,565)	(2,537)
Common stock warrants repurchased		**-**	(1)	(2)
Excess tax benefits related to stock incentive compensation		**271**	226	79
Net change in noncontrolling interests		**(296)**	(611)	(331)
Other, net		**136**	-	-
Net cash provided by financing activities		**93,910**	83,770	24,775
Net change in cash and due from banks		**(1,941)**	2,420	3,396
Cash and due from banks at beginning of year		**21,860**	19,440	16,044
Cash and due from banks at end of year	$	**19,919**	21,860	19,440
Supplemental cash flow disclosures:				
Cash paid for interest	$	**4,321**	5,245	7,011
Cash paid for income taxes		**7,132**	8,024	4,875

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

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

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.

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 6), valuations of residential mortgage servicing rights (MSRs) (Notes 8 and 9) and financial instruments (Note 17), liability for mortgage loan repurchase losses (Note 9) and income taxes (Note 21). Actual results could differ from those estimates.

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 balance sheet. 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 on the balance sheet. 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 14 and 16 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 (OCI) 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 23 for expanded disclosures on reclassification adjustments.

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

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

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

Consolidation

Our consolidated financial statements include the accounts of the Parent and our majority-owned subsidiaries and variable interest entities (VIEs) (defined below) in which we are the primary beneficiary. Significant intercompany accounts and transactions are eliminated in consolidation. When we have significant influence over operating and financing decisions for a company but do not own a majority of the voting equity interests, we account for the investment using the equity method of accounting (we recognize a proportionate share of the company's earnings). If we do not have significant influence, we recognize the investment at cost except for (1) marketable equity securities, which we recognize at fair value with changes in fair value included in OCI, and (2) nonmarketable equity investments for which we have elected the fair value option. Investments accounted for under the equity or cost method are included in other assets.

We are a variable interest holder in certain special-purpose entities (SPEs) in which equity investors do not have the characteristics of a controlling financial interest or where the entity does not have enough equity at risk to finance its activities without additional subordinated financial support from other parties (referred to as VIEs). Our variable interest arises from contractual, ownership or other monetary interests in the entity, which change with fluctuations in the fair value of the entity's net assets. We consolidate a VIE if we are the primary beneficiary, defined as the party that has both the power to direct the activities that most significantly impact the VIE and a variable interest that could potentially be significant to the VIE. To determine whether or not a variable interest we hold could potentially be significant to the VIE, we consider both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIE. We assess whether or not we are the primary beneficiary of a VIE on an on-going basis.

Cash and Due From Banks

Cash and cash equivalents include cash on hand, cash items in transit, and amounts due from the Federal Reserve Bank and other depository institutions.

Trading Assets

Trading assets are primarily securities, including corporate debt, U.S. government agency obligations and other securities that we acquire for short-term appreciation or other trading purposes, and the fair value of derivatives primarily held for customer accommodation purposes or risk mitigation and hedging. Interest-only strips and other retained interests in securitizations that can be contractually prepaid or otherwise settled in a way that the holder would not recover substantially all of its recorded investment are classified as trading assets. Trading assets are carried at fair value, with interest and dividend income recorded in interest income and realized and unrealized gains and losses recorded in noninterest income. Periodic cash settlements on derivatives and other trading assets are recorded in noninterest income.

Investments

AVAILABLE-FOR-SALE SECURITIES Debt securities that we might not hold until maturity and marketable equity securities are classified as available-for-sale securities and reported at fair value. Unrealized gains and losses, after applicable income taxes, are reported in cumulative OCI.

We conduct other-than-temporary impairment (OTTI) analysis on a quarterly basis or more often if a potential loss-triggering event occurs. The initial indicator of OTTI for both debt and equity securities is a decline in fair market value below the amount recorded for an investment and the severity and duration of the decline.

For a debt security for which there has been a decline in the fair value below amortized cost basis, we recognize OTTI if we (1) have the intent to sell the security, (2) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis, or (3) we do not expect to recover the entire amortized cost basis of the security.

Estimating recovery of the amortized cost basis of a debt security is based upon an assessment of the cash flows expected to be collected. If the present value of cash flows expected to be collected, discounted at the security's effective yield, is less than amortized cost, OTTI is considered to have occurred. In performing an assessment of the cash flows expected to be collected, we consider all relevant information including:

- the length of time and the extent to which the fair value has been less than the amortized cost basis;
- the historical and implied volatility of the fair value of the security;
- the cause of the price decline, such as the general level of interest rates or adverse conditions specifically related to the security, an industry or a geographic area;
- the issuer's financial condition, near-term prospects and ability to service the debt;
- the payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future;
- for asset-backed securities, the credit performance of the underlying collateral, including delinquency rates, level of non-performing assets, cumulative losses to date, collateral value and the remaining credit enhancement compared with expected credit losses;
- any change in rating agencies' credit ratings at evaluation date from acquisition date and any likely imminent action;
- independent analyst reports and forecasts, sector credit ratings and other independent market data; and
- recoveries or additional declines in fair value subsequent to the balance sheet date.

If we intend to sell the security, or if it is more likely than not we will be required to sell the security before recovery, an OTTI write-down is recognized in earnings equal to the entire difference between the amortized cost basis and fair value of the security. For debt securities that are considered other-than-temporarily impaired that we do not intend to sell or it is more likely than not that we will not be required to sell before recovery, the OTTI write-down is separated into an amount representing the credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in OCI. The measurement of the credit loss component is equal to the difference between the debt security's amortized cost basis and the present value of its expected future cash flows discounted at the security's effective yield. The remaining difference between the security's fair value and the present value of future expected cash flows is due to factors that are not credit-related and, therefore, is recognized in OCI. We believe that we will fully collect the carrying value of securities on which we have recorded a non-credit-related impairment in OCI.

We hold investments in perpetual preferred securities (PPS) that are structured in equity form, but have many of the characteristics of debt instruments, including periodic cash flows in the form of dividends, call features, ratings that are similar to debt securities and pricing like long-term callable bonds.

Because of the hybrid nature of these securities, we evaluate PPS for OTTI using a model similar to the model we use for debt securities as described above. Among the factors we consider in

our evaluation of PPS are whether there is any evidence of deterioration in the credit of the issuer as indicated by a decline in cash flows or a rating agency downgrade to below investment grade and the estimated recovery period. Additionally, in determining if there was evidence of credit deterioration, we evaluate: (1) the severity of decline in market value below cost, (2) the period of time for which the decline in fair value has existed, and (3) the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer. We consider PPS to be other-than-temporarily impaired if cash flows expected to be collected are insufficient to recover our investment or if we no longer believe the security will recover within the estimated recovery period. OTTI write-downs of PPS are recognized in earnings equal to the difference between the cost basis and fair value of the security. Based upon the factors considered in our OTTI evaluation, we believe our investments in PPS currently rated investment grade will be fully realized and, accordingly, have not recognized OTTI on such securities.

For marketable equity securities other than PPS, OTTI evaluations focus on whether evidence exists that supports recovery of the unrealized loss within a timeframe consistent with temporary impairment. This evaluation considers the severity of and length of time fair value is below cost, our intent and ability to hold the security until forecasted recovery of the fair value of the security, and the investee's financial condition, capital strength, and near-term prospects.

The securities portfolio is an integral part of our asset/liability management process. We manage these investments to provide liquidity, manage interest rate risk and maximize portfolio yield within capital risk limits approved by management and the Board of Directors and monitored by the Corporate Asset/Liability Management Committee (Corporate ALCO). We recognize realized gains and losses on the sale of these securities in noninterest income using the specific identification method.

Unamortized premiums and discounts are recognized in interest income over the contractual life of the security using the interest method. As principal repayments are received on securities (i.e., primarily mortgage-backed securities (MBS)) a proportionate amount of the related premium or discount is recognized in income so that the effective interest rate on the remaining portion of the security continues unchanged.

HELD-TO-MATURITY SECURITIES Debt securities for which the Company has the positive intent and ability to hold to maturity are reported at historical cost adjusted for amortization of premiums and accretion of discounts. We recognize OTTI when there is a decline in fair market value and we do not expect to recover the entire amortized cost basis of the debt security. The amortized cost is written-down to fair value with the credit loss component recorded to earnings and the remaining component recognized in OCI. The OTTI assessment related to whether we expect recovery of the amortized cost basis and determination of any credit loss component recognized in earnings for held-to-maturity securities is the same as described for available-for-sale securities. Security transfers to the held-to-maturity classification are accounted for at fair value. Unrealized gains or losses from the transfer of available for sale securities continue to be reported in cumulative OCI and are amortized into earnings over the remaining life of the security using the effective interest method.

NONMARKETABLE EQUITY INVESTMENTS Nonmarketable equity investments include low income housing tax credit investments, equity securities that are not publicly traded and securities acquired for various purposes, such as to meet regulatory requirements (for example, Federal Reserve Bank and Federal Home Loan Bank (FHLB) stock). We elected the fair value option for certain of these investments. The rest of these investments are accounted for under the cost or equity method. All nonmarketable equity investments are included in other assets. We review those assets accounted for under the cost or equity method at least quarterly for possible OTTI. Our review typically includes an analysis of the facts and circumstances of each investment, the expectations for the investment's cash flows and capital needs, the viability of its business model and our exit strategy. We reduce the asset value when we consider declines in value to be other than temporary. We recognize the estimated loss as a loss from equity investments in noninterest income.

Securities Purchased and Sold Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are accounted for as collateralized financing transactions and are recorded at the acquisition or sale price plus accrued interest. It is our policy to take possession of securities purchased under resale agreements, which are primarily U.S. Government and Government agency securities. We monitor the market value of securities purchased and sold, and obtain collateral from or return it to counterparties when appropriate. These financing transactions do not create material credit risk given the collateral provided and the related monitoring process.

Mortgages and Loans Held for Sale

Mortgages held for sale (MHFS) include commercial and residential mortgages originated for sale and securitization in the secondary market, which is our principal market, or for sale as whole loans. We elect the fair value option for substantially all residential MHFS (see Note 17). The remaining residential MHFS are held at the lower of cost or market value (LOCOM), and are valued on an aggregate portfolio basis. Commercial MHFS are held at LOCOM and are valued on an individual loan basis.

Loans held for sale (LHFS) are carried at LOCOM or at fair value. Generally, consumer loans are valued on an aggregate portfolio basis, and commercial loans are valued on an individual loan basis.

Gains and losses on MHFS are recorded in mortgage banking noninterest income. Gains and losses on LHFS are recorded in other noninterest income. Direct loan origination costs and fees for MHFS and LHFS under the fair value option are recognized in income at origination. For MHFS and LHFS recorded at LOCOM, loan costs and fees are deferred at origination and are recognized in income at time of sale. Interest income on MHFS

and LHFS is calculated based upon the note rate of the loan and is recorded to interest income.

Our lines of business are authorized to originate held-for-investment loans that meet or exceed established loan product profitability criteria, including minimum positive net interest margin spreads in excess of funding costs. When a determination is made at the time of commitment to originate loans as held for investment, it is our intent to hold these loans to maturity or for the "foreseeable future," subject to periodic review under our corporate asset/liability management process. In determining the "foreseeable future" for these loans, management considers (1) the current economic environment and market conditions, (2) our business strategy and current business plans, (3) the nature and type of the loan receivable, including its expected life, and (4) our current financial condition and liquidity demands. Consistent with our core banking business of managing the spread between the yield on our assets and the cost of our funds, loans are periodically re-evaluated to determine if our minimum net interest margin spreads continue to meet our profitability objectives. If subsequent changes in interest rates significantly impact the ongoing profitability of certain loan products, we may subsequently change our intent to hold these loans, and we would take actions to sell such loans in response to the Corporate ALCO directives to reposition our balance sheet because of the changes in interest rates. These directives identify both the type of loans to be sold and the weighted average coupon rate of such loans no longer meeting our ongoing investment criteria. Upon the issuance of such directives, we immediately transfer these loans to the MHFS portfolio at LOCOM.

Loans

Loans are reported at their outstanding principal balances net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans and unamortized premiums or discounts on purchased loans. PCI loans are reported net of any remaining purchase accounting adjustments. See the "Purchased Credit-Impaired Loans" section in this Note for our accounting policy for PCI loans.

Unearned income, deferred fees and costs, and discounts and premiums are amortized to interest income over the contractual life of the loan using the interest method. Loan commitment fees are generally deferred and amortized into noninterest income on a straight-line basis over the commitment period.

Loans also include direct financing leases that are recorded at the aggregate of minimum lease payments receivable plus the estimated residual value of the leased property, less unearned income. Leveraged leases, which are a form of direct financing leases, are recorded net of related nonrecourse debt. Leasing income is recognized as a constant percentage of outstanding lease financing balances over the lease terms in interest income.

NONACCRUAL AND PAST DUE LOANS 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 (including loans discharged in bankruptcy);
- for junior lien mortgages, we have evidence that the related first lien mortgage may be 120 days past due or in the process of foreclosure regardless of the junior lien delinquency status; or
- performing consumer loans are discharged in bankruptcy, regardless of their delinquency status.

PCI loans are written down at acquisition to fair value using an estimate of cash flows deemed to be collectible. Accordingly, such loans are no longer classified as nonaccrual even though they may be contractually past due because we expect to fully collect the new carrying values of such loans (that is, the new cost basis arising out of purchase accounting).

When we place a loan on nonaccrual status, we reverse the accrued unpaid interest receivable against interest income and amortization of any net deferred fees is suspended. If the ultimate collectability of the recorded loan balance is in doubt on a nonaccrual loan, the cost recovery method is used and cash collected is applied to first reduce the carrying value of the loan. Otherwise, interest income may be recognized to the extent cash is received. Generally, we return a loan to accrual status when all delinquent interest and principal become current under the terms of the loan agreement and collectability of remaining principal and interest is no longer doubtful.

For modified loans, we re-underwrite at the time of a restructuring to determine if there is sufficient evidence of sustained repayment capacity based on the borrower's financial strength, including documented income, debt to income ratios and other factors. 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. When a loan classified as a troubled debt restructuring (TDR) performs in accordance with its modified terms, the loan either continues to accrue interest (for performing loans) or will return to accrual status after the borrower demonstrates a sustained period of performance (generally six consecutive months of payments, or equivalent, inclusive of consecutive payments made prior to the modification). Loans will be placed on nonaccrual status and a corresponding charge-off is recorded if we believe it is probable that principal and interest contractually due under the modified terms of the agreement will not be collectible.

Our loans are considered past due when contractually required principal or interest payments have not been made on the due dates.

LOAN CHARGE-OFF POLICIES For commercial loans, we generally fully charge off or charge down to net realizable value

(fair value of collateral, less estimated costs to sell) for loans secured by collateral when:

- management judges the loan to be uncollectible;
- repayment is deemed to be protracted beyond reasonable time frames;
- the loan has been classified as a loss by either our internal loan review process or our banking regulatory agencies;
- the customer has filed bankruptcy and the loss becomes evident owing to a lack of assets; or
- the loan is 180 days past due unless both well-secured and in the process of collection.

For consumer loans, we fully charge off or charge down to net realizable value when deemed uncollectible due to bankruptcy discharge or other factors, or no later than reaching a defined number of days past due, as follows:

- 1-4 family first and junior lien mortgages – We generally charge down to net realizable value when the loan is 180 days past due.
- Auto loans – We generally fully charge off when the loan is 120 days past due.
- Credit card loans – We generally fully charge off when the loan is 180 days past due.
- Unsecured loans (closed end) – We generally fully charge off when the loan is 120 days past due.
- Unsecured loans (open end) – We generally fully charge off when the loan is 180 days past due.
- Other secured loans – We generally fully or partially charge down to net realizable value when the loan is 120 days past due.

IMPAIRED LOANS We consider a loan to be impaired when, based on current information and events, we determine that we will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. This evaluation is generally based on delinquency information, an assessment of the borrower's financial condition and the adequacy of collateral, if any. Our impaired loans predominantly include loans on nonaccrual status for commercial and industrial, commercial real estate (CRE), foreign loans and any loans modified in a TDR, on both accrual and nonaccrual status.

When we identify a loan as impaired, we generally measure the impairment, if any, based on the difference between the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount) and the present value of expected future cash flows, discounted at the loan's effective interest rate. When the value of an impaired loan is calculated by discounting expected cash flows, interest income is recognized using the loan's effective interest rate over the remaining life of the loan. When collateral is the sole source of repayment for the impaired loan, rather than the borrower's income or other sources of repayment, we charge down to net realizable value.

TROUBLED DEBT RESTRUCTURINGS In situations where, for economic or legal reasons related to a borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a TDR. These modified terms may include rate reductions, principal forgiveness, term extensions, payment forbearance and other actions intended to minimize our economic loss and to avoid foreclosure or repossession of the collateral. For modifications where we forgive principal, the entire amount of such principal forgiveness is immediately charged off. Loans classified as TDRs, including loans in trial payment periods (trial modifications), are considered impaired loans. Other than resolutions such as foreclosures, sales and transfers to held-for- sale, we may remove loans held for investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

PURCHASED CREDIT-IMPAIRED 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. Some loans that otherwise meet the definition as credit-impaired are specifically excluded from the PCI loan portfolios, such as revolving loans where the borrower still has revolving privileges.

Evidence of credit quality deterioration as of the purchase date may include statistics such as past due and nonaccrual status, commercial risk ratings, recent borrower credit scores and recent loan-to-value percentages. Generally, acquired loans that meet our definition for nonaccrual status are considered to be credit-impaired.

Substantially all commercial and industrial, CRE and foreign PCI loans are accounted for as individual loans. Conversely, consumer PCI loans have been aggregated into pools based on common risk characteristics. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Accounting for PCI loans involves estimating fair value, at acquisition, using the principal and interest cash flows expected to be collected discounted at the prevailing market rate of interest. The excess of cash flows expected to be collected over the carrying value (estimated fair value at acquisition date) is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the loan, or pool of loans, in situations where there is a reasonable expectation about the timing and amount of cash flows to be collected. The difference between contractually required payments and the cash flows expected to be collected at acquisition, considering the impact of prepayments, is referred to as the nonaccretable difference.

Subsequent to acquisition, we regularly evaluate our estimates of cash flows expected to be collected. If we have probable decreases in cash flows expected to be collected (other than due to decreases in interest rate indices and changes in prepayment assumptions), we charge the provision for credit losses, resulting in an increase to the allowance for loan losses. If we have probable and significant increases in cash flows expected to be collected, we first reverse any previously established allowance for loan losses and then increase interest

income as a prospective yield adjustment over the remaining life of the loan, or pool of loans. Estimates of cash flows are impacted by changes in interest rate indices for variable rate loans and prepayment assumptions, both of which are treated as prospective yield adjustments included in interest income.

Resolutions of loans may include sales of loans to third parties, receipt of payments in settlement with the borrower, or foreclosure of the collateral. For individual PCI loans, gains or losses on sales to third parties are included in noninterest income, and gains or losses as a result of a settlement with the borrower are included in interest income. Our policy is to remove an individual loan from a pool based on comparing the amount received from its resolution with its contractual amount. Any difference between these amounts is absorbed by the nonaccretable difference for the entire pool. This removal method assumes that the amount received from resolution approximates pool performance expectations. The remaining accretable yield balance is unaffected and any material change in remaining effective yield caused by this removal method is addressed by our quarterly cash flow evaluation process for each pool. For loans that are resolved by payment in full, there is no release of the nonaccretable difference for the pool because there is no difference between the amount received at resolution and the contractual amount of the loan. Modified PCI loans are not removed from a pool even if those loans would otherwise be deemed TDRs. Modified PCI loans that are accounted for individually are considered TDRs, and removed from PCI accounting if there has been a concession granted in excess of the original nonaccretable difference. We include these TDRs in our impaired loans.

FORECLOSED ASSETS Foreclosed assets obtained through our lending activities primarily include real estate. Generally, loans have been written down to their net realizable value prior to foreclosure. Any further reduction to their net realizable value is recorded with a charge to the allowance for credit losses at foreclosure. We allow up to 90 days after foreclosure to finalize determination of net realizable value. Thereafter, changes in net realizable value are recorded to noninterest expense. The net realizable value of these assets is reviewed and updated periodically depending on the type of property.

ALLOWANCE FOR CREDIT LOSSES (ACL) The allowance for credit losses is management's estimate of credit losses inherent in the loan portfolio, including unfunded credit commitments, at the balance sheet date. We have an established process to determine the appropriateness of the allowance for credit losses that assesses the losses inherent in our portfolio and related unfunded credit commitments. While we attribute portions of the allowance to our respective commercial and consumer portfolio segments, the entire allowance is available to absorb credit losses inherent in the total loan portfolio and unfunded credit commitments.

Our process involves procedures to appropriately consider the unique risk characteristics of our commercial and consumer loan portfolio segments. For each portfolio segment, losses are estimated collectively for groups of loans with similar characteristics, individually or pooled for impaired loans or, for PCI loans, based on the changes in cash flows expected to be collected.

Our allowance levels are influenced by loan volumes, loan grade migration or delinquency status, historic loss experience influencing loss factors, and other conditions influencing loss expectations, such as economic conditions.

COMMERCIAL PORTFOLIO SEGMENT ACL METHODOLOGY
Generally, commercial loans are assessed for estimated losses by grading each loan using various risk factors as identified through periodic reviews. We apply historic grade-specific loss factors to the aggregation of each funded grade pool. These historic loss factors are also used to estimate losses for unfunded credit commitments. In the development of our statistically derived loan grade loss factors, we observe historical losses over a relevant period for each loan grade. These loss estimates are adjusted as appropriate based on additional analysis of long-term average loss experience compared to previously forecasted losses, external loss data or other risks identified from current economic conditions and credit quality trends.

The allowance also includes an amount for the estimated impairment on nonaccrual commercial loans and commercial loans modified in a TDR, whether on accrual or nonaccrual status.

CONSUMER PORTFOLIO SEGMENT ACL METHODOLOGY
For consumer loans that are not identified as a TDR, we determine the allowance predominantly on a collective basis utilizing forecasted losses to represent our best estimate of inherent loss. We pool loans, generally by product types with similar risk characteristics, such as residential real estate mortgages and credit cards. As appropriate and to achieve greater accuracy, we may further stratify selected portfolios by sub-product, origination channel, vintage, loss type, geographic location and other predictive characteristics. Models designed for each pool are utilized to develop the loss estimates. We use assumptions for these pools in our forecast models, such as historic delinquency and default, loss severity, home price trends, unemployment trends, and other key economic variables that may influence the frequency and severity of losses in the pool.

In determining the appropriate allowance attributable to our residential mortgage portfolio, we take into consideration portfolios determined to be at elevated risk, such as junior lien mortgages behind delinquent first lien mortgages and junior lien lines of credit subject to near term significant payment increases. We incorporate the default rates and high severity of loss for these higher risk portfolios, including the impact of our established loan modification programs. When modifications occur or are probable to occur, our allowance considers the impact of these modifications, taking into consideration the associated credit cost, including re-defaults of modified loans and projected loss severity. Accordingly, the loss content associated with the effects of existing and probable loan modifications and higher risk portfolios has been captured in our allowance methodology.

We separately estimate impairment for consumer loans that have been modified in a TDR (including trial modifications), whether on accrual or nonaccrual status.

OTHER ACL MATTERS The allowance for credit losses for both portfolio segments includes an amount for imprecision or uncertainty that may change from period to period. This amount represents management's judgment of risks inherent in the processes and assumptions used in establishing the allowance. This imprecision considers economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends and risk assessments for our commitments to regulatory and government agencies regarding settlements of mortgage foreclosure-related matters.

Securitizations and Beneficial Interests

In certain asset securitization transactions that meet the applicable criteria to be accounted for as a sale, assets are sold to an entity referred to as an SPE, which then issues beneficial interests in the form of senior and subordinated interests collateralized by the assets. In some cases, we may retain beneficial interests issued by the entity. Additionally, from time to time, we may also re-securitize certain assets in a new securitization transaction.

The assets and liabilities transferred to an SPE are excluded from our consolidated balance sheet if the transfer qualifies as a sale and we are not required to consolidate the SPE.

For transfers of financial assets recorded as sales, we recognize and initially measure at fair value all assets obtained (including beneficial interests) and liabilities incurred. We record a gain or loss in noninterest income for the difference between the carrying amount and the fair value of the assets sold. Fair values are based on quoted market prices, quoted market prices for similar assets, or if market prices are not available, then the fair value is estimated using discounted cash flow analyses with assumptions for credit losses, prepayments and discount rates that are corroborated by and verified against market observable data, where possible. Retained interests and liabilities incurred from securitizations with off-balance sheet entities, including SPEs and VIEs, where we are not the primary beneficiary, are classified as investment securities, trading account assets, loans, MSRs or other liabilities (including liabilities for mortgage repurchase losses) and are accounted for as described herein.

Mortgage Servicing Rights (MSRs)

We recognize the rights to service mortgage loans for others, or MSRs, as assets whether we purchase the MSRs or the MSRs result from a sale or securitization of loans we originate (asset transfers). We initially record all of our MSRs at fair value. Subsequently, residential loan MSRs are carried at fair value. All of our MSRs related to our commercial mortgage loans are subsequently measured at LOCOM.

We base the fair value of MSRs on the present value of estimated future net servicing income cash flows. We estimate future net servicing income cash flows with assumptions that market participants would use to estimate fair value, including estimates of prepayment speeds (which are influenced by changes in mortgage interest rates and borrower behavior, including estimates for borrower default), discount rates, cost to service (including delinquency and foreclosure costs), escrow account earnings, contractual servicing fee income, ancillary income and late fees. Our valuation approach is validated by our internal valuation model validation group, and our valuation estimates are benchmarked to third party appraisals on a quarterly basis.

Changes in the fair value of MSRs occur primarily due to the collection/realization of expected cash flows, as well as changes in valuation inputs and assumptions. For MSRs carried at fair value, changes in fair value are reported in noninterest income in the period in which the change occurs. MSRs subsequently measured at LOCOM are amortized in proportion to, and over the period of, estimated net servicing income. The amortization of MSRs is reported in noninterest income, analyzed monthly and adjusted to reflect changes in prepayment speeds, as well as other factors.

MSRs accounted for at LOCOM are periodically evaluated for impairment based on the fair value of those assets. For purposes of impairment evaluation and measurement, we stratify MSRs based on the predominant risk characteristics of the underlying loans, including investor and product type. If, by individual stratum, the carrying amount of these MSRs exceeds fair value, a valuation reserve is established. The valuation reserve is adjusted as the fair value changes.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Capital leases, where we are the lessee, are included in premises and equipment at the capitalized amount less accumulated amortization.

We primarily use the straight-line method of depreciation and amortization. Estimated useful lives range up to 40 years for buildings, up to 10 years for furniture and equipment, and the shorter of the estimated useful life (up to 8 years) or the lease term for leasehold improvements. We amortize capitalized leased assets on a straight-line basis over the lives of the respective leases.

Goodwill and Identifiable Intangible Assets

Goodwill is recorded in business combinations under the purchase method of accounting when the purchase price is higher than the fair value of net assets, including identifiable intangible assets.

We assess goodwill for impairment at a reporting unit level on an annual basis or more frequently in certain circumstances. We have determined that our reporting units are one level below the operating segments. We have the option of performing a qualitative assessment of goodwill. We may also elect to bypass the qualitative test and proceed directly to a quantitative test. We initially perform a qualitative assessment of goodwill to test for impairment. If, based on our qualitative review, we conclude that more likely than not a reporting unit's fair value is less than its carrying amount, then we complete quantitative steps as described below to determine if there is goodwill impairment. If we conclude that a reporting unit's fair value is not less than its

carrying amount, quantitative tests are not required. We assess goodwill for impairment on a reporting unit level and apply various quantitative valuation methodologies when required to compare the estimated fair value to the carrying value of each reporting unit. Valuation methodologies include discounted cash flow and earnings multiple approaches. If the fair value is less than the carrying amount, an additional test is required to measure the amount of impairment. We recognize impairment losses as a charge to noninterest expense (unless related to discontinued operations) and an adjustment to the carrying value of the goodwill asset. Subsequent reversals of goodwill impairment are prohibited.

We amortize core deposit and other customer relationship intangibles on an accelerated basis over useful lives not exceeding 10 years. We review such intangibles for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated if the sum of undiscounted estimated future net cash flows is less than the carrying value of the asset. Impairment is permanently recognized by writing down the asset to the extent that the carrying value exceeds the estimated fair value.

Operating Lease Assets

Operating lease rental income for leased assets is recognized in other income on a straight-line basis over the lease term. Related depreciation expense is recorded on a straight-line basis over the estimated useful life, considering the estimated residual value of the leased asset. The useful life may be adjusted to the term of the lease depending on our plans for the asset after the lease term. On a periodic basis, leased assets are reviewed for impairment. Impairment loss is recognized if the carrying amount of leased assets exceeds fair value and is not recoverable. The carrying amount of leased assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the lease payments and the estimated residual value upon the eventual disposition of the equipment.

Liability for Mortgage Loan Repurchase Losses

We sell residential mortgage loans to various parties, including (1) government-sponsored entities (GSEs) Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) who include the mortgage loans in GSE-guaranteed mortgage securitizations, (2) SPEs that issue private label MBS, and (3) other financial institutions that purchase mortgage loans for investment or private label securitization. In addition, we pool Federal Housing Administration (FHA)-insured and Department of Veterans Affairs (VA)-guaranteed mortgage loans, which back securities guaranteed by the Government National Mortgage Association (GNMA).

We may be required to repurchase 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 specified contractual representations or warranties that are not remedied within a period (usually 90 days or less) after we receive notice of the breach. Our loan sale contracts to private investors (non-GSE) typically contain an additional provision where we would only be required to repurchase securitized loans if a breach is deemed to have a material and adverse effect on the value of the mortgage loan or to the investors or interests of security holders in the mortgage loan.

We establish a mortgage repurchase liability, initially at fair value, related to various representations and warranties that reflect management's estimate of losses for loans for which we could have a repurchase obligation, whether or not we currently service those loans, based on a combination of factors. Such factors include default expectations, expected investor repurchase demands (influenced by current and expected mortgage loan file requests and mortgage insurance rescission notices, as well as estimated levels of origination defects) and appeals success rates (where the investor rescinds the demand based on a cure of the defect or acknowledges that the loan satisfies the investor's applicable representations and warranties), reimbursement by correspondent and other third party originators, and projected loss severity. We continually update our mortgage repurchase liability estimate during the life of the loans. Although activity can vary by investor, investors may demand repurchase at any time and there is often a lag from the date of default to the time we receive a repurchase demand. The majority of repurchase demands are on loans that default in the first 24 to 36 months following origination of the mortgage loan.

The liability for mortgage loan repurchase losses is included in other liabilities. For additional information on our repurchase liability, see Note 9.

Pension Accounting

We account for our defined benefit pension plans using an actuarial model. Two principal assumptions in determining net periodic pension cost are the discount rate and the expected long term rate of return on plan assets.

A discount rate is used to estimate the present value of our future pension benefit obligations. We use a consistent methodology to determine the discount rate based upon the yields on multiple portfolios of bonds with maturity dates that closely match the estimated timing and amounts of the expected benefit payments for our plans. Such portfolios are derived from a broad-based universe of high quality corporate bonds as of the measurement date.

Our determination of the reasonableness of our expected long-term rate of return on plan assets is highly quantitative by nature. We evaluate the current asset allocations and expected returns under two sets of conditions: projected returns using several forward-looking capital market assumptions, and historical returns for the main asset classes dating back to 1970 or the earliest period for which historical data was readily available for the asset classes included. Using long term historical data allows us to capture multiple economic environments, which we believe is relevant when using historical returns. We place greater emphasis on the forward-looking return and risk assumptions than on historical results. We use the resulting projections to derive a base line expected rate of return and risk level for the Cash Balance Plan's prescribed asset mix. We evaluate the portfolio based on: (1) the established target asset allocations over short term (one-year) and longer term (ten-year) investment horizons, and (2) the range of

potential outcomes over these horizons within specific standard deviations. We perform the above analyses to assess the reasonableness of our expected long-term rate of return on plan assets. We consider the expected rate of return to be a long-term average view of expected returns. The use of an expected long term rate of return on plan assets may cause us to recognize pension income returns that are greater or less than the actual returns of plan assets in any given year. Differences between expected and actual returns in each year, if any, are included in our net actuarial gain or loss amount, which is recognized in OCI. We generally amortize net actuarial gain or loss in excess of a 5% corridor from accumulated OCI into net periodic pension cost over the estimated average remaining participation period, which at December 31, 2013, is 16 years. See Note 20 for additional information on our pension accounting.

Income Taxes

We file consolidated and separate company federal income tax returns, foreign tax returns and various combined and separate company state tax returns.

We evaluate two components of income tax expense: current and deferred. Current income tax expense represents our estimated taxes to be paid or refunded for the current period and includes income tax expense related to our uncertain tax positions. We determine deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and recognizes enacted changes in tax rates and laws in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized subject to management's judgment that realization is “more likely than not.” Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement. Tax benefits not meeting our realization criteria represent unrecognized tax benefits. Foreign taxes paid are generally applied as credits to reduce federal income taxes payable. We account for interest and penalties as a component of income tax expense.

Stock-Based Compensation

We have stock-based employee compensation plans as more fully discussed in Note 19. Our Long-Term Incentive Compensation Plan provides for awards of incentive and nonqualified stock options, stock appreciation rights, restricted shares, restricted share rights (RSRs), performance share awards (PSAs) and stock awards without restrictions. For most awards, we measure the cost of employee services received in exchange for an award of equity instruments, such as stock options, RSRs or PSAs, based on the fair value of the award on the grant date. The cost is normally recognized in our income statement over the vesting period of the award; awards with graded vesting are expensed on a straight line method. Awards that continue to vest after retirement are expensed over the shorter of the period of time between the grant date and the final vesting period or between the grant date and when a team member becomes retirement eligible; awards to team members who are retirement eligible at the grant date are subject to immediate expensing upon grant.

In 2013, certain RSRs and all PSAs granted include discretionary performance based vesting conditions and are subject to variable accounting. For these awards, the associated compensation expense fluctuates with changes in our stock price. For PSAs, compensation expense also fluctuates based on the estimated outcome of meeting the performance conditions.

Earnings Per Common Share

We compute earnings per common share by dividing net income (after deducting dividends on preferred stock) by the average number of common shares outstanding during the year. We compute diluted earnings per common share by dividing net income (after deducting dividends and related accretion on preferred stock) by the average number of common shares outstanding during the year, plus the effect of common stock equivalents (for example, stock options, restricted share rights, convertible debentures and warrants) that are dilutive.

Fair Value of Financial Instruments

We use fair value measurements in our fair value disclosures and to record certain assets and liabilities at fair value on a recurring basis, such as trading assets, or on a nonrecurring basis such as measuring impairment on assets carried at amortized cost.

DETERMINATION OF FAIR VALUE We base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These fair value measurements are based on exit prices and determined by maximizing the use of observable inputs. However, for certain instruments we must utilize unobservable inputs in determining fair value due to the lack of observable inputs in the market, which requires greater judgment in measuring fair value.

In instances where there is limited or no observable market data, fair value measurements for assets and liabilities are based primarily upon our own estimates or combination of our own estimates and third-party vendor or broker pricing, and the measurements are often calculated based on current pricing for products we offer or issue, the economic and competitive environment, the characteristics of the asset or liability and other such factors. As with any valuation technique used to estimate fair value, changes in underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. Accordingly, these fair value estimates may not be realized in an actual sale or immediate settlement of the asset or liability.

We incorporate lack of liquidity into our fair value measurement based on the type of asset or liability measured and the valuation methodology used. For example, for certain residential MHFS and certain securities where the significant inputs have become unobservable due to illiquid markets and vendor or broker pricing is not used, we use a discounted cash flow technique to measure fair value. This technique incorporates forecasting of expected cash flows (adjusted for

credit loss assumptions and estimated prepayment speeds) discounted at an appropriate market discount rate to reflect the lack of liquidity in the market that a market participant would consider. For other securities where vendor or broker pricing is used, we use either unadjusted broker quotes or vendor prices or vendor or broker prices adjusted by weighting them with internal discounted cash flow techniques to measure fair value. These unadjusted vendor or broker prices inherently reflect any lack of liquidity in the market, as the fair value measurement represents an exit price from a market participant viewpoint.

Where markets are inactive and transactions are not orderly, transaction or quoted prices for assets or liabilities in inactive markets may require adjustment due to the uncertainty of whether the underlying transactions are orderly. For items that use price quotes in inactive markets, we analyze the degree of market inactivity and distressed transactions to determine the appropriate adjustment to the price quotes.

We continually assess the level and volume of market activity in our investment security classes in determining adjustments, if any, to price quotes. Given market conditions can change over time, our determination of which securities markets are considered active or inactive can change. If we determine a market to be inactive, the degree to which price quotes require adjustment, can also change. See Note 17 for discussion of the fair value hierarchy and valuation methodologies applied to financial instruments to determine fair value.

Derivatives and Hedging Activities

We recognize all derivatives on the balance sheet at fair value. On the date we enter into a derivative contract, we designate the derivative as (1) a hedge of the fair value of a recognized asset or liability, including hedges of foreign currency exposure ("fair value hedge"), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), or (3) held for trading, customer accommodation or asset/liability risk management purposes, including economic hedges not qualifying for hedge accounting. For a fair value hedge, we record changes in the fair value of the derivative and, to the extent that it is effective, changes in the fair value of the hedged asset or liability attributable to the hedged risk, in current period earnings in the same financial statement category as the hedged item. For a cash flow hedge, we record changes in the fair value of the derivative to the extent that it is effective in OCI, with any ineffectiveness recorded in current period earnings. We subsequently reclassify these changes in fair value to net income in the same period(s) that the hedged transaction affects net income in the same financial statement category as the hedged item. For free-standing derivatives, we report changes in the fair values in current period noninterest income.

For fair value and cash flow hedges qualifying for hedge accounting, we formally document at inception the relationship between hedging instruments and hedged items, our risk management objective, strategy and our evaluation of effectiveness for our hedge transactions. This includes linking all derivatives designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific forecasted transactions. Periodically, as required, we also formally assess whether the derivative we designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair values or cash flows of the hedged item using the regression analysis method or, in limited cases, the dollar offset method.

We discontinue hedge accounting prospectively when (1) a derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item, (2) a derivative expires or is sold, terminated or exercised, (3) we elect to discontinue the designation of a derivative as a hedge, or (4) in a cash flow hedge, a derivative is de-designated because it is not probable that a forecasted transaction will occur.

When we discontinue fair value hedge accounting, we no longer adjust the previously hedged asset or liability for changes in fair value, and cumulative adjustments to the hedged item are accounted for in the same manner as other components of the carrying amount of the asset or liability. If the derivative continues to be held after fair value hedge accounting ceases, we carry the derivative on the balance sheet at its fair value with changes in fair value included in earnings.

When we discontinue cash flow hedge accounting and it is not probable that the forecasted transaction will not occur, the accumulated amount reported in OCI at the de-designation date continues to be reported in OCI until the forecasted transaction affects earnings. If cash flow hedge accounting is discontinued and it is probable the forecasted transaction will not occur, the accumulated amount reported in OCI at the de-designation date is immediately recognized in earnings. If the derivative continues to be held after cash flow hedge accounting ceases, we carry the derivative on the balance sheet at its fair value with future changes in fair value included in earnings.

We occasionally purchase or originate financial instruments that contain an embedded derivative. At inception of the financial instrument, we assess (1) if the economic characteristics of the embedded derivative are not clearly and closely related to the economic characteristics of the financial instrument (host contract), (2) if the financial instrument that embodies both the embedded derivative and the host contract is not measured at fair value with changes in fair value reported in earnings, and (3) if a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative. If the embedded derivative meets all of these conditions, we separate it from the host contract by recording the bifurcated derivative at fair value and the remaining host contract at the difference between the basis of the hybrid instrument and the fair value of the bifurcated derivative. The bifurcated derivative is carried as a free-standing derivative at fair value with changes recorded in current period earnings.

By using derivatives, we are exposed to counterparty credit risk, which is the risk that counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to legally enforceable master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits,

monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent derivatives subject to master netting arrangements meet the applicable requirements, including determining the legal enforceability of the arrangement, it is our policy to present derivatives balances and related cash collateral amounts net on the balance sheet. Counterparty credit risk related to derivatives is considered in determining fair value and our assessment of hedge effectiveness.

Private Share Repurchases

During 2013 and 2012, we repurchased approximately 40 million shares and 36 million shares, respectively, under private forward repurchase contracts. We enter into these transactions with unrelated third parties to complement our open-market common stock repurchase strategies, to allow us to manage our share repurchases in a manner consistent with our capital plans, currently submitted under the 2013 Comprehensive Capital Analysis and Review (CCAR), and to provide an economic benefit to the Company.

Our payments to the counterparties for these private share repurchase contracts are recorded in permanent equity in the quarter paid and are not subject to re-measurement. The classification of the up-front payments as permanent equity assures that we have appropriate repurchase timing consistent with our 2013 capital plan, which contemplated a fixed dollar amount available per quarter for share repurchases pursuant to Federal Reserve Board (FRB) supervisory guidance. In return, the counterparty agrees to deliver a variable number of shares based on a per share discount to the volume-weighted average stock price over the contract period. There are no scenarios where the contracts would not either physically settle in shares or allow us to choose the settlement method.

In December 2013, we entered into a private forward repurchase contract and paid $500 million to an unrelated third party. This contract is expected to settle in first quarter 2014. At December 31, 2012, we had a $200 million private forward repurchase contract outstanding that settled in first quarter 2013 for 6 million shares of common stock. Our total number of outstanding shares of common stock is not reduced until settlement of the private share repurchase contract.

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

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Transfers from trading assets to available-for-sale securities	**$ -**	-	47
Transfers from (to) loans to (from) available-for-sale securities	**(77)**	921	2,822
Trading assets retained from securitizations of MHFS	**47,198**	85,108	61,599
Capitalization of MSRs from sale of MHFS	**3,616**	4,988	4,089
Transfers from MHFS to foreclosed assets	**127**	223	224
Transfers from loans to MHFS	**7,610**	7,584	6,305
Transfers from loans to LHFS	**274**	143	129
Transfers from loans to foreclosed assets (1)	**4,470**	6,114	7,594
Transfers from available-for-sale to held-to-maturity securities	**6,042**	-	-
Transfers from noncontrolling interests to other liabilities	**750**	-	-
Changes in consolidations (deconsolidations) of variable interest entities:			
Trading assets	**1,950**	-	-
Available-for-sale securities	**-**	(40)	7
Loans	**(2,268)**	(245)	(599)
Long-term debt	**(354)**	(293)	(628)
Consolidation of reverse mortgages previously sold:			
Loans	**-**	-	5,483
Long-term debt	**-**	-	5,425

(1) Includes $2.7 billion, $3.5 bill on and $3.4 bill on in transfers of government insured/guaranteed loans for the years ended December 31, 2013, 2012 and 2011, respectively. Prior years have been revised to correct prev ously reported amounts.

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

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 14.

We did not complete any acquisitions of businesses during 2013. Business combinations completed in 2012 and 2011 are presented below. Additionally, we had no pending business combinations as of December 31, 2013.

(in millions)	Date		Assets
2012			
EverKey Global Partners Limited / EverKey Global Management LLC / EverKey Global Partners (GP), LLC / EverKey Global Focus (GP), LLC – Bahamas/New York, New York	January 1	$	7
Burdale Financial Holdings Limited / Certain Assets of Burdale Capital Finance, Inc. – England/Stamford, Connecticut	February 1		874
Energy Lending Business of BNP Paribas, SA – Houston, Texas	April 20		3,639
Merlin Securities, LLC / Merlin Canada LTD. / Certain Assets and Liabilities of Merlin Group Holdings, LLC – San Francisco, California/Toronto, Ontario	August 1		281
		$	4,801
2011			
CP Equity, LLC – Denver, Colorado	July 1	$	389
Certain assets of Foreign Currency Exchange Corp – Orlando, Florida	August 1		46
LaCrosse Holdings, LLC – Minneapolis, Minnesota	November 30		116
Other (1)	Various		37
		$	588

(1) Consists of seven acquis tions of insurance brokerage businesses.

Note 3: Cash, Loan and Dividend Restrictions

Federal Reserve Board (FRB) regulations require that each of our subsidiary banks maintain reserve balances on deposit with the Federal Reserve Banks. The average required reserve balance was $11.8 billion in 2013 and $9.1 billion in 2012.

Federal law restricts the amount and the terms of both credit and non-credit transactions between a bank and its nonbank affiliates. They may not exceed 10% of the bank's capital and surplus (which for this purpose represents Tier 1 and Tier 2 capital, as calculated under the risk-based capital (RBC) guidelines, plus the balance of the allowance for credit losses excluded from Tier 2 capital) with any single nonbank affiliate and 20% of the bank's capital and surplus with all its nonbank affiliates. Transactions that are extensions of credit may require collateral to be held to provide added security to the bank. For further discussion of RBC, see Note 26 in this Report.

Dividends paid by our subsidiary banks are subject to various federal and state regulatory limitations. Dividends that may be paid by a national bank without the express approval of the Office of the Comptroller of the Currency (OCC) are limited to that bank's retained net profits for the preceding two calendar years plus retained net profits up to the date of any dividend declaration in the current calendar year. Retained net profits, as defined by the OCC, consist of net income less dividends declared during the period.

We also have a state-chartered subsidiary bank that is subject to state regulations that limit dividends. Under these provisions and regulatory limitations, our national and state-chartered subsidiary banks could have declared additional dividends of $5.1 billion at December 31, 2013, without obtaining prior regulatory approval. We have elected to retain capital at our national and state-chartered subsidiary banks to meet new regulatory requirements associated with the implementation of Basel III. Our nonbank subsidiaries are also limited by certain federal and state statutory provisions and regulations covering the amount of dividends that may be paid in any given year. Based on retained earnings at December 31, 2013, our nonbank subsidiaries could have declared additional dividends of $7.7 billion at December 31, 2013, without obtaining prior approval.

The FRB published clarifying supervisory guidance in first quarter 2009, SR 09-4 Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies, pertaining to FRB's criteria, assessment and approval process for reductions in capital. The FRB supplemented this guidance with the Capital Plan Rule issued in fourth quarter 2011 (codified at 12 CFR 225.8 of Regulation Y) that establishes capital planning and prior notice and approval requirements for capital distributions including dividends by certain bank holding companies. The effect of this guidance is to require the approval of the FRB (or specifically under the Capital Plan Rule, a notice of non-objection) for the Company to repurchase or redeem common or perpetual preferred stock as well as to raise the per share quarterly dividend from its current level of $0.30 per share as declared by the Company's Board of Directors on January 28, 2014, payable on March 1, 2014.

Note 4: 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 December 31, 2013 and 2012, were held at the Federal Reserve.

(in millions)		**Dec. 31, 2013**	Dec. 31, 2012
Federal funds sold and securities purchased under resale agreements	**$**	**25,801**	33,884
Interest-earning deposits		**186,249**	102,408
Other short-term investments		**1,743**	1,021
Total	**$**	**213,793**	137,313

We have classified securities purchased under long-term resale agreements (generally one year or more), which totaled $10.1 billion and $9.5 billion at December 31, 2013 and 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 14.

Note 5: Investment Securities

The following table provides the amortized cost and fair value by major categories of available-for-sale securities, which are carried at fair value, and held-to-maturity debt securities, which are carried at amortized cost. The net unrealized gains (losses) for available-for-sale securities are reported on an after-tax basis as a component of cumulative OCI. There were no securities classified as held-to-maturity as of December 31, 2012.

(in millions)		Cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2013					
Available-for-sale securities:					
Securities of U.S. Treasury and federal agencies	**$**	**6,592**	**17**	**(329)**	**6,280**
Securities of U.S. states and political subdivisions		**42,171**	**1,092**	**(727)**	**42,536**
Mortgage-backed securities:					
Federal agencies		**119,303**	**1,902**	**(3,614)**	**117,591**
Residential		**11,060**	**1,433**	**(40)**	**12,453**
Commercial		**17,689**	**1,173**	**(115)**	**18,747**
Total mortgage-backed securities		**148,052**	**4,508**	**(3,769)**	**148,791**
Corporate debt securities		**20,391**	**976**	**(140)**	**21,227**
Collateralized loan and other debt obligations (1)		**19,610**	**642**	**(93)**	**20,159**
Other (2)		**9,232**	**426**	**(29)**	**9,629**
Total debt securities		**246,048**	**7,661**	**(5,087)**	**248,622**
Marketable equity securities:					
Perpetual preferred securities		**1,703**	**222**	**(60)**	**1,865**
Other marketable equity securities		**336**	**1,188**	**(4)**	**1,520**
Total marketable equity securities		**2,039**	**1,410**	**(64)**	**3,385**
Total available-for-sale securities		**248,087**	**9,071**	**(5,151)**	**252,007**
Held-to-maturity securities:					
Federal agency mortgage-backed securities		**6,304**	**-**	**(99)**	**6,205**
Other (2)		**6,042**	**-**	**-**	**6,042**
Total held-to-maturity securities		**12,346**	**-**	**(99)**	**12,247**
Total (3)	**$**	**260,433**	**9,071**	**(5,250)**	**264,254**
December 31, 2012					
Available-for-sale securities:					
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 (3)	$	223,283	12,970	(1,054)	235,199

(1) Includes collateralized debt obligations (CDOs) with a cost basis and fair value of $509 million and $693 million, respectively, at December 31, 2013, and $556 million and $644 million, respectively at December 31, 2012.

(2) Included in the "Other" category of available-for-sale securities are asset-backed securities collateralized by auto leases or loans and cash reserves with a cost basis and fair value of $500 million and $513 million, respectively, at December 31, 2013, and $5.9 billion each at December 31, 2012. The remaining balances in the "Other" category of available-for-sale securities primarily include asset-backed securities collateralized by credit cards, student loans and home equity loans. Included in the "Other" category of held-to-maturity securities are asset-backed securities collateralized by auto leases or loans and cash reserves with a cost basis and fair value of $4.3 billion each at December 31, 2013. Also included in the "Other" category of held-to-maturity securities are asset-backed securities collateralized by dealer floorplan loans with a cost basis and fair value of $1.7 billion each at December 31, 2013.

(3) At December 31, 2013 and 2012, we held no securities of any single issuer (excluding the U.S. Treasury and federal agencies) with a book value that exceeded 10% of stockholders' equity.

Gross Unrealized Losses and Fair Value

The following table shows the gross unrealized losses and fair value of securities in the investment securities 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
December 31, 2013						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**$ (329)**	**5,786**	**-**	**-**	**(329)**	**5,786**
Securities of U.S. states and political subdivisions	**(399)**	**9,238**	**(328)**	**4,120**	**(727)**	**13,358**
Mortgage-backed securities:						
Federal agencies	**(3,562)**	**67,045**	**(52)**	**1,132**	**(3,614)**	**68,177**
Residential	**(18)**	**1,242**	**(22)**	**232**	**(40)**	**1,474**
Commercial	**(15)**	**2,128**	**(100)**	**2,027**	**(115)**	**4,155**
Total mortgage-backed securities	**(3,595)**	**70,415**	**(174)**	**3,391**	**(3,769)**	**73,806**
Corporate debt securities	**(85)**	**2,542**	**(55)**	**428**	**(140)**	**2,970**
Collateralized loan and other debt obligations	**(55)**	**7,202**	**(38)**	**343**	**(93)**	**7,545**
Other	**(11)**	**1,690**	**(18)**	**365**	**(29)**	**2,055**
Total debt securities	**(4,474)**	**96,873**	**(613)**	**8,647**	**(5,087)**	**105,520**
Marketable equity securities:						
Perpetual preferred securities	**(28)**	**424**	**(32)**	**308**	**(60)**	**732**
Other marketable equity securities	**(4)**	**34**	**-**	**-**	**(4)**	**34**
Total marketable equity securities	**(32)**	**458**	**(32)**	**308**	**(64)**	**766**
Total available-for-sale securities	**(4,506)**	**97,331**	**(645)**	**8,955**	**(5,151)**	**106,286**
Held-to-maturity securities:						
Federal agency mortgage-backed securities	**(99)**	**6,153**	**-**	**-**	**(99)**	**6,153**
Total held-to-maturity securities	**(99)**	**6,153**	**-**	**-**	**(99)**	**6,153**
Total	**$ (4,605)**	**103,484**	**(645)**	**8,955**	**(5,250)**	**112,439**
December 31, 2012						
Available-for-sale securities:						
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

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.

See Note 1 – "Investments" for the factors that we consider in our analysis of OTTI for debt and equity securities.

SECURITIES OF U.S. TREASURY AND FEDERAL AGENCIES AND FEDERAL AGENCY MORTGAGE-BACKED SECURITIES (MBS) The unrealized losses associated with U.S. Treasury and federal agency securities and federal agency MBS are primarily driven by changes in interest rates and not due to credit losses given the explicit or implicit guarantees provided by the U.S. government.

SECURITIES OF U.S. STATES AND POLITICAL SUBDIVISIONS The unrealized losses associated with securities of U.S. states and political subdivisions are primarily driven by changes in the relationship between municipal and term funding credit curves rather than by changes to the credit quality of the underlying securities. Substantially all of these investments are investment grade. The securities were generally underwritten in accordance with our own investment standards prior to the decision to purchase. Some of these securities are guaranteed by a bond insurer, but we did not rely on this guarantee in making our investment decision. These investments will continue to be monitored as part of our ongoing impairment analysis, but are expected to perform, even if the rating agencies reduce the credit rating of the bond insurers. As a result, we expect to recover the entire amortized cost basis of these securities.

RESIDENTIAL AND COMMERCIAL MBS The unrealized losses associated with private residential MBS and commercial MBS are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and/or prepayment rates. We estimate losses to a security by forecasting the underlying mortgage loans in each transaction. We use forecasted loan performance to project cash flows to the various tranches in the structure. We also consider cash flow forecasts and, as applicable, independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

CORPORATE DEBT SECURITIES The unrealized losses associated with corporate debt securities are primarily related to unsecured debt obligations issued by various corporations. We evaluate the financial performance of each issuer on a quarterly basis to determine that the issuer can make all contractual principal and interest payments. Based upon this assessment, we expect to recover the entire amortized cost basis of these securities.

COLLATERALIZED LOAN AND OTHER DEBT OBLIGATIONS The unrealized losses associated with collateralized loan and other debt obligations relate to securities primarily backed by commercial, residential or other consumer collateral. The unrealized losses are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and prepayment rates. We also consider cash flow forecasts and, as applicable, independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

OTHER DEBT SECURITIES The unrealized losses associated with other debt securities primarily relate to other asset-backed securities. The losses are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and prepayment rates. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

MARKETABLE EQUITY SECURITIES Our marketable equity securities include investments in perpetual preferred securities, which provide attractive tax-equivalent yields. We evaluated these hybrid financial instruments with investment-grade ratings for impairment using an evaluation methodology similar to that used for debt securities. Perpetual preferred securities are not considered to be other-than-temporarily impaired if there is no evidence of credit deterioration or investment rating downgrades of any issuers to below investment grade, and we expect to continue to receive full contractual payments. We will continue to evaluate the prospects for these securities for recovery in their market value in accordance with our policy for estimating OTTI. We have recorded impairment write-downs on perpetual preferred securities where there was evidence of credit deterioration.

OTHER INVESTMENT SECURITIES MATTERS The fair values of our investment securities could decline in the future if the underlying performance of the collateral for the residential and commercial MBS or other securities deteriorate and our credit enhancement levels do not provide sufficient protection to our contractual principal and interest. As a result, there is a risk that significant OTTI may occur in the future.

The following table shows the gross unrealized losses and fair value of debt and perpetual preferred investment securities 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 $18 million and $1.9 billion, respectively, at December 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
December 31, 2013				
Available-for-sale securities:				
Securities of U.S. Treasury and federal agencies	**$ (329)**	**5,786**	**-**	**-**
Securities of U.S. states and political subdivisions	**(671)**	**12,915**	**(56)**	**443**
Mortgage-backed securities:				
Federal agencies	**(3,614)**	**68,177**	**-**	**-**
Residential	**(2)**	**177**	**(38)**	**1,297**
Commercial	**(46)**	**3,364**	**(69)**	**791**
Total mortgage-backed securities	**(3,662)**	**71,718**	**(107)**	**2,088**
Corporate debt securities	**(96)**	**2,343**	**(44)**	**627**
Collateralized loan and other debt obligations	**(72)**	**7,376**	**(21)**	**169**
Other	**(19)**	**1,874**	**(10)**	**181**
Total debt securities	**(4,849)**	**102,012**	**(238)**	**3,508**
Perpetual preferred securities	**(60)**	**732**	**-**	**-**
Total available-for-sale securities	**(4,909)**	**102,744**	**(238)**	**3,508**
Held-to-maturity securities:				
Federal agency mortgage-backed securities	**(99)**	**6,153**	**-**	**-**
Total held-to-maturity securities	**(99)**	**6,153**	**-**	**-**
Total	**$ (5,008)**	**108,897**	**(238)**	**3,508**
December 31, 2012				
Available-for-sale securities:				
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

Contractual Maturities

The following table shows the remaining contractual maturities and contractual weighted-average yields (taxable-equivalent basis) of debt securities. 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							
	Total		Within one year		After one year through five years		After five years through ten years		After ten years	
(in millions)	amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
December 31, 2013										
Available-for-sale securities (1):										
Securities of U.S. Treasury and federal agencies	**$ 6,280**	**1.66 %**	**$ 86**	**0.54 %**	**$ 701**	**1.45 %**	**$ 5,493**	**1.71 %**	**$ -**	**- %**
Securities of U.S. states and political subdivisions	**42,536**	**5.30**	**4,915**	**1.84**	**7,901**	**2.19**	**3,151**	**5.19**	**26,569**	**6.89**
Mortgage-backed securities:										
Federal agencies	**117,591**	**3.33**	**1**	**7.14**	**398**	**2.71**	**956**	**3.46**	**116,236**	**3.33**
Residential	**12,453**	**4.31**	**-**	**-**	**-**	**-**	**113**	**5.43**	**12,340**	**4.30**
Commercial	**18,747**	**5.24**	**-**	**-**	**52**	**3.33**	**59**	**0.96**	**18,636**	**5.26**
Total mortgage-backed securities	**148,791**	**3.65**	**1**	**7.14**	**450**	**2.78**	**1,128**	**3.52**	**147,212**	**3.66**
Corporate debt securities	**21,227**	**4.18**	**6,136**	**2.06**	**7,255**	**4.22**	**6,528**	**5.80**	**1,308**	**5.77**
Collateralized loan and other debt obligations	**20,159**	**1.59**	**40**	**0.25**	**1,100**	**0.63**	**7,750**	**1.29**	**11,269**	**1.89**
Other	**9,629**	**1.80**	**906**	**2.53**	**2,977**	**1.74**	**1,243**	**1.64**	**4,503**	**1.73**
Total debt securities at fair value	**$ 248,622**	**3.69 %**	**$ 12,084**	**1.99 %**	**$ 20,384**	**2.75 %**	**$ 25,293**	**3.14 %**	**$ 190,861**	**3.97 %**
Held-to-maturity securities (1):										
Federal agency mortgage-backed securities (2)	**$ 6,205**	**3.90 %**	**$ -**	**- %**	**$ -**	**- %**	**$ -**	**- %**	**$ 6,205**	**3.90 %**
Other (3)	**6,042**	**1.89**	**195**	**1.72**	**4,468**	**1.87**	**1,379**	**1.98**	**-**	**-**
Total held-to-maturity securities at fair value	**$ 12,247**	**2.92 %**	**$ 195**	**1.72 %**	**$ 4,468**	**1.87 %**	**$ 1,379**	**1.98 %**	**$ 6,205**	**3.90 %**
December 31, 2012										
Available-for-sale securities:										
Securities of U.S. Treasury and federal agencies	$ 7,146	1.59 %	$ 376	0.43 %	$ 661	1.24 %	$ 6,109	1.70 %	$ -	- %
Securities of U.S. states and political subdivisions	38,676	5.29	1,861	2.61	11,620	2.18	3,380	5.51	21,815	7.15
Mortgage-backed securities:										
Federal agencies	97,285	3.82	1	5.40	106	4.87	1,144	3.41	96,034	3.83
Residential	15,931	4.38	-	-	-	-	569	2.06	15,362	4.47
Commercial	19,968	5.33	-	-	78	3.69	101	2.84	19,789	5.35
Total mortgage-backed securities	133,184	4.12	1	5.40	184	4.37	1,814	2.95	131,185	4.13
Corporate debt securities	21,333	4.26	1,037	4.29	12,792	3.19	6,099	6.14	1,405	5.88
Collateralized loan and other debt obligations	13,188	1.35	44	0.96	1,246	0.71	7,376	1.01	4,522	2.08
Other	18,887	1.85	1,715	1.14	9,589	1.75	3,274	2.11	4,309	2.14
Total debt securities at fair value	$ 232,414	3.91 %	$ 5,034	2.28 %	$ 36,092	2.37 %	$ 28,052	3.07 %	$ 163,236	4.44 %

(1) Weighted-average yields displayed by matur ty bucket are weighted based on fair value for available-for-sale securities and amortized cost for held-to-matur ty securities.
(2) Total amortized cost of federal agency mortgage-backed securities was $6.3 bill on at December 31, 2013, with a remaining contractual maturity of after ten years.
(3) Total amortized cost of other debt secur ties was $6.0 bill on at December 31, 2013, w th remaining contractual maturities of w thin one year, after one year through five years, and after five years through ten years of $0.2 billion, $4.4 bill on and $1.4 bill on, respectively, at December 31, 2013.

Realized Gains and Losses

The following table shows the gross realized gains and losses on sales and OTTI write-downs related to the investment securities portfolio, which includes marketable equity securities, as well as net realized gains and losses on nonmarketable equity investments (see Note 7 – Other Assets).

		Year ended December 31,		
(in millions)		**2013**	2012	2011
Gross realized gains	**$**	**492**	600	1,305
Gross realized losses		**(24)**	(73)	(70)
OTTI write-downs		**(183)**	(256)	(541)
Net realized gains from investment securities		**285**	271	694
Net realized gains from nonmarketable equity investments		**1,158**	1,086	842
Net realized gains from debt securities and equity investments	**$**	**1,443**	1,357	1,536

Other-Than-Temporary Impairment

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

		Year ended December 31,		
(in millions)		**2013**	2012	2011
OTTI write-downs included in earnings				
Debt securities:				
U.S. states and political subdivisions	**$**	**2**	16	2
Mortgage-backed securities:				
Federal agencies		**1**	-	-
Residential		**72**	84	252
Commercial		**53**	86	101
Corporate debt securities		**4**	11	3
Collateralized loan and other debt obligations		**-**	1	1
Other debt securities		**26**	42	64
Total debt securities		**158**	240	423
Equity securities:				
Marketable equity securities:				
Perpetual preferred securities		**-**	12	96
Other marketable equity securities		**25**	4	22
Total marketable equity securities		**25**	16	118
Total investment securities		**183**	256	541
Nonmarketable equity investments		**161**	160	170
Total OTTI write-downs included in earnings	**$**	**344**	416	711

Other-Than-Temporarily Impaired Debt Securities

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

		Year ended December 31,		
(in millions)		**2013**	2012	2011
OTTI on debt securities				
Recorded as part of gross realized losses:				
Credit-related OTTI	**$**	**107**	237	422
Intent-to-sell OTTI		**51**	3	1
Total recorded as part of gross realized losses		**158**	240	423
Changes to OCI for increase (decrease) in non-credit-related OTTI (1):				
U.S. states and political subdivisions		**(2)**	1	(1)
Residential mortgage-backed securities		**(27)**	(178)	(171)
Commercial mortgage-backed securities		**(90)**	(88)	105
Corporate debt securities		**-**	1	2
Collateralized loan and other debt obligations		**(1)**	(1)	4
Other debt securities		**1**	28	(13)
Total changes to OCI for non-credit-related OTTI		**(119)**	(237)	(74)
Total OTTI losses recorded on debt securities	**$**	**39**	3	349

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

The following table presents a rollforward of the credit loss component recognized in earnings for debt securities we still own (referred to as "credit-impaired" debt securities). The credit loss component of the amortized cost represents the difference between the present value of expected future cash flows discounted using the security's current effective interest rate and the amortized cost basis of the security prior to considering credit losses. OTTI recognized in earnings for credit-impaired debt securities is presented as additions and is classified into one of two components based upon whether the current period is the first time the debt security was credit-impaired (initial credit impairment) or if the debt security was previously credit-impaired (subsequent credit impairments). The credit loss component is reduced if we sell, intend to sell or believe we will be required to sell previously credit-impaired debt securities. Additionally, the credit loss component is reduced if we receive or expect to receive cash flows in excess of what we previously expected to receive over the remaining life of the credit-impaired debt security, the security matures or is fully written down.

Changes in the credit loss component of credit-impaired debt securities that were recognized in earnings and related to securities that we do not intend to sell are presented in the following table.

		Year ended December 31,		
(in millions)		**2013**	2012	2011
Credit loss component, beginning of year	**$**	**1,289**	1,272	1,043
Additions:				
Initial credit impairments		**21**	55	87
Subsequent credit impairments		**86**	182	335
Total additions		**107**	237	422
Reductions:				
For securities sold or matured		**(194)**	(194)	(160)
For securities derecognized due to changes in consolidation status of variable interest entities		**-**	-	(2)
For recoveries of previous credit impairments (1)		**(31)**	(26)	(31)
Total reductions		**(225)**	(220)	(193)
Credit loss component, end of year	**$**	**1,171**	1,289	1,272

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

To determine credit impairment losses for asset-backed securities (e.g., residential MBS, commercial MBS), we estimate expected future cash flows of the security by estimating the expected future cash flows of the underlying collateral and applying those collateral cash flows, together with any credit enhancements such as subordinated interests owned by third parties, to the security. The expected future cash flows of the underlying collateral are determined using the remaining contractual cash flows adjusted for future expected credit losses (which consider current delinquencies and nonperforming assets (NPAs), future expected default rates and collateral value by vintage and geographic region) and prepayments. The expected cash flows of the security are then discounted at the security's current effective interest rate to arrive at a present value amount. Total credit impairment losses on residential MBS that we do not intend to sell are shown in the table below. The table also presents a summary of the significant inputs considered in determining the measurement of the credit loss component recognized in earnings for residential MBS.

	Year ended December 31,		
($ in millions)	**2013**	2012	2011
Credit impairment losses on residential MBS			
Investment grade	**$ -**	-	5
Non-investment grade	**72**	84	247
Total credit impairment losses on residential MBS	**$ 72**	84	252
Significant inputs (non-agency – non-investment grade MBS)			
Expected remaining life of loan loss rate (1):			
Range (2)	**0-20 %**	1-44	0-48
Credit impairment loss rate distribution (3):			
0 - 10% range	**91**	77	42
10 - 20% range	**8**	11	18
20 - 30% range	**1**	4	28
Greater than 30%	**-**	8	12
Weighted average loss rate (4)	**6**	8	12
Current subordination levels (5):			
Range (2)	**0-41**	0-57	0-25
Weighted average (4)	**-**	2	4
Prepayment speed (annual CPR (6)):			
Range (2)	**4-27**	5-29	3-19
Weighted average (4)	**16**	15	11

(1) Represents future expected cred t losses on each pool of loans underlying respective securities expressed as a percentage of the total current outstanding loan balance of the pool for each respective security.
(2) Represents the range of inputs/assumpt ons based upon the indiv dual securities within each category.
(3) Represents distribution of credit impairment losses recognized in earnings categorized based on range of expected remaining life of loan losses. For example 91% of credit impairment losses recognized in earnings for the year ended December 31, 2013, had expected remaining life of loan loss assumptions of 0 to 10%.
(4) Calculated by weighting the relevant input/assumption for each individual security by current outstanding amortized cost basis of the security.
(5) Represents current level of credit protection provided by tranches subordinate to our security holdings (subordinat on), expressed as a percentage of total current underlying loan balance.
(6) Constant prepayment rate.

Total credit impairment losses on commercial MBS that we do not intend to sell were $28 million, $86 million, and $101 million for the years ended December 31, 2013, 2012 and 2011, respectively. Significant inputs considered in determining the credit impairment losses for commercial MBS are the expected remaining life of loan loss rates and current subordination levels. Prepayment activity on commercial MBS does not significantly impact the determination of their credit impairment because, unlike residential MBS, commercial MBS experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower's ability to prepay the mortgage. The expected remaining life of loan loss rates for commercial MBS with credit impairment losses ranged from 4% to 15%, 3% to 18%, and 4% to 18%, while the current subordination level ranges were 0% to 21%, 0% to 13%, and 3% to 15% for the years ended December 31, 2013, 2012 and 2011, respectively.

Note 6: Loans and Allowance for Credit Losses

The following table presents total loans outstanding by portfolio segment and class of financing receivable. Outstanding balances include a total net reduction of $6.4 billion and $7.4 billion at December 31, 2013 and December 31, 2012, respectively, for unearned income, net deferred loan fees, and unamortized discounts and premiums. Outstanding balances also include PCI loans net of any remaining purchase accounting adjustments. Information about PCI loans is presented separately in the "Purchased Credit-Impaired Loans" section of this Note.

					December 31,	
(in millions)		**2013**	2012	2011	2010	2009
Commercial:						
Commercial and industrial	$	**197,210**	187,759	167,216	151,284	158,352
Real estate mortgage		**107,100**	106,340	105,975	99,435	97,527
Real estate construction		**16,747**	16,904	19,382	25,333	36,978
Lease financing		**12,034**	12,424	13,117	13,094	14,210
Foreign (1)		**47,665**	37,771	39,760	32,912	29,398
Total commercial		**380,756**	361,198	345,450	322,058	336,465
Consumer:						
Real estate 1-4 family first mortgage		**258,497**	249,900	228,894	230,235	229,536
Real estate 1-4 family junior lien mortgage		**65,914**	75,465	85,991	96,149	103,708
Credit card		**26,870**	24,640	22,836	22,260	24,003
Automobile		**50,808**	45,998	43,508	43,516	42,624
Other revolving credit and installment		**42,954**	42,373	42,952	43,049	46,434
Total consumer		**445,043**	438,376	424,181	435,209	446,305
Total loans	$	**825,799**	799,574	769,631	757,267	782,770

(1) Substantially all of our foreign loan portfol o is commercial loans. Loans are classified as foreign primarily based on whether the borrower's primary address is outside of the United States.

Loan Concentrations

Loan concentrations may exist when there are amounts loaned to borrowers engaged in similar activities or similar types of loans extended to a diverse group of borrowers that would cause them to be similarly impacted by economic or other conditions. At December 31, 2013 and 2012, we did not have concentrations representing 10% or more of our total loan portfolio in domestic commercial and industrial loans and lease financing by industry or CRE loans (real estate mortgage and real estate construction) by state or property type. Our real estate 1-4 family mortgage loans to borrowers in the state of California represented approximately 13% of total loans at both December 31, 2013 and 2012, of which 2% were PCI loans in both years. These California loans are generally diversified among the larger metropolitan areas in California, with no single area consisting of more than 3% of total loans. We continuously 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.

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 15% of total loans at December 31, 2013, and 18% at December 31, 2012. Substantially all of these interest-only loans at origination were considered to be prime or near prime. We do not offer option adjustable-rate mortgage (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. We acquired an option payment loan portfolio (Pick-a-Pay) from Wachovia at December 31, 2008. A majority of the portfolio was identified as PCI loans. Since the acquisition, we have reduced our exposure to the option payment portion of the portfolio through our modification efforts and loss mitigation actions. At December 31, 2013, approximately 3% of total loans remained with the payment option feature compared with 10% at December 31, 2008.

Our first and junior lien lines of credit products generally have a draw period of 10 years (with some up to 15 or 20 years) with variable interest rate and payment options during the draw period of (1) interest only or (2) 1.5% of total outstanding balance plus accrued interest. During the draw period, the borrower has the option of converting all or a portion of the line from a variable interest rate to a fixed rate with terms including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment schedule with repayment terms of up to 30 years based on the balance at time of conversion. At December 31, 2013, our lines of credit portfolio had an outstanding balance of $75.7 billion, of which $3.9 billion, or 5%, is in its amortization period, another $11.6 billion, or 15%, of our total outstanding balance, will reach their end of draw period during 2014 through 2015, $22.8 billion, or 30%, during 2016 through 2018, and $37.4 billion, or 50%, will convert in subsequent years. This portfolio had unfunded credit commitments of $73.6 billion at December 31, 2013. The lines that enter their amortization period may experience higher delinquencies and higher loss

rates than the ones in their draw period. At December 31, 2013, $274 million, or 7%, of outstanding lines of credit that are in their amortization period were 30 or more days past due, compared with $1.5 billion, or 2%, for lines in their draw period. We have considered this increased inherent risk in our allowance for credit loss estimate. In anticipation of our borrowers reaching the end of their contractual commitment, we have created a program to inform, educate and help these borrowers transition from interest-only to fully-amortizing payments or full repayment. We monitor the performance of the borrowers moving through the program in an effort to refine our ongoing program strategy.

Loan Purchases, Sales, and Transfers

The following table summarizes the proceeds paid or received for purchases and sales of loans and transfers from loans held for investment to mortgages/loans held for sale at lower of cost or market. This loan activity primarily includes loans purchased and sales of whole loan or participating interests, whereby we receive or transfer a portion of a loan after origination. The table excludes PCI loans and loans recorded at fair value, including loans originated for sale because their loan activity normally does not impact the allowance for credit losses.

	Year ended December 31,					
			2013			2012
(in millions)	**Commercial**	**Consumer**	**Total**	Commercial	Consumer	Total
Purchases (1)	**$ 10,914**	**581**	**11,495**	12,280	167	12,447
Sales	**(6,740)**	**(514)**	**(7,254)**	(5,840)	(840)	(6,680)
Transfers to MHFS/LHFS (1)	**(258)**	**(11)**	**(269)**	(84)	(21)	(105)

(1) The "Purchases" and "Transfers to MHFS/LHFS" categories exclude activ ty in government insured/guaranteed loans. As serv cer, we are able to buy delinquent insured/guaranteed loans out of the Government Nat onal Mortgage Association (GNMA) pools. These loans have different risk characteristics from the rest of our consumer portfol o, whereby this activ ty does not impact the allowance for loan losses in the same manner because the loans are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA). On a net basis, such purchases net of transfers to MHFS were $8.2 billion and $9.8 billion for the year ended 2013 and 2012, respectively.

Commitments to Lend

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

We may, as a representative for other lenders, advance funds or provide for the issuance of letters of credit under syndicated loan or letter of credit agreements. Any advances are generally repaid in less than a week and would normally require default of both the customer and another lender to expose us to loss. These temporary advance arrangements totaled approximately $87 billion at December 31, 2013.

We issue commercial letters of credit to assist customers in purchasing goods or services, typically for international trade. At December 31, 2013 and 2012, we had $1.2 billion and $1.5 billion, respectively, of outstanding issued commercial letters of credit. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility for different purposes in one of several forms, including a standby letter of credit. See Note 14 for additional information on standby letters of credit.

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

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

The contractual amount of our unfunded credit commitments, including unissued standby and commercial letters of credit, is summarized by portfolio segment and class of financing receivable in the following table. The table excludes standby and commercial letters of credit issued under the terms of our commitments and temporary advance commitments on behalf of other lenders.

(in millions)		**Dec. 31, 2013**	Dec. 31, 2012
Commercial:			
Commercial and industrial	**$**	**238,962**	215,626
Real estate mortgage		**5,910**	6,165
Real estate construction		**12,593**	9,109
Foreign		**12,216**	8,423
Total commercial		**269,681**	239,323
Consumer:			
Real estate 1-4 family first mortgage		**32,908**	42,657
Real estate 1-4 family junior lien mortgage		**47,668**	50,934
Credit card		**78,961**	70,960
Other revolving credit and installment		**24,213**	19,791
Total consumer		**183,750**	184,342
Total unfunded credit commitments	**$**	**453,431**	423,665

Allowance for Credit Losses

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

	Year ended December 31,				
(in millions)	**2013**	2012	2011	2010	2009
Balance, beginning of year	**$ 17,477**	19,668	23,463	25,031	21,711
Provision for credit losses	**2,309**	7,217	7,899	15,753	21,668
Interest income on certain impaired loans (1)	**(264)**	(315)	(332)	(266)	-
Loan charge-offs:					
Commercial:					
Commercial and industrial	**(715)**	(1,306)	(1,598)	(2,775)	(3,365)
Real estate mortgage	**(190)**	(382)	(636)	(1,151)	(670)
Real estate construction	**(28)**	(191)	(351)	(1,189)	(1,063)
Lease financing	**(33)**	(24)	(38)	(120)	(229)
Foreign	**(27)**	(111)	(173)	(198)	(237)
Total commercial	**(993)**	(2,014)	(2,796)	(5,433)	(5,564)
Consumer:					
Real estate 1-4 family first mortgage	**(1,439)**	(3,013)	(3,883)	(4,900)	(3,318)
Real estate 1-4 family junior lien mortgage	**(1,578)**	(3,437)	(3,763)	(4,934)	(4,812)
Credit card	**(1,022)**	(1,101)	(1,449)	(2,396)	(2,708)
Automobile	**(625)**	(651)	(799)	(1,308)	(2,063)
Other revolving credit and installment	**(753)**	(757)	(925)	(1,129)	(1,360)
Total consumer	**(5,417)**	(8,959)	(10,819)	(14,667)	(14,261)
Total loan charge-offs	**(6,410)**	(10,973)	(13,615)	(20,100)	(19,825)
Loan recoveries:					
Commercial:					
Commercial and industrial	**380**	461	419	427	254
Real estate mortgage	**227**	163	143	68	33
Real estate construction	**137**	124	146	110	16
Lease financing	**16**	19	24	20	20
Foreign	**27**	32	45	53	40
Total commercial	**787**	799	777	678	363
Consumer:					
Real estate 1-4 family first mortgage	**245**	157	405	522	185
Real estate 1-4 family junior lien mortgage	**269**	259	218	211	174
Credit card	**126**	185	251	218	180
Automobile	**321**	362	439	499	564
Other revolving credit and installment	**153**	177	226	219	191
Total consumer	**1,114**	1,140	1,539	1,669	1,294
Total loan recoveries	**1,901**	1,939	2,316	2,347	1,657
Net loan charge-offs (2)	**(4,509)**	(9,034)	(11,299)	(17,753)	(18,168)
Allowances related to business combinations/other (3)	**(42)**	(59)	(63)	698	(180)
Balance, end of year	**$ 14,971**	17,477	19,668	23,463	25,031
Components:					
Allowance for loan losses	**$ 14,502**	17,060	19,372	23,022	24,516
Allowance for unfunded credit commitments	**469**	417	296	441	515
Allowance for credit losses (4)	**$ 14,971**	17,477	19,668	23,463	25,031
Net loan charge-offs as a percentage of average total loans (2)	**0.56 %**	1.17	1.49	2.30	2.21
Allowance for loan losses as a percentage of total loans (4)	**1.76**	2.13	2.52	3.04	3.13
Allowance for credit losses as a percentage of total loans (4)	**1.81**	2.19	2.56	3.10	3.20

(1) Certain impaired loans with an allowance calculated by discounting expected cash flows using the loan's effective interest rate over the remaining life of the loan recognize reductions in the allowance as interest income.
(2) For PCI loans, charge-offs are only recorded to the extent that losses exceed the purchase accounting estimates.
(3) Includes $693 mill on for the year ended December 31, 2010, related to the adoption of consolidat on accounting guidance on January 1, 2010.
(4) The allowance for credit losses includes $30 million, $117 million, $231 mill on, $298 mill on and $333 million at December 31, 2013, 2012, 2011, 2010, and 2009, respectively, related to PCI loans acquired from Wachovia. Loans acquired from Wachovia are included in total loans net of related purchase accounting net wr te-downs.

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

	Year ended December 31,					
	2013			2012		
(in millions)	**Commercial**	**Consumer**	**Total**	Commercial	Consumer	Total
Balance, beginning of period	**$ 5,714**	**11,763**	**17,477**	6,358	13,310	19,668
Provision for credit losses	**671**	**1,638**	**2,309**	666	6,551	7,217
Interest income on certain impaired loans	**(54)**	**(210)**	**(264)**	(95)	(220)	(315)
Loan charge-offs	**(993)**	**(5,417)**	**(6,410)**	(2,014)	(8,959)	(10,973)
Loan recoveries	**787**	**1,114**	**1,901**	799	1,140	1,939
Net loan charge-offs	**(206)**	**(4,303)**	**(4,509)**	(1,215)	(7,819)	(9,034)
Allowance related to business combinations/other	**(22)**	**(20)**	**(42)**	-	(59)	(59)
Balance, end of period	**$ 6,103**	**8,868**	**14,971**	5,714	11,763	17,477

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

	Allowance for credit losses			Recorded investment in loans		
(in millions)	Commercial	Consumer	Total	Commercial	Consumer	Total
December 31, 2013						
Collectively evaluated (1)	**$ 4,921**	**5,011**	**9,932**	**372,918**	**398,084**	**771,002**
Individually evaluated (2)	**1,156**	**3,853**	**5,009**	**5,334**	**22,736**	**28,070**
PCI (3)	**26**	**4**	**30**	**2,504**	**24,223**	**26,727**
Total	**$ 6,103**	**8,868**	**14,971**	**380,756**	**445,043**	**825,799**
December 31, 2012						
Collectively evaluated (1)	$ 3,951	7,524	11,475	349,035	389,559	738,594
Individually evaluated (2)	1,675	4,210	5,885	8,186	21,826	30,012
PCI (3)	88	29	117	3,977	26,991	30,968
Total	$ 5,714	11,763	17,477	361,198	438,376	799,574

(1) Represents loans collectively evaluated for impairment in accordance with Accounting Standards Codification (ASC) 450-20, *Loss Contingencies* (formerly FAS 5), and pursuant to amendments by ASU 2010-20 regarding allowance for non-impaired loans.
(2) Represents loans individually evaluated for impairment in accordance with ASC 310-10, *Receivables* (formerly FAS 114), and pursuant to amendments by ASU 2010-20 regarding allowance for impaired loans.
(3) Represents the allowance and related loan carrying value determined in accordance with ASC 310-30, *Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality* (formerly SOP 03-3) and pursuant to amendments by ASU 2010-20 regarding allowance for PCI loans.

Credit Quality

We monitor credit quality by evaluating various attributes and utilize such information in our evaluation of the appropriateness of the allowance for credit losses. The following sections provide the credit quality indicators we most closely monitor. The credit quality indicators are generally based on information as of our financial statement date, with the exception of updated Fair Isaac Corporation (FICO) scores and updated loan-to-value (LTV)/combined LTV (CLTV), which are obtained at least quarterly. Generally, these indicators are updated in the second month of each quarter, with updates no older than September 30, 2013. See the "Purchased Credit-Impaired Loans" section of this Note for credit quality information on our PCI portfolio.

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

The following table provides a breakdown of outstanding commercial loans by risk category. Of the $12.7 billion in criticized commercial real estate (CRE) loans at December 31, 2013, $2.7 billion has been placed on nonaccrual status and written down to net realizable collateral value. CRE loans have a high level of monitoring in place to manage these assets and mitigate loss exposure.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Foreign	Total
December 31, 2013						
By risk category:						
Pass	**$ 182,072**	**94,992**	**14,594**	**11,577**	**44,208**	**347,443**
Criticized	**14,923**	**10,972**	**1,720**	**457**	**2,737**	**30,809**
Total commercial loans (excluding PCI)	**196,995**	**105,964**	**16,314**	**12,034**	**46,945**	**378,252**
Total commercial PCI loans (carrying value)	**215**	**1,136**	**433**	**-**	**720**	**2,504**
Total commercial loans	**$ 197,210**	**107,100**	**16,747**	**12,034**	**47,665**	**380,756**
December 31, 2012						
By risk category:						
Pass	$ 169,293	87,183	12,224	11,787	35,380	315,867
Criticized	18,207	17,187	3,803	637	1,520	41,354
Total commercial loans (excluding PCI)	187,500	104,370	16,027	12,424	36,900	357,221
Total commercial PCI loans (carrying value)	259	1,970	877	-	871	3,977
Total commercial loans	$ 187,759	106,340	16,904	12,424	37,771	361,198

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

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Foreign	Total
December 31, 2013						
By delinquency status:						
Current-29 DPD and still accruing	**$ 195,908**	**103,139**	**15,698**	**11,972**	**46,898**	**373,615**
30-89 DPD and still accruing	**338**	**538**	**103**	**33**	**7**	**1,019**
90+ DPD and still accruing	**11**	**35**	**97**	**-**	**-**	**143**
Nonaccrual loans	**738**	**2,252**	**416**	**29**	**40**	**3,475**
Total commercial loans (excluding PCI)	**196,995**	**105,964**	**16,314**	**12,034**	**46,945**	**378,252**
Total commercial PCI loans (carrying value)	**215**	**1,136**	**433**	**-**	**720**	**2,504**
Total commercial loans	**$ 197,210**	**107,100**	**16,747**	**12,034**	**47,665**	**380,756**
December 31, 2012						
By delinquency status:						
Current-29 DPD and still accruing	$ 185,614	100,317	14,861	12,344	36,837	349,973
30-89 DPD and still accruing	417	503	136	53	12	1,121
90+ DPD and still accruing	47	228	27	-	1	303
Nonaccrual loans	1,422	3,322	1,003	27	50	5,824
Total commercial loans (excluding PCI)	187,500	104,370	16,027	12,424	36,900	357,221
Total commercial PCI loans (carrying value)	259	1,970	877	-	871	3,977
Total commercial loans	$ 187,759	106,340	16,904	12,424	37,771	361,198

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

Many of our loss estimation techniques used for the allowance for credit losses rely on delinquency-based models; therefore, delinquency is an important indicator of credit quality and the establishment of our allowance for credit losses. The following table provides the outstanding balances of our consumer portfolio by delinquency status.

(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
December 31, 2013						
By delinquency status:						
Current-29 DPD	**$ 193,361**	**64,194**	**26,203**	**49,699**	**31,866**	**365,323**
30-59 DPD	**2,784**	**461**	**202**	**852**	**178**	**4,477**
60-89 DPD	**1,157**	**253**	**144**	**186**	**111**	**1,851**
90-119 DPD	**587**	**182**	**124**	**66**	**76**	**1,035**
120-179 DPD	**747**	**216**	**196**	**4**	**20**	**1,183**
180+ DPD	**5,024**	**485**	**1**	**1**	**7**	**5,518**
Government insured/guaranteed loans (1)	**30,737**	**-**	**-**	**-**	**10,696**	**41,433**
Total consumer loans (excluding PCI)	**234,397**	**65,791**	**26,870**	**50,808**	**42,954**	**420,820**
Total consumer PCI loans (carrying value)	**24,100**	**123**	**-**	**-**	**-**	**24,223**
Total consumer loans	**$ 258,497**	**65,914**	**26,870**	**50,808**	**42,954**	**445,043**
December 31, 2012						
By delinquency status:						
Current-29 DPD	$ 179,870	73,256	23,976	44,973	29,546	351,621
30-59 DPD	3,295	577	211	798	168	5,049
60-89 DPD	1,528	339	143	164	108	2,282
90-119 DPD	853	265	122	57	73	1,370
120-179 DPD	1,141	358	187	5	28	1,719
180+ DPD	6,655	518	1	1	4	7,179
Government insured/guaranteed loans (1)	29,719	-	-	-	12,446	42,165
Total consumer loans (excluding PCI)	223,061	75,313	24,640	45,998	42,373	411,385
Total consumer PCI loans (carrying value)	26,839	152	-	-	-	26,991
Total consumer loans	$ 249,900	75,465	24,640	45,998	42,373	438,376

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA and student loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the Federal Family Education Loan Program (FFELP). Loans insured/guaranteed by the FHA/VA and 90+ DPD totaled $20.8 bill on at December 31 2013, compared w th $20.2 bill on at December 31, 2012. Student loans 90+ DPD totaled $900 million at December 31, 2013, compared with $1.1 billion at December 31, 2012.

Of the $7.7 billion of consumer loans not government insured/guaranteed that are 90 days or more past due at December 31, 2013, $902 million was accruing, compared with $10.3 billion past due and $1.1 billion accruing at December 31, 2012.

Real estate 1-4 family first mortgage loans 180 days or more past due totaled $5.0 billion, or 2.1% of total first mortgages (excluding PCI), at December 31, 2013, compared with $6.7 billion, or 3.0%, at December 31, 2012.

The following table provides a breakdown of our consumer portfolio by updated FICO. We obtain FICO scores at loan origination and the scores are updated at least quarterly. The majority of our portfolio is underwritten with a FICO score of 680 and above. FICO is not available for certain loan types and may not be obtained if we deem it unnecessary due to strong collateral and other borrower attributes, primarily securities-based margin loans of $5.0 billion at December 31, 2013, and $5.4 billion at December 31, 2012.

(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
December 31, 2013						
By updated FICO:						
< 600	**$ 14,128**	**5,047**	**2,404**	**8,400**	**956**	**30,935**
600-639	**9,030**	**3,247**	**2,175**	**5,925**	**1,015**	**21,392**
640-679	**14,917**	**5,984**	**4,176**	**8,827**	**2,156**	**36,060**
680-719	**24,336**	**10,042**	**5,398**	**8,992**	**3,914**	**52,682**
720-759	**32,991**	**13,575**	**5,530**	**6,546**	**5,263**	**63,905**
760-799	**72,062**	**19,238**	**4,535**	**6,313**	**6,828**	**108,976**
800+	**33,311**	**7,705**	**2,408**	**5,397**	**5,127**	**53,948**
No FICO available	**2,885**	**953**	**244**	**408**	**1,992**	**6,482**
FICO not required	**-**	**-**	**-**	**-**	**5,007**	**5,007**
Government insured/guaranteed loans (1)	**30,737**	**-**	**-**	**-**	**10,696**	**41,433**
Total consumer loans (excluding PCI)	**234,397**	**65,791**	**26,870**	**50,808**	**42,954**	**420,820**
Total consumer PCI loans (carrying value)	**24,100**	**123**	**-**	**-**	**-**	**24,223**
Total consumer loans	**$ 258,497**	**65,914**	**26,870**	**50,808**	**42,954**	**445,043**
December 31, 2012						
By updated FICO:						
< 600	$ 17,662	6,122	2,314	7,928	1,163	35,189
600-639	10,208	3,660	1,961	5,451	952	22,232
640-679	15,764	6,574	3,772	8,142	2,011	36,263
680-719	24,725	11,361	4,990	7,949	3,691	52,716
720-759	31,502	15,992	5,114	5,787	4,942	63,337
760-799	63,946	21,874	4,109	5,400	6,971	102,300
800+	26,044	8,526	2,223	4,443	1,912	43,148
No FICO available	3,491	1,204	157	898	2,882	8,632
FICO not required	-	-	-	-	5,403	5,403
Government insured/guaranteed loans (1)	29,719	-	-	-	12,446	42,165
Total consumer loans (excluding PCI)	223,061	75,313	24,640	45,998	42,373	411,385
Total consumer PCI loans (carrying value)	26,839	152	-	-	-	26,991
Total consumer loans	$ 249,900	75,465	24,640	45,998	42,373	438,376

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

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

The following table shows the most updated LTV and CLTV distribution of the real estate 1-4 family first and junior lien mortgage loan portfolios. We consider the trends in residential real estate markets as we monitor credit risk and establish our allowance for credit losses. LTV does not necessarily reflect the likelihood of performance of a given loan, but does provide an indication of collateral value. In the event of a default, any loss should be limited to the portion of the loan amount in excess of the net realizable value of the underlying real estate collateral value. Certain loans do not have an LTV or CLTV primarily due to industry data availability and portfolios acquired from or serviced by other institutions.

(in millions)	December 31, 2013 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total	December 31, 2012 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	$ **74,046**	**13,636**	**87,682**	56,247	12,170	68,417
60.01-80%	**80,187**	**17,154**	**97,341**	69,759	15,168	84,927
80.01-100%	**30,843**	**16,272**	**47,115**	34,830	18,038	52,868
100.01-120% (1)	**10,678**	**9,992**	**20,670**	17,004	13,576	30,580
> 120% (1)	**6,306**	**7,369**	**13,675**	13,529	14,610	28,139
No LTV/CLTV available	**1,600**	**1,368**	**2,968**	1,973	1,751	3,724
Government insured/guaranteed loans (2)	**30,737**	**-**	**30,737**	29,719	-	29,719
Total consumer loans (excluding PCI)	**234,397**	**65,791**	**300,188**	223,061	75,313	298,374
Total consumer PCI loans (carrying value)	**24,100**	**123**	**24,223**	26,839	152	26,991
Total consumer loans	$ **258,497**	**65,914**	**324,411**	249,900	75,465	325,365

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

NONACCRUAL LOANS The following table provides loans on nonaccrual status. PCI loans are excluded from this table because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

(in millions)	Dec. 31, 2013	Dec. 31, 2012
Commercial:		
Commercial and industrial	$ **738**	1,422
Real estate mortgage	**2,252**	3,322
Real estate construction	**416**	1,003
Lease financing	**29**	27
Foreign	**40**	50
Total commercial (1)	**3,475**	5,824
Consumer:		
Real estate 1-4 family first mortgage (2)	**9,799**	11,455
Real estate 1-4 family junior lien mortgage	**2,188**	2,922
Automobile	**173**	245
Other revolving credit and installment	**33**	40
Total consumer	**12,193**	14,662
Total nonaccrual loans (excluding PCI)	$ **15,668**	20,486

(1) Includes LHFS of $1 million and $16 million at December 31, 2013 and December 31, 2012, respectively.
(2) Includes MHFS of $227 million and $336 mill on at December 31, 2013 and December 31, 2012, respectively.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING

Certain loans 90 days or more past due as to interest or principal are still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans of $4.5 billion at December 31, 2013, and $6.0 billion at December 31, 2012, are not included in these past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms. Loans 90 days or more past due and still accruing whose repayments are predominantly insured by the FHA or guaranteed by the VA for mortgages and the U.S. Department of Education for student loans under the FFELP were $22.2 billion at December 31, 2013, up from $21.8 billion at December 31, 2012.

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

	December 31,	
(in millions)	**2013**	2012
Loan 90 days or more past due and still accruing:		
Total (excluding PCI):	**$ 23,219**	23,245
Less: FHA insured/VA guaranteed (1)(2)	**21,274**	20,745
Less: Student loans guaranteed under the FFELP (3)	**900**	1,065
Total, not government insured/guaranteed	**$ 1,045**	1,435
By segment and class, not government insured/guaranteed:		
Commercial:		
Commercial and industrial	**$ 11**	47
Real estate mortgage	**35**	228
Real estate construction	**97**	27
Foreign	**-**	1
Total commercial	**143**	303
Consumer:		
Real estate 1-4 family first mortgage (2)	**354**	564
Real estate 1-4 family junior lien mortgage (2)	**86**	133
Credit card	**321**	310
Automobile	**55**	40
Other revolving credit and installment	**86**	85
Total consumer	**902**	1,132
Total, not government insured/guaranteed	**$ 1,045**	1,435

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

IMPAIRED LOANS The table below summarizes key information for impaired loans. Our impaired loans predominantly include loans on nonaccrual status in the commercial portfolio segment and loans modified in a TDR, whether on accrual or nonaccrual status. These impaired loans generally have estimated losses which are included in the allowance for credit losses. We have impaired loans with no allowance for credit losses when loss content has been previously recognized through charge-offs and we do not anticipate additional charge-offs or losses, or certain loans are currently performing in accordance with their terms and for which no loss has been estimated. Impaired loans exclude PCI loans. The table below includes trial modifications that totaled $650 million at December 31, 2013, and $705 million at December 31, 2012.

For additional information on our impaired loans and allowance for credit losses, see Note 1.

(in millions)		Unpaid principal balance	Recorded investment: Impaired loans	Recorded investment: Impaired loans with related allowance for credit losses	Related allowance for credit losses
December 31, 2013					
Commercial:					
Commercial and industrial	**$**	**2,016**	**1,274**	**1,024**	**223**
Real estate mortgage		**4,269**	**3,375**	**3,264**	**819**
Real estate construction		**946**	**615**	**589**	**101**
Lease financing		**71**	**33**	**33**	**8**
Foreign		**44**	**37**	**37**	**5**
Total commercial (1)		**7,346**	**5,334**	**4,947**	**1,156**
Consumer:					
Real estate 1-4 family first mortgage		**22,450**	**19,500**	**13,896**	**3,026**
Real estate 1-4 family junior lien mortgage		**3,130**	**2,582**	**2,092**	**681**
Credit card		**431**	**431**	**431**	**132**
Automobile		**245**	**189**	**95**	**11**
Other revolving credit and installment		**44**	**34**	**27**	**3**
Total consumer (2)		**26,300**	**22,736**	**16,541**	**3,853**
Total impaired loans (excluding PCI)	**$**	**33,646**	**28,070**	**21,488**	**5,009**
December 31, 2012					
Commercial:					
Commercial and industrial	$	3,331	2,086	2,086	353
Real estate mortgage		5,766	4,673	4,537	1,025
Real estate construction		1,975	1,345	1,345	276
Lease financing		54	39	39	11
Foreign		109	43	43	9
Total commercial (1)		11,235	8,186	8,050	1,674
Consumer:					
Real estate 1-4 family first mortgage		21,293	18,472	15,224	3,074
Real estate 1-4 family junior lien mortgage		2,855	2,483	2,070	859
Credit card		531	531	531	244
Automobile		314	314	314	27
Other revolving credit and installment		27	26	26	6
Total consumer (2)		25,020	21,826	18,165	4,210
Total impaired loans (excluding PCI)	$	36,255	30,012	26,215	5,884

(1) Excludes the unpaid principal balance for loans that have been fully charged off or otherwise have zero recorded investment.
(2) At December 31, 2013 and December 31, 2012, includes the recorded investment of $2.5 bill on and $1.9 billion, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and generally do not have an allowance.

Note 6: Loans and Allowance for Credit Losses *(continued)*

Commitments to lend additional funds on loans whose terms have been modified in a TDR amounted to $407 million and $421 million at December 31, 2013 and 2012, respectively.

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

	Year ended December 31,					
	2013		2012		2011	
(in millions)	**Average recorded investment**	**Recognized interest income**	Average recorded investment	Recognized interest income	Average recorded investment	Recognized interest income
Commercial:						
Commercial and industrial	**$ 1,475**	**94**	2,281	111	3,282	105
Real estate mortgage	**3,842**	**141**	4,821	119	5,308	80
Real estate construction	**966**	**35**	1,818	61	2,481	70
Lease financing	**38**	**1**	57	1	80	-
Foreign	**33**	**-**	36	1	29	-
Total commercial	**6,354**	**271**	9,013	293	11,180	255
Consumer:						
Real estate 1-4 family first mortgage	**19,419**	**973**	15,750	803	13,592	700
Real estate 1-4 family junior lien mortgage	**2,498**	**143**	2,193	80	1,962	76
Credit card	**480**	**57**	572	63	594	21
Automobile	**232**	**29**	299	42	244	26
Other revolving credit and installment	**30**	**3**	25	2	26	1
Total consumer (1)	**22,659**	**1,205**	18,839	990	16,418	824
Total impaired loans (excluding PCI)	**$ 29,013**	**1,476**	27,852	1,283	27,598	1,079

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Average recorded investment in impaired loans	**$ 29,013**	27,852	27,598
Interest income:			
Cash basis of accounting	**$ 426**	316	180
Other (2)	**1,050**	967	899
Total interest income	**$ 1,476**	1,283	1,079

(1) Years ended December 31, 2013 and 2012, reflect the OCC gu dance issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be classified as TDRs, as well as written down to net realizable collateral value.
(2) Includes interest recognized on accruing TDRs, interest recognized related to certain impaired loans which have an allowance calculated using discounting, and amortizat on of purchase accounting adjustments related to certain impaired loans. See footnote 1 to the table of changes in the allowance for credit losses.

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

We may require some borrowers experiencing financial difficulty to make trial payments generally for a period of three to four months, according to the terms of a planned permanent modification, to determine if they can perform according to those terms. These arrangements represent trial modifications, which we classify and account for as TDRs. While loans are in trial payment programs, their original terms are not considered modified and they continue to advance through delinquency status and accrue interest according to their original terms. The planned modifications for these arrangements predominantly involve interest rate reductions or other interest rate concessions; however, the exact concession type and resulting financial effect are usually not finalized and do not take effect until the loan is permanently modified. The trial period terms are developed in accordance with our proprietary programs or the U.S. Treasury's Making Homes Affordable programs for real estate 1-4 family first lien (i.e. Home Affordable Modification Program – HAMP) and junior lien (i.e. Second Lien Modification Program – 2MP) mortgage loans.

At December 31, 2013, the loans in trial modification period were $253 million under HAMP, $45 million under 2MP and $352 million under proprietary programs, compared with $402 million, $45 million and $258 million at December 31, 2012, respectively. Trial modifications with a recorded investment of $286 million at December 31, 2013, and $276 million at December 31, 2012, were accruing loans and $364 million and $429 million, respectively, were nonaccruing loans. Our experience is that most of the mortgages that enter a trial payment period program are successful in completing the program requirements and are then permanently modified at the end of the trial period. Our allowance process considers the impact of those modifications that are probable to occur.

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

Note 6: Loans and Allowance for Credit Losses *(continued)*

(in millions)	Principal (2)	Interest rate reduction	Other concessions (3)	Total	Charge-offs (4)	Weighted average interest rate reduct on	Recorded investment related to interest rate reduction (5)
	Primary modification type (1)				Financial effects of modifications		
Year ended December 31, 2013							
Commercial:							
Commercial and industrial	**$ 4**	**176**	**1,081**	**1,261**	**17**	**4.71 %**	**$ 176**
Real estate mortgage	**33**	**307**	**1,391**	**1,731**	**8**	**1.66**	**308**
Real estate construction	**-**	**12**	**381**	**393**	**4**	**1.07**	**12**
Lease financing	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign	**15**	**1**	**-**	**16**	**-**	**-**	**1**
Total commercial	**52**	**496**	**2,853**	**3,401**	**29**	**2.72**	**497**
Consumer:							
Real estate 1-4 family first mortgage	**1,143**	**1,170**	**3,681**	**5,994**	**233**	**2.64**	**2,019**
Real estate 1-4 family junior lien mortgage	**103**	**181**	**472**	**756**	**42**	**3.33**	**276**
Credit card	**-**	**182**	**-**	**182**	**-**	**10.38**	**182**
Automobile	**3**	**12**	**97**	**112**	**34**	**7.66**	**12**
Other revolving credit and installment	**-**	**10**	**12**	**22**	**-**	**4.87**	**10**
Trial modifications (6)	**-**	**-**	**50**	**50**	**-**	**-**	**-**
Total consumer	**1,249**	**1,555**	**4,312**	**7,116**	**309**	**3.31**	**2,499**
Total	**$ 1,301**	**2,051**	**7,165**	**10,517**	**338**	**3.21 %**	**$ 2,996**
Year ended December 31, 2012							
Commercial:							
Commercial and industrial	$ 11	35	1,370	1,416	40	1.60 %	$ 38
Real estate mortgage	47	219	1,907	2,173	12	1.57	226
Real estate construction	12	19	531	562	10	1.69	19
Lease financing	-	-	4	4	-	-	-
Foreign	-	-	19	19	-	-	-
Total commercial	70	273	3,831	4,174	62	1.58	283
Consumer:							
Real estate 1-4 family first mortgage	1,371	1,302	5,822	8,495	547	3.00	2,379
Real estate 1-4 family junior lien mortgage	79	244	756	1,079	512	3.70	313
Cred t card	-	241	-	241	-	10.85	241
Automobile	5	54	265	324	50	6.90	56
Other revolving cred t and installment	-	1	22	23	5	4.29	2
Trial modif cat ons (6)	-	-	666	666	-	-	-
Total consumer	1,455	1,842	7,531	10,828	1,114	3.78	2,991
Total	$ 1,525	2,115	11,362	15,002	1,176	3.59 %	$ 3,274
Year ended December 31, 2011							
Commercial:							
Commercial and industrial	$ 166	64	2,412	2,642	84	3.13 %	$ 69
Real estate mortgage	113	146	1,894	2,153	24	1.46	160
Real estate construction	29	114	421	564	26	0.81	125
Lease financing	-	-	57	57	-	-	-
Foreign	-	-	22	22	-	-	-
Total commercial	308	324	4,806	5,438	134	1.55	354
Consumer:							
Real estate 1-4 family first mortgage	1,629	1,908	934	4,471	293	3.27	3,322
Real estate 1-4 family junior lien mortgage	98	559	197	854	28	4.34	654
Cred t card	-	336	-	336	2	10.77	260
Automobile	73	115	3	191	23	6.39	177
Other revolving cred t and installment	1	4	4	9	1	5.00	4
Trial modif cat ons (6)	-	-	651	651	-	-	-
Total consumer	1,801	2,922	1,789	6,512	347	4.00	4,417
Total	$ 2,109	3,246	6,595	11,950	481	3.82 %	$ 4,771

(1) Amounts represent the recorded investment in loans after recognizing the effects of the TDR, if any. TDRs may have multiple types of concessions, but are presented only once in the first modification type based on the order presented in the table above. The reported amounts include loans remodified of $3.1 billion, $3.9 billion and $496 million, for the years ended December 31, 2013, 2012 and 2011, respectively, which reflect the impact of the prospective adoption of the OCC gu dance issued in 2012.

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

(3) Other concessions include loan renewals, term extens ons and other interest and noninterest adjustments, but exclude modifications that also forgive principal and/or reduce the interest rate. Years ended December 2013 and 2012 includes $4.0 bill on and $5.2 bill on of consumer loans discharged in bankruptcy, respectively, as a result of the OCC gu dance implementation. The OCC guidance issued in third quarter 2012 required consumer loans discharged in bankruptcy to be classified as TDRs, as well as wr tten down to net realizable collateral value.

(4) Charge-offs include wr te-downs of the investment in the loan in the period t is contractually modified. The amount of charge-off will differ from the modification terms if the loan has been charged down pr or to the modification based on our policies. In addit on, there may be cases where we have a charge-off/down w th no legal principal modification. Modifications resulted in legally forgiving principal (actual, contingent or deferred) of $393 million, $495 mill on and $577 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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

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

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

	Recorded investment of defaults		
	Year ended December 31,		
(in millions)	**2013**	2012	2011
Commercial:			
Commercial and industrial	**$ 234**	379	216
Real estate mortgage	**303**	579	331
Real estate construction	**70**	261	69
Lease financing	**-**	1	1
Foreign	**1**	-	1
Total commercial	**608**	1,220	618
Consumer:			
Real estate 1-4 family first mortgage	**370**	567	1,110
Real estate 1-4 family junior lien mortgage	**34**	55	137
Credit card	**59**	94	156
Automobile	**18**	55	110
Other revolving credit and installment	**1**	1	3
Total consumer	**482**	772	1,516
Total	**$ 1,090**	1,992	2,134

Purchased Credit-Impaired Loans

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

	December 31,		
(in millions)	**2013**	2012	2008
Commercial:			
Commercial and industrial	**$ 215**	259	4,580
Real estate mortgage	**1,136**	1,970	5,803
Real estate construction	**433**	877	6,462
Foreign	**720**	871	1,859
Total commercial	**2,504**	3,977	18,704
Consumer:			
Real estate 1-4 family first mortgage	**24,100**	26,839	39,214
Real estate 1-4 family junior lien mortgage	**123**	152	728
Automobile	**-**	-	151
Total consumer	**24,223**	26,991	40,093
Total PCI loans (carrying value)	**$ 26,727**	30,968	58,797
Total PCI loans (unpaid principal balance)	**$ 38,229**	45,174	98,182

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

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

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

	Year ended December 31,				
(in millions)	**2013**	2012	2011	2010	2009
Total, beginning of year	**$ 18,548**	15,961	16,714	14,559	10,447
Addition of accretable yield due to acquisitions	**1**	3	128	-	-
Accretion into interest income (1)	**(1,833)**	(2,152)	(2,206)	(2,392)	(2,601)
Accretion into noninterest income due to sales (2)	**(151)**	(5)	(189)	(43)	(5)
Reclassification from nonaccretable difference for loans with improving credit-related cash flows	**971**	1,141	373	3,399	441
Changes in expected cash flows that do not affect nonaccretable difference (3)	**(144)**	3,600	1,141	1,191	6,277
Total, end of year	**$ 17,392**	18,548	15,961	16,714	14,559

(1) Includes accretable yield released as a result of settlements with borrowers, which is included in interest income.
(2) Includes accretable yield released as a result of sales to third parties, which is included in noninterest income.
(3) Represents changes in cash flows expected to be collected due to the impact of modifications, changes in prepayment assumpt ons, changes in interest rates on variable rate PCI loans and sales to third parties. The decline in expected interest cash flows in 2013 is primarily attributable to a decline in variable rate indices applicable to these loans, an increase in prepayment estimates, and updated estimates for interest collections attributable to loan modification activities.

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

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Balance, December 31, 2008	$ -	-	-	-
Provision for losses due to credit deterioration	850	-	3	853
Charge-offs	(520)	-	-	(520)
Balance, December 31, 2009	330	-	3	333
Provision for losses due to credit deterioration	712	-	59	771
Charge-offs	(776)	-	(30)	(806)
Balance, December 31, 2010	266	-	32	298
Provision for losses due to credit deterioration	106	-	54	160
Charge-offs	(207)	-	(20)	(227)
Balance, December 31, 2011	165	-	66	231
Provision for losses due to credit deterioration	25	-	7	32
Charge-offs	(102)	-	(44)	(146)
Balance, December 31, 2012	**88**	**-**	**29**	**117**
Reversal of provision for losses	**(52)**	**-**	**(16)**	**(68)**
Charge-offs	**(10)**	**-**	**(9)**	**(19)**
Balance, December 31, 2013	**$ 26**	**-**	**4**	**30**

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

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Foreign	Total
December 31, 2013					
By risk category:					
Pass	**$ 118**	**316**	**160**	**8**	**602**
Criticized	**97**	**820**	**273**	**712**	**1,902**
Total commercial PCI loans	**$ 215**	**1,136**	**433**	**720**	**2,504**
December 31, 2012					
By risk category:					
Pass	$ 95	341	207	255	898
Criticized	164	1,629	670	616	3,079
Total commercial PCI loans	$ 259	1,970	877	871	3,977

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

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Foreign	Total
December 31, 2013					
By delinquency status:					
Current-29 DPD and still accruing	**$ 210**	**1,052**	**355**	**632**	**2,249**
30-89 DPD and still accruing	**5**	**41**	**2**	**-**	**48**
90+ DPD and still accruing	**-**	**43**	**76**	**88**	**207**
Total commercial PCI loans	**$ 215**	**1,136**	**433**	**720**	**2,504**
December 31, 2012					
By delinquency status:					
Current-29 DPD and still accruing	$ 235	1,804	699	704	3,442
30-89 DPD and still accruing	1	26	51	-	78
90+ DPD and still accruing	23	140	127	167	457
Total commercial PCI loans	$ 259	1,970	877	871	3,977

CONSUMER PCI CREDIT QUALITY INDICATORS Our consumer PCI loans were aggregated into several pools of loans at acquisition. Below, we have provided credit quality indicators based on the unpaid principal balance (adjusted for write-downs) of the individual loans included in the pool, but we have not allocated the remaining purchase accounting adjustments, which were established at a pool level. The following table provides the delinquency status of consumer PCI loans.

	December 31, 2013			December 31, 2012		
(in millions)	**Real estate 1-4 family first mortgage**	**Real estate 1-4 family junior lien mortgage**	**Total**	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By delinquency status:						
Current-29 DPD and still accruing	**$ 20,712**	**171**	**20,883**	22,304	198	22,502
30-59 DPD and still accruing	**2,185**	**8**	**2,193**	2,587	11	2,598
60-89 DPD and still accruing	**1,164**	**4**	**1,168**	1,361	7	1,368
90-119 DPD and still accruing	**457**	**2**	**459**	650	6	656
120-179 DPD and still accruing	**517**	**4**	**521**	804	7	811
180+ DPD and still accruing	**4,291**	**95**	**4,386**	5,356	116	5,472
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 29,326**	**284**	**29,610**	33,062	345	33,407
Total consumer PCI loans (carrying value)	**$ 24,100**	**123**	**24,223**	26,839	152	26,991

The following table provides FICO scores for consumer PCI loans.

(in millions)	December 31, 2013 Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total	December 31, 2012 Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By FICO:						
< 600	$ 9,933	101	10,034	13,163	144	13,307
600-639	6,029	60	6,089	6,673	68	6,741
640-679	6,789	70	6,859	6,602	73	6,675
680-719	3,732	35	3,767	3,635	39	3,674
720-759	1,662	11	1,673	1,757	11	1,768
760-799	865	5	870	874	6	880
800+	198	1	199	202	1	203
No FICO available	118	1	119	156	3	159
Total consumer PCI loans (adjusted unpaid principal balance)	$ 29,326	284	29,610	33,062	345	33,407
Total consumer PCI loans (carrying value)	$ 24,100	123	24,223	26,839	152	26,991

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

(in millions)	December 31, 2013 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total	December 31, 2012 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	$ 2,501	32	2,533	1,374	21	1,395
60.01-80%	8,541	42	8,583	4,119	30	4,149
80.01-100%	10,366	88	10,454	9,576	61	9,637
100.01-120% (1)	4,677	67	4,744	8,084	93	8,177
> 120% (1)	3,232	54	3,286	9,889	138	10,027
No LTV/CLTV available	9	1	10	20	2	22
Total consumer PCI loans (adjusted unpaid principal balance)	$ 29,326	284	29,610	33,062	345	33,407
Total consumer PCI loans (carrying value)	$ 24,100	123	24,223	26,839	152	26,991

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

Note 7: Premises, Equipment, Lease Commitments and Other Assets

(in millions)	December 31, 2013	2012
Land	$ **1,759**	1,832
Buildings	**7,931**	7,670
Furniture and equipment	**7,517**	7,194
Leasehold improvements	**1,939**	1,839
Premises and equipment leased under capital leases	**82**	122
Total premises and equipment	**19,228**	18,657
Less: Accumulated depreciation and amortization	**10,072**	9,229
Net book value, premises and equipment	$ **9,156**	9,428

Depreciation and amortization expense for premises and equipment was $1.2 billion, $1.3 billion and $1.4 billion in 2013, 2012 and 2011, respectively.

Dispositions of premises and equipment, included in noninterest expense, resulted in a net loss of $15 million in 2013, a net gain of $7 million in 2012 and a net loss of $17 million in 2011, respectively.

We have obligations under a number of noncancelable operating leases for premises and equipment. The leases predominantly expire over the next 15 years, with the longest expiring in 2105, and many provide for periodic adjustment of rentals based on changes in various economic indicators. Some leases also include a renewal option. The following table provides the future minimum payments under capital leases and noncancelable operating leases, net of sublease rentals, with terms greater than one year as of December 31, 2013.

(in millions)	Operating leases	Capital leases
Year ended December 31,		
2014	$ 1,155	3
2015	1,052	2
2016	908	3
2017	778	3
2018	648	3
Thereafter	2,812	13
Total minimum lease payments	$ 7,353	27
Executory costs		$ (9)
Amounts representing interest		(7)
Present value of net minimum lease payments		$ 11

Operating lease rental expense (predominantly for premises), net of rental income, was $1.3 billion, $1.1 billion and $1.2 billion in 2013, 2012 and 2011, respectively.

The components of other assets were:

(in millions)	Dec. 31, 2013	Dec. 31, 2012
Nonmarketable equity investments:		
Cost method:		
Private equity	$ **2,308**	2,572
Federal bank stock	**4,670**	4,227
Total cost method	**6,978**	6,799
Equity method:		
LIHTC investments (1)	**6,209**	4,767
Private equity and other	**5,782**	6,156
Total equity method	**11,991**	10,923
Fair value (2)	**1,386**	-
Total nonmarketable equity investments	**20,355**	17,722
Corporate/bank-owned life insurance	**18,738**	18,649
Accounts receivable	**21,422**	25,828
Interest receivable	**5,019**	5,006
Core deposit intangibles	**4,674**	5,915
Customer relationship and other amortized intangibles	**1,084**	1,352
Foreclosed assets:		
Government insured/guaranteed (3)	**2,093**	1,509
Non-government insured/guaranteed	**1,844**	2,514
Operating lease assets	**2,047**	2,001
Due from customers on acceptances	**279**	282
Other	**8,787**	12,800
Total other assets	$ **86,342**	93,578

(1) Represents low income housing tax credit investments.
(2) Represents nonmarketable equity investments for which we have elected the fair value option. See Note 17 for addit onal information.
(3) These are foreclosed real estate resulting from government insured/guaranteed loans. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA.

Income (expense) related to nonmarketable equity investments was:

(in millions)	Year ended December 31, 2013	2012	2011
Net realized gains from nonmarketable equity investments	$ **1,158**	1,086	842
All other	**(287)**	(185)	(298)
Total	$ **871**	901	544

Note 8: Securitizations and Variable Interest Entities

Involvement with SPEs

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

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

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

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

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

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

(in millions)	VIEs that we do not consolidate	VIEs that we consolidate	Transfers that we account for as secured borrowings	Total
December 31, 2013				
Cash	**$ -**	**165**	**7**	**172**
Trading assets	**1,206**	**162**	**193**	**1,561**
Investment securities (1)	**18,795**	**1,352**	**8,976**	**29,123**
Mortgages held for sale	**-**	**38**	**-**	**38**
Loans	**7,652**	**6,058**	**6,021**	**19,731**
Mortgage servicing rights	**14,859**	**-**	**-**	**14,859**
Other assets	**6,151**	**347**	**110**	**6,608**
Total assets	**48,663**	**8,122**	**15,307**	**72,092**
Short-term borrowings	**-**	**29** (2)	**7,871**	**7,900**
Accrued expenses and other liabilities	**3,464**	**99** (2)	**3**	**3,566**
Long-term debt	**-**	**2,356** (2)	**5,673**	**8,029**
Total liabilities	**3,464**	**2,484**	**13,547**	**19,495**
Noncontrolling interests	**-**	**5**	**-**	**5**
Net assets	**$ 45,199**	**5,633**	**1,760**	**52,592**
December 31, 2012				
Cash	$ -	260	30	290
Trading assets	1,902	114	218	2,234
Investment securities (1)	19,900	2,772	14,848	37,520
Mortgages held for sale	-	469	-	469
Loans	9,841	10,553	7,088	27,482
Mortgage servicing rights	11,114	-	-	11,114
Other assets	4,993	457	161	5,611
Total assets	47,750	14,625	22,345	84,720
Short-term borrowings	-	2,059 (2)	13,228	15,287
Accrued expenses and other liabilities	3,441	901 (2)	20	4,362
Long-term debt	-	3,483 (2)	6,520	10,003
Total liabilities	3,441	6,443	19,768	29,652
Noncontrolling interests	-	48	-	48
Net assets	$ 44,309	8,134	2,577	55,020

(1) Excludes certain debt securities related to loans serviced for the Federal National Mortgage Associat on (FNMA), Federal Home Loan Mortgage Corporat on (FHLMC) and GNMA.

(2) Includes the following VIE liabilities at December 31, 2013 and 2012, respectively, with recourse to the general credit of Wells Fargo: Short-term borrowings, $0 and $2.1 billion; Accrued expenses and other liabil ties, $9 million and $767 million; and Long-term debt, $29 million and $29 million.

Transactions with Unconsolidated VIEs

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

The following tables provide a summary of unconsolidated VIEs with which we have significant continuing involvement, but we are not the primary beneficiary. We do not consider our continuing involvement in an unconsolidated VIE to be significant when it relates to third-party sponsored VIEs for which we were not the transferor or if we were the sponsor but do not have any other significant continuing involvement.

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

excluded certain transactions with unconsolidated VIEs from the balances presented in the following table where we have determined that our continuing involvement is not significant due to the temporary nature and size of our variable interests, because we were not the transferor or because we were not involved in the design or operations of the unconsolidated VIEs.

		Carrying value - asset (liability)				
(in millions)	Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2013						
Residential mortgage loan securitizations:						
Conforming	$ 1,314,285	2,721	14,253	-	(745)	16,229
Other/nonconforming	38,330	1,739	258	-	(26)	1,971
Commercial mortgage securitizations	170,088	7,627	325	209	-	8,161
Collateralized debt obligations:						
Debt securities	6,730	37	-	214	(130)	121
Loans (2)	6,021	5,888	-	-	-	5,888
Asset-based finance structures	11,415	6,857	-	(84)	-	6,773
Tax credit structures	23,112	6,455	-	-	(2,213)	4,242
Collateralized loan obligations	4,382	1,061	-	-	-	1,061
Investment funds	3,464	54	-	-	-	54
Other (3)	10,343	860	23	5	(189)	699
Total	$ 1,588,170	33,299	14,859	344	(3,303)	45,199

	Maximum exposure to loss				
	Debt and equity interests	Servicing assets	Derivatives	Other commitments and guarantees	Total exposure
Residential mortgage loan securitizations:					
Conforming (4)	$ 2,721	14,253	-	2,287	19,261
Other/nonconforming	1,739	258	-	346	2,343
Commercial mortgage securitizations	7,627	325	322	-	8,274
Collateralized debt obligations:					
Debt securities	37	-	214	130	381
Loans (2)	5,888	-	-	-	5,888
Asset-based finance structures	6,857	-	84	1,665	8,606
Tax credit structures	6,455	-	-	626	7,081
Collateralized loan obligations	1,061	-	-	159	1,220
Investment funds	54	-	-	31	85
Other (3)	860	23	178	188	1,249
Total	$ 33,299	14,859	798	5,432	54,388

(continued on following page)

Note 8: Securitizations and Variable Interest Entities *(continued)*

(continued from previous page)

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

	Maximum exposure to loss Debt and equity interests	Servicing assets	Derivatives	Other commitments and guarantees	Total exposure
Residential mortgage loan securitizations:					
Conforming (4)	$ 3,620	10,336	-	5,061	19,017
Other/nonconforming	2,188	284	-	353	2,825
Commercial mortgage securitizations	7,081	466	446	-	7,993
Collateralized debt obligations:					
Debt securities	13	-	471	144	628
Loans (2)	7,962	-	-	-	7,962
Asset-based finance structures	7,155	-	104	1,967	9,226
Tax credit structures	5,180	-	-	247	5,427
Collateralized loan obligations	1,439	-	1	261	1,701
Investment funds	49	-	-	27	76
Other (3)	977	28	318	119	1,442
Total	$ 35,664	11,114	1,340	8,179	56,297

(1) Includes total equity interests of $6.9 billion at December 31, 2013 and $5.8 billion at December 31, 2012. Also includes debt interests in the form of both loans and securities. Excludes certain debt securities held related to loans serviced for FNMA, FHLMC and GNMA.

(2) Represents sen or loans to trusts that are collateralized by asset-backed securities. The trusts invest primarily in sen or tranches from a diversified pool of primarily U.S. asset securitizations, of which all are current, and over 72% and 83% were rated as investment grade by the primary rating agencies at December 31, 2013 and 2012, respectively. These sen or loans are accounted for at amortized cost and are subject to the Company's allowance and cred t charge-off policies.

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

(4) Maximum exposure to loss for conforming residential mortgage loan secur tizat ons at December 31, 2013 reflects the benefit of settlements reached with both FHLMC and FNMA in 2013, that resolved substantially all repurchase liabilities with FHLMC and FNMA, for mortgage loans e ther sold or originated prior to January 1, 2009. For additional information on the agreement reached w th FHLMC and FNMA see Note 9.

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

RESIDENTIAL MORTGAGE LOANS Residential mortgage loan securitizations are financed through the issuance of fixed- or floating-rate-asset-backed-securities, which are collateralized by the loans transferred to a VIE. We typically transfer loans we originated to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial interests issued by the VIEs. We also may be exposed to limited liability related to recourse agreements and repurchase agreements we make to our issuers and purchasers, which are included in other commitments and guarantees. In certain instances, we may service residential mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. Our residential mortgage loan securitizations consist of conforming and nonconforming securitizations.

Conforming residential mortgage loan securitizations are those that are guaranteed by GSEs, including GNMA. Because of the power of the GSEs over the VIEs that hold the assets from these conforming residential mortgage loan securitizations, we do not consolidate them.

The loans sold to the VIEs in nonconforming residential mortgage loan securitizations are those that do not qualify for a GSE guarantee. We may hold variable interests issued by the VIEs, primarily in the form of senior securities. We do not consolidate the nonconforming residential mortgage loan securitizations included in the table because we either do not hold any variable interests, hold variable interests that we do not consider potentially significant or are not the primary servicer for a majority of the VIE assets.

Other commitments and guarantees include amounts related to loans sold that we may be required to repurchase, or otherwise indemnify or reimburse the investor or insurer for losses incurred, due to material breach of contractual representations and warranties as well as other retained recourse arrangements. The maximum exposure to loss for material breach of contractual representations and warranties represents a stressed case estimate we utilize for determining stressed case regulatory capital needs and is considered to be a remote scenario.

COMMERCIAL MORTGAGE LOAN SECURITIZATIONS Commercial mortgage loan securitizations are financed through the issuance of fixed- or floating-rate-asset-backed-securities, which are collateralized by the loans transferred to the VIE. In a typical securitization, we may transfer loans we originate to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial interests issued by the VIEs. In certain instances, we may service commercial mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. We typically serve as primary or master servicer of these VIEs. The primary or master servicer in a commercial mortgage loan securitization typically cannot make the most significant decisions impacting the performance of the VIE and therefore does not have power over the VIE. We do not consolidate the commercial mortgage loan securitizations included in the disclosure because we either do not have power or do not have a variable interest that could potentially be significant to the VIE.

COLLATERALIZED DEBT OBLIGATIONS (CDOs) A CDO is a securitization where a VIE purchases a pool of assets consisting of asset-backed securities and issues multiple tranches of equity or notes to investors. In some CDOs, a portion of the assets are obtained synthetically through the use of derivatives such as credit default swaps or total return swaps.

Prior to 2008, we engaged in the structuring of CDOs on behalf of third party asset managers who would select and manage the assets for the CDO. Typically, the asset manager has some discretion to manage the sale of assets of, or derivatives used by the CDO, which generally gives the asset manager the power over the CDO. We have not structured these types of transactions since the credit market disruption began in late 2007.

In addition to our role as arranger we may have other forms of involvement with these CDOs, including ones established prior to 2008. Such involvement may include acting as liquidity provider, derivative counterparty, secondary market maker or investor. For certain CDOs, we may also act as the collateral manager or servicer. We receive fees in connection with our role as collateral manager or servicer.

We assess whether we are the primary beneficiary of CDOs based on our role in them in combination with the variable interests we hold. Subsequently, we monitor our ongoing involvement to determine if the nature of our involvement has changed. We are not the primary beneficiary of these CDOs in most cases because we do not act as the collateral manager or servicer, which generally denotes power. In cases where we are the collateral manager or servicer, we are not the primary beneficiary because we do not hold interests that could potentially be significant to the VIE.

COLLATERALIZED LOAN OBLIGATIONS (CLOs) A CLO is a securitization where an SPE purchases a pool of assets consisting of loans and issues multiple tranches of equity or notes to

investors. Generally, CLOs are structured on behalf of a third party asset manager that typically selects and manages the assets for the term of the CLO. Typically, the asset manager has the power over the significant decisions of the VIE through its discretion to manage the assets of the CLO. We assess whether we are the primary beneficiary of CLOs based on our role in them and the variable interests we hold. In most cases, we are not the primary beneficiary because we do not have the power to manage the collateral in the VIE.

In addition to our role as arranger, we may have other forms of involvement with these CLOs. Such involvement may include acting as underwriter, derivative counterparty, secondary market maker or investor. For certain CLOs, we may also act as the servicer, for which we receive fees in connection with that role. We also earn fees for arranging these CLOs and distributing the securities.

ASSET-BASED FINANCE STRUCTURES We engage in various forms of structured finance arrangements with VIEs that are collateralized by various asset classes including energy contracts, auto and other transportation leases, intellectual property, equipment and general corporate credit. We typically provide senior financing, and may act as an interest rate swap or commodity derivative counterparty when necessary. In most cases, we are not the primary beneficiary of these structures because we do not have power over the significant activities of the VIEs involved in them.

For example, we have investments in asset-backed securities that are collateralized by auto leases or loans and cash reserves. These fixed-rate and variable-rate securities have been structured as single-tranche, fully amortizing, unrated bonds that are equivalent to investment-grade securities due to their significant overcollateralization. The securities are issued by VIEs that have been formed by third party auto financing institutions primarily because they require a source of liquidity to fund ongoing vehicle sales operations. The third party auto financing institutions manage the collateral in the VIEs, which is indicative of power in them and we therefore do not consolidate these VIEs.

TAX CREDIT STRUCTURES We co-sponsor and make investments in affordable housing and sustainable energy projects that are designed to generate a return primarily through the realization of federal tax credits. In some instances, our investments in these structures may require that we fund future capital commitments at the discretion of the project sponsors. While the size of our investment in a single entity may at times exceed 50% of the outstanding equity interests, we do not consolidate these structures due to the project sponsor's ability to manage the projects, which is indicative of power in them.

INVESTMENT FUNDS We do not consolidate the investment funds because we do not absorb the majority of the expected future variability associated with the funds' assets, including variability associated with credit, interest rate and liquidity risks.

OTHER TRANSACTIONS WITH VIEs Auction rate securities (ARS) are debt instruments with long-term maturities, but which re-price more frequently, and preferred equities with no maturity. At December 31, 2013, we held in our securities available-for-sale portfolio $653 million of ARS issued by VIEs redeemed pursuant to agreements entered into in 2008 and 2009, compared with $686 million at December 31, 2012.

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

TRUST PREFERRED SECURITIES VIEs that we wholly own issue debt securities or preferred equity to third party investors. All of the proceeds of the issuance are invested in debt securities or preferred equity that we issue to the VIEs. The VIEs' operations and cash flows relate only to the issuance, administration and repayment of the securities held by third parties. We do not consolidate these VIEs because the sole assets of the VIEs are receivables from us, even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs and may have the right to redeem the third party securities under certain circumstances. In our consolidated balance sheet at December 31, 2013 and December 31, 2012, we reported the debt securities issued to the VIEs as long-term junior subordinated debt with a carrying value of $1.9 billion and $4.9 billion, respectively, and the preferred equity securities issued to the VIEs as preferred stock with a carrying value of $2.5 billion at both dates. These amounts are in addition to the involvements in these VIEs included in the preceding table.

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

Securitization Activity Related to Unconsolidated VIEs

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

(in millions)	Year ended December 31, 2013 Mortgage loans	2013 Other financial assets	2012 Mortgage loans	2012 Other financial assets	2011 Mortgage loans	2011 Other financial assets
Sales proceeds from securitizations (1)	**$ 357,807**	**-**	535,372	-	337,357	-
Fees from servicing rights retained	**4,240**	**10**	4,433	10	4,401	11
Other interests held	**2,284**	**93**	1,767	135	1,779	263
Purchases of delinquent assets	**18**	**-**	62	-	9	-
Servicing advances, net of repayments	**(34)**	**-**	226	-	29	-

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

In 2013, 2012, and 2011, we recognized net gains of $149 million, $518 million and $112 million, respectively, from transfers accounted for as sales of financial assets in securitizations. These net gains primarily relate to commercial mortgage securitizations and residential mortgage securitizations where the loans were not already carried at fair value.

Sales with continuing involvement during 2013, 2012 and 2011 predominantly related to securitizations of residential mortgages that are sold to the GSEs, including FNMA, FHLMC and GNMA (conforming residential mortgage securitizations). During 2013, 2012 and 2011 we transferred $343.9 billion, $517.3 billion and $329.1 billion respectively, in fair value of conforming residential mortgages to unconsolidated VIEs and recorded the transfers as sales. Substantially all of these transfers did not result in a gain or loss because the loans were already carried at fair value. In connection with all of these transfers, in 2013 we recorded a $3.5 billion servicing asset, measured at fair value using a Level 3 measurement technique, and a $143 million liability for repurchase losses which reflects management's estimate of probable losses related to various representations and warranties for the loans transferred, initially measured at fair value. In 2012, we recorded a $4.9 billion servicing asset and a $274 million liability. In 2011, we recorded a $4.0 billion servicing asset and a $101 million liability.

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

	Residential mortgage servicing rights 2013	2012	2011
Year ended December 31,			
Prepayment speed (1)	**11.2 %**	13.4	12.8
Discount rate	**7.3**	7.3	7.7
Cost to service ($ per loan) (2)	**$ 184**	151	146

(1) The prepayment speed assumpt on for residential mortgage servicing rights includes a blend of prepayment speeds and default rates. Prepayment speed assumptions are influenced by mortgage interest rate inputs as well as our estimat on of drivers of borrower behavior.
(2) Includes costs to service and unreimbursed foreclosure costs.

During 2013, 2012 and 2011, we transferred $5.6 billion, $3.4 billion and $3.0 billion, respectively, in fair value of commercial mortgages to unconsolidated VIEs and recorded the transfers as sales. These transfers resulted in a gain of $152 million in 2013, $178 million in 2012 and $48 million in 2011, respectively, because the loans were carried at LOCOM. In connection with these transfers, in 2013 we recorded a servicing asset of $20 million, initially measured at fair value using a Level 3 measurement technique, and available-for-sale securities of $54 million, classified as Level 2. In 2012, we recorded a servicing asset of $13 million and available-for-sale securities of $116 million. In 2011, we recorded a servicing asset of $20 million and available-for-sale securities of $532 million.

Note 8: Securitizations and Variable Interest Entities *(continued)*

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

			Other interests held			
				Consumer	Commercial (2)	
($ in millions, except cost to service amounts)	Residential mortgage servicing rights (1)	Interest-only strips	Subordinated bonds	Senior bonds	Subordinated bonds	Senior bonds
Fair value of interests held at December 31, 2013	**$ 15,580**	**135**	**39**	**-**	**283**	**587**
Expected weighted-average life (in years)	**6.4**	**3.8**	**5.9**	**-**	**3.6**	**6.3**
Key economic assumptions:						
Prepayment speed assumption (3)	**10.7 %**	**10.7**	**6.7**	**-**		
Decrease in fair value from:						
10% adverse change	**$ 864**	**3**	**-**	**-**		
25% adverse change	**2,065**	**7**	**-**	**-**		
Discount rate assumption	**7.8 %**	**18.3**	**4.4**	**-**	**4.5**	**3.6**
Decrease in fair value from:						
100 basis point increase	**$ 840**	**2**	**2**	**-**	**30**	**30**
200 basis point increase	**1,607**	**5**	**4**	**-**	**38**	**58**
Cost to service assumption ($ per loan)	**191**					
Decrease in fair value from:						
10% adverse change	**636**					
25% adverse change	**1,591**					
Credit loss assumption			**0.4 %**	**-**	**14.2**	**-**
Decrease in fair value from:						
10% higher losses			**$ -**	**-**	**29**	**-**
25% higher losses			**-**	**-**	**39**	**1**
Fair value of interests held at December 31, 2012	$ 11,538	187	40	-	249	982
Expected weighted-average life (in years)	4.8	4.1	5.9	-	4.7	5.3
Key economic assumptions:						
Prepayment speed assumption (3)	15.7 %	10.6	6.8	-		
Decrease in fair value from:						
10% adverse change	$ 869	5	-	-		
25% adverse change	2,038	12	-	-		
Discount rate assumption	7.4 %	16.9	8.9	-	3.5	2.2
Decrease in fair value from:						
100 basis point increase	$ 562	4	2	-	12	43
200 basis point increase	1,073	8	4	-	21	84
Cost to service assumption ($ per loan)	219					
Decrease in fair value from:						
10% adverse change	615					
25% adverse change	1,537					
Credit loss assumption			0.4 %	-	10.0	-
Decrease in fair value from:						
10% higher losses			$ -	-	12	-
25% higher losses			-	-	19	-

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

In addition to residential mortgage servicing rights (MSRs) included in the previous table, we have a small portfolio of commercial MSRs with a fair value of $1.6 billion and $1.4 billion at December 31, 2013, and December 31, 2012, respectively. The nature of our commercial MSRs, which are carried at LOCOM, is different from our residential MSRs. Prepayment activity on serviced loans does not significantly impact the value of commercial MSRs because, unlike residential mortgages, commercial mortgages experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower's ability to prepay the mortgage. Additionally, for our commercial MSR portfolio, we are typically master/primary servicer, but not the special servicer, who is separately responsible for the servicing and workout of delinquent and foreclosed loans. It is the special servicer, similar to our role as servicer of residential mortgage loans, who is affected by higher servicing and foreclosure costs due to an increase in delinquent and foreclosed loans. Accordingly, prepayment speeds and costs to service are not key assumptions for commercial MSRs as they do not significantly impact the valuation. The primary economic driver impacting the fair value of our commercial MSRs is forward interest rates, which are derived from market observable yield curves used to price capital markets instruments. Market interest rates most significantly affect interest earned on custodial deposit balances. The sensitivity of the current fair value to an immediate adverse 25% change in the assumption about interest earned on deposit balances at December 31, 2013, and 2012, results in a decrease in fair value of $175 million and $139 million, respectively. See Note 9 for further information on our commercial MSRs.

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

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

					Net charge-offs	
	Total loans		Delinquent loans		Year ended	
	December 31,		December 31,		December 31,	
(in millions)	**2013**	2012	**2013**	2012	**2013**	2012
Commercial:						
Real estate mortgage	**$ 119,346**	128,564	**8,808**	12,216	**617**	541
Total commercial	**119,346**	128,564	**8,808**	12,216	**617**	541
Consumer:						
Real estate 1-4 family first mortgage	**1,313,298**	1,283,504	**17,009**	21,574	**797**	1,170
Real estate 1-4 family junior lien mortgage	**1**	1	**-**	-	**-**	-
Other revolving credit and installment	**1,790**	2,034	**99**	110	**-**	-
Total consumer	**1,315,089**	1,285,539	**17,108**	21,684	**797**	1,170
Total off-balance sheet securitized loans (1)	**$ 1,434,435**	1,414,103	**25,916**	33,900	**1,414**	1,711

(1) At December 31, 2013 and 2012, the table includes total loans of $1.3 trillion at both dates and delinquent loans of $14.0 billion and $17.4 billion, respectively for FNMA, FHLMC and GNMA. Net charge-offs exclude loans sold to FNMA, FHLMC and GNMA as we do not service or manage the underlying real estate upon foreclosure and, as such, do not have access to net charge-off informat on.

Transactions with Consolidated VIEs and Secured Borrowings

The following table presents a summary of transfers of financial assets accounted for as secured borrowings and involvements with consolidated VIEs. "Consolidated assets" are presented using GAAP measurement methods, which may include fair value, credit impairment or other adjustments, and therefore in some instances will differ from "Total VIE assets." For VIEs that obtain exposure synthetically through derivative instruments, the remaining notional amount of the derivative is included in "Total VIE assets." On the consolidated balance sheet, we separately disclose the consolidated assets of certain VIEs that can only be used to settle the liabilities of those VIEs.

			Carrying value			
(in millions)		Total VIE assets	Consolidated assets	Third party liabilities	Noncontrolling interests	Net assets
December 31, 2013						
Secured borrowings:						
Municipal tender option bond securitizations	**$**	**11,626**	**9,210**	**(7,874)**	**-**	**1,336**
Commercial real estate loans		**486**	**486**	**(277)**	**-**	**209**
Residential mortgage securitizations		**5,337**	**5,611**	**(5,396)**	**-**	**215**
Total secured borrowings		**17,449**	**15,307**	**(13,547)**	**-**	**1,760**
Consolidated VIEs:						
Nonconforming residential mortgage loan securitizations		**6,770**	**6,018**	**(2,214)**	**-**	**3,804**
Multi-seller commercial paper conduit		**-**	**-**	**-**	**-**	**-**
Structured asset finance		**56**	**56**	**(18)**	**-**	**38**
Investment funds		**1,536**	**1,536**	**(70)**	**-**	**1,466**
Other		**582**	**512**	**(182)**	**(5)**	**325**
Total consolidated VIEs		**8,944**	**8,122**	**(2,484)**	**(5)**	**5,633**
Total secured borrowings and consolidated VIEs	**$**	**26,393**	**23,429**	**(16,031)**	**(5)**	**7,393**
December 31, 2012						
Secured borrowings:						
Municipal tender option bond securitizations	$	16,782	15,130	(13,248)	-	1,882
Commercial real estate loans		975	975	(696)	-	279
Residential mortgage securitizations		5,757	6,240	(5,824)	-	416
Total secured borrowings		23,514	22,345	(19,768)	-	2,577
Consolidated VIEs:						
Nonconforming residential mortgage loan securitizations		8,633	7,707	(2,933)	-	4,774
Multi-seller commercial paper conduit		2,059	2,036	(2,053)	-	(17)
Structured asset finance		71	71	(17)	-	54
Investment funds		1,837	1,837	(2)	-	1,835
Other		3,454	2,974	(1,438)	(48)	1,488
Total consolidated VIEs		16,054	14,625	(6,443)	(48)	8,134
Total secured borrowings and consolidated VIEs	$	39,568	36,970	(26,211)	(48)	10,711

In addition to the transactions included in the previous table, at both December 31, 2013, and December 31, 2012, we had approximately $6.0 billion of private placement debt financing issued through a consolidated VIE. The issuance is classified as long-term debt in our consolidated financial statements. At December 31, 2013, and December 31, 2012, we pledged approximately $6.6 billion and $6.4 billion in loans (principal and interest eligible to be capitalized), $160 million and $179 million in available-for-sale securities, and $180 million and $138 million in cash and cash equivalents to collateralize the VIE's borrowings, respectively. These assets were not transferred to the VIE, and accordingly we have excluded the VIE from the previous table.

We have raised financing through the securitization of certain financial assets in transactions with VIEs accounted for as secured borrowings. We also consolidate VIEs where we are the primary beneficiary. In certain transactions we provide contractual support in the form of limited recourse and liquidity to facilitate the remarketing of short-term securities issued to third party investors. Other than this limited contractual support, the assets of the VIEs are the sole source of repayment of the securities held by third parties.

MUNICIPAL TENDER OPTION BOND SECURITIZATIONS As part of our normal portfolio investment activities, we consolidate municipal bond trusts that hold highly rated, long-term, fixed-rate municipal bonds, the majority of which are rated AA or

better. Our residual interests in these trusts generally allow us to capture the economics of owning the securities outright, and constructively make decisions that significantly impact the economic performance of the municipal bond vehicle, primarily by directing the sale of the municipal bonds owned by the vehicle. In addition, the residual interest owners have the right to receive benefits and bear losses that are proportional to owning the underlying municipal bonds in the trusts. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third-party investors. Under certain conditions, if we elect to terminate the trusts and withdraw the underlying assets, the third party investors are entitled to a small portion of any unrealized gain on the underlying assets. We may serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates, often with as little as seven days' notice. Should we be unable to remarket the tendered certificates, we are generally obligated to purchase them at par under standby liquidity facilities unless the bond's credit rating has declined below investment grade or there has been an event of default or bankruptcy of the issuer and insurer.

NONCONFORMING RESIDENTIAL MORTGAGE LOAN SECURITIZATIONS We have consolidated certain of our nonconforming residential mortgage loan securitizations in accordance with consolidation accounting guidance. We have determined we are the primary beneficiary of these securitizations because we have the power to direct the most significant activities of the entity through our role as primary servicer and also hold variable interests that we have determined to be significant. The nature of our variable interests in these entities may include beneficial interests issued by the VIE, mortgage servicing rights and recourse or repurchase reserve liabilities. The beneficial interests issued by the VIE that we hold include either subordinate or senior securities held in an amount that we consider potentially significant.

MULTI-SELLER COMMERCIAL PAPER CONDUIT In July 2013, we dissolved a multi-seller asset-based commercial paper conduit we had administered that financed certain client transactions. This conduit was a bankruptcy remote entity that made loans to, or purchased certificated interests, generally from SPEs, established by our clients (sellers) and which were secured by pools of financial assets. The conduit funded itself through the issuance of highly rated commercial paper to third party investors. We were the primary beneficiary of the conduit because we had power over the significant activities of the conduit and had a significant variable interest due to our liquidity arrangement. In 2013, we redeemed the outstanding commercial paper issued from our multi-seller conduit to third party investors at par.

INVESTMENT FUNDS We have consolidated certain of our investment funds where we manage the assets of the fund and our interests absorb a majority of the funds' variability. We consolidate these VIEs because we have discretion over the management of the assets and are the sole investor in these funds.

Note 9: Mortgage Banking Activities

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

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

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Fair value, beginning of year	**$ 11,538**	12,603	14,467
Servicing from securitizations or asset transfers (1)	**3,469**	5,182	3,957
Sales	**(583)**	(293)	-
Net additions	**2,886**	4,889	3,957
Changes in fair value:			
Due to changes in valuation model inputs or assumptions:			
Mortgage interest rates (2)	**4,362**	(2,092)	(3,749)
Servicing and foreclosure costs (3)	**(228)**	(677)	(694)
Discount rates (4)	**-**	(397)	(150)
Prepayment estimates and other (5)	**(736)**	273	913
Net changes in valuation model inputs or assumptions	**3,398**	(2,893)	(3,680)
Other changes in fair value (6)	**(2,242)**	(3,061)	(2,141)
Total changes in fair value	**1,156**	(5,954)	(5,821)
Fair value, end of year	**$ 15,580**	11,538	12,603

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

The changes in amortized MSRs were:

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Balance, beginning of year	**$ 1,160**	1,445	1,422
Purchases	**176**	177	155
Servicing from securitizations or asset transfers (1)	**147**	(229)	132
Amortization (2)	**(254)**	(233)	(264)
Balance, end of year (2)	**1,229**	1,160	1,445
Valuation allowance:			
Balance, beginning of year	**-**	(37)	(3)
Reversal of provision (provision) for MSRs in excess of fair value	**-**	37	(34)
Balance, end of year (3)	**-**	-	(37)
Amortized MSRs, net	**$ 1,229**	1,160	1,408
Fair value of amortized MSRs:			
Beginning of year	**$ 1,400**	1,756	1,812
End of year (4)	**1,575**	1,400	1,756

(1) The year ended December 31, 2012, is net of $350 mill on ($313 million after valuation allowance) of residential MSRs that we elected to carry at fair value effective January 1, 2012. A cumulative adjustment of $2 million to fair value was recorded in retained earnings at January 1, 2012.
(2) Includes $350 mill on in res dential amortized MSRs at December 31, 2011. For the year ended December 31, 2011, the residential MSR amortization was $(50) mill on.
(3) Commercial amortized MSRs are evaluated for impairment purposes by the following risk strata: agency (GSEs) and non-agency. There was no valuation allowance recorded for the periods presented on the commercial amortized MSRs. Res dential amortized MSRs are evaluated for impairment purposes by the following risk strata: mortgages sold to GSEs (FHLMC and FNMA) and mortgages sold to GNMA, each by interest rate stratifications. A valuation allowance of $37 million was recorded on the res dential amortized MSRs for the year ended December 31, 2011. For the year ended December 31, 2012, valuation allowance of $37 million for res dential MSRs was reversed upon elect on to carry at fair value.
(4) Includes fair value of $316 mill on in residential amortized MSRs and $1,440 million in commercial amortized MSRs at December 31, 2011. The balances at December 31, 2013 and 2012, are all commercial amortized MSRs.

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

	December 31,	
(in billions)	**2013**	2012
Residential mortgage servicing:		
Serviced for others	**$ 1,485**	1,498
Owned loans serviced	**338**	368
Subservicing	**6**	7
Total residential servicing	**1,829**	1,873
Commercial mortgage servicing:		
Serviced for others	**419**	408
Owned loans serviced	**107**	106
Subservicing	**7**	13
Total commercial servicing	**533**	527
Total managed servicing portfolio	**$ 2,362**	2,400
Total serviced for others	**$ 1,904**	1,906
Ratio of MSRs to related loans serviced for others	**0.88 %**	0.67

The components of mortgage banking noninterest income were:

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Servicing income, net:			
Servicing fees			
Contractually specified servicing fees	**$ 4,442**	4,626	4,611
Late charges	**216**	257	298
Ancillary fees	**343**	342	354
Unreimbursed direct servicing costs (1)	**(1,074)**	(1,234)	(1,119)
Net servicing fees	**3,927**	3,991	4,144
Changes in fair value of MSRs carried at fair value:			
Due to changes in valuation model inputs or assumptions (2)	**3,398**	(2,893)	(3,680)
Other changes in fair value (3)	**(2,242)**	(3,061)	(2,141)
Total changes in fair value of MSRs carried at fair value	**1,156**	(5,954)	(5,821)
Amortization	**(254)**	(233)	(264)
Provision for MSRs in excess of fair value	**-**	-	(34)
Net derivative gains (losses) from economic hedges (4)	**(2,909)**	3,574	5,241
Total servicing income, net	**1,920**	1,378	3,266
Net gains on mortgage loan origination/sales activities	**6,854**	10,260	4,566
Total mortgage banking noninterest income	**$ 8,774**	11,638	7,832
Market-related valuation changes to MSRs, net of hedge results (2) + (4)	**$ 489**	681	1,561

(1) Primarily associated with foreclosure expenses and certain interest costs.
(2) Refer to the changes in fair value of MSRs table in this Note for more detail.
(3) Represents changes due to collection/realization of expected cash flows over time.
(4) Represents results from free-standing derivatives (economic hedges) used to hedge the risk of changes in fair value of MSRs. See Note 16 – Free-Standing Derivatives for add tional discussion and detail.

Note 9: Mortgage Banking Activities *(continued)*

The table below summarizes the changes in our liability for mortgage loan repurchase losses. This liability is in "Accrued expenses and other liabilities" in our consolidated balance sheet and the provision for repurchase losses reduces net gains on mortgage loan origination/sales activities. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. We maintain regular contact with the GSEs, the Federal Housing Finance Agency (FHFA), and other significant investors to monitor their repurchase demand practices and issues as part of our process to update our repurchase liability estimate as new information becomes available. The Company reached settlements with both FHLMC and FNMA in 2013, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009 and loans sold to FNMA that were originated prior to January 1, 2009.

Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that is reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of assumptions that are subject to change. The high end of this range of reasonably possible losses in excess of our recorded liability was $896 million at December 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.

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Balance, beginning of year	**$ 2,206**	1,326	1,289
Provision for repurchase losses:			
Loan sales	**143**	275	101
Change in estimate (1)	**285**	1,665	1,184
Total additions	**428**	1,940	1,285
Losses (2)	**(1,735)**	(1,060)	(1,248)
Balance, end of year	**$ 899**	2,206	1,326

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

(2) Year ended December 31, 2013, reflects $746 million and $508 million as a result of the settlements reached with FHLMC and FNMA, respectively, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009 and loans sold to FNMA that were originated prior to January 1, 2009.

Note 10: Intangible Assets

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

(in millions)	December 31, 2013 Gross carrying value	Accumulated amortization	Net carrying value	December 31, 2012 Gross carrying value	Accumulated amortization	Net carrying value
Amortized intangible assets (1):						
MSRs (2)	**$ 2,639**	**(1,410)**	**1,229**	2,317	(1,157)	1,160
Core deposit intangibles	**12,834**	**(8,160)**	**4,674**	12,836	(6,921)	5,915
Customer relationship and other intangibles	**3,145**	**(2,061)**	**1,084**	3,147	(1,795)	1,352
Total amortized intangible assets	**$ 18,618**	**(11,631)**	**6,987**	18,300	(9,873)	8,427
Unamortized intangible assets:						
MSRs (carried at fair value) (2)	**$ 15,580**			11,538		
Goodwill	**25,637**			25,637		
Trademark	**14**			14		

(1) Excludes fully amortized intangible assets.
(2) See Note 9 for add t onal information on MSRs.

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

(in millions)	Amortized MSRs	Core deposit intangibles	Customer relationship and other intangibles	Total
Year ended December 31, 2013 (actual)	**$ 254**	**1,241**	**267**	**1,762**
Estimate for year ended December 31,				
2014	$ 247	1,113	251	1,611
2015	215	1,022	227	1,464
2016	177	919	212	1,308
2017	134	851	195	1,180
2018	100	769	184	1,053

For our goodwill impairment analysis, we allocate all of the goodwill to the individual operating segments. We identify reporting units that are one level below an operating segment (referred to as a component), and distinguish these reporting units based on how the segments and components are managed, taking into consideration the economic characteristics, nature of the products and customers of the components. At the time we acquire a business, we allocate goodwill to applicable reporting units based on their relative fair value, and if we have a significant business reorganization, we may reallocate the goodwill. See Note 24 for further information on management reporting.

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

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

Note 11: Deposits

Time certificates of deposit (CDs) and other time deposits issued by domestic and foreign offices totaled $117.4 billion and $90.1 billion at December 31, 2013 and 2012, respectively. Substantially all of these deposits were interest bearing. The contractual maturities of these deposits are presented in the following table.

(in millions)	December 31, 2013
2014	$ 86,958
2015	13,308
2016	7,624
2017	2,661
2018	3,263
Thereafter	3,619
Total	$ 117,433

Of these deposits, the amount of domestic time deposits with a denomination of $100,000 or more was $16.6 billion and $23.7 billion at December 31, 2013 and 2012, respectively. The contractual maturities of these deposits are presented in the following table.

(in millions)	2013
Three months or less	$ 3,177
After three months through six months	2,003
After six months through twelve months	2,741
After twelve months	8,685
Total	$ 16,606

Time CDs and other time deposits issued by foreign offices with a denomination of $100,000 or more were $15.3 billion and $11.7 billion at December 31, 2013 and 2012, respectively.

Demand deposit overdrafts of $554 million and $806 million were included as loan balances at December 31, 2013 and 2012, respectively.

Note 12: Short-Term Borrowings

The table below shows selected information for short-term borrowings, which predominantly mature in less than 30 days. We pledge certain financial instruments that we own to collateralize repurchase agreements and other securities financings. For additional information, see the "Pledged Assets" section of Note 14.

	2013		2012		2011	
(in millions)	**Amount**	**Rate**	Amount	Rate	Amount	Rate
As of December 31,						
Federal funds purchased and securities sold under agreements to repurchase	**$ 36,263**	**0.05 %**	$ 34,973	0.17 %	$ 31,038	0.05 %
Commercial paper	**5,162**	**0.18**	4,038	0.27	3,624	0.23
Other short-term borrowings	**12,458**	**0.31**	18,164	0.16	14,429	0.18
Total	**$ 53,883**	**0.12**	$ 57,175	0.17	$ 49,091	0.10
Year ended December 31,						
Average daily balance						
Federal funds purchased and securities sold under agreements to repurchase	**$ 36,227**	**0.08**	$ 32,092	0.12	$ 34,388	0.11
Commercial paper	**4,702**	**0.25**	4,142	0.26	4,437	0.26
Other short-term borrowings	**13,787**	**0.22**	14,962	0.29	12,956	0.35
Total	**$ 54,716**	**0.13**	$ 51,196	0.18	$ 51,781	0.18
Maximum month-end balance						
Federal funds purchased and securities sold under agreements to repurchase (1)	**$ 39,451**	**N/A**	$ 36,327	N/A	$ 37,509	N/A
Commercial paper (2)	**5,700**	**N/A**	5,036	N/A	6,229	N/A
Other short-term borrowings (3)	**16,564**	**N/A**	18,164	N/A	14,429	N/A

N/A- Not applicable
(1) Highest month-end balance in each of the last three years was May 2013, June 2012 and March 2011.
(2) Highest month-end balance in each of the last three years was March 2013, September 2012 and April 2011.
(3) Highest month-end balance in each of the last three years was March 2013, December 2012 and December 2011.

Note 13: Long-Term Debt

We issue long-term debt denominated in multiple currencies, predominantly in U.S. dollars. Our issuances have both fixed and floating interest rates. As a part of our overall interest rate risk management strategy, we often use derivatives to manage our exposure to interest rate risk. We also use derivatives to manage our exposure to foreign currency risk. As a result, the long-term debt presented below is primarily hedged in a fair value or cash flow hedge relationship. See Note 16 for further information on qualifying hedge contracts.

Following is a summary of our long-term debt carrying values, reflecting unamortized debt discounts and premiums, and purchase accounting adjustments, where applicable. The interest rates displayed represent the range of contractual rates in effect at December 31, 2013. These interest rates do not include the effects of any associated derivatives designated in a hedge accounting relationship.

			December 31,	
			2013	2012
(in millions)	Maturity date(s)	Stated interest rate(s)		
Wells Fargo & Company (Parent only)				
Senior				
Fixed-rate notes	2014-2038	1.00-6.75%	**$ 44,145**	44,623
Floating-rate notes	2014-2048	0.00-3.598	**12,445**	10,996
Structured notes (1)	2014-2053	Varies	**4,891**	3,633
Total senior debt - Parent			**61,481**	59,252
Subordinated				
Fixed-rate notes (2)	2014-2044	3.45-7.574%	**17,469**	11,340
Floating-rate notes	2015-2016	0.576-0.614	**1,190**	1,165
Total subordinated debt - Parent			**18,659**	12,505
Junior subordinated				
Fixed-rate notes - hybrid trust securities	2029-2068	5.95-7.95%	**1,178**	4,221
Floating-rate notes	2027	0.744-1.244	**263**	255
Total junior subordinated debt - Parent (3)			**1,441**	4,476
Total long-term debt - Parent (2)			**81,581**	76,233
Wells Fargo Bank, N.A. and other bank entities (Bank)				
Senior				
Fixed-rate notes	2015	0.75%	**500**	1,331
Floating-rate notes	2015-2053	0.00-0.522	**2,219**	170
Floating-rate extendible notes (4)	2015	0.291-0.346	**10,749**	4,450
Fixed-rate advances - Federal Home Loan Bank (FHLB) (5)	2014-2031	3.83 - 8.17	**160**	216
Floating-rate advances - FHLB (5)	2018-2019	0.22-0.29	**19,000**	2,002
Structured notes (1)	2014-2025	Varies	**13**	163
Capital leases (Note 7)	2014-2025	Varies	**11**	12
Total senior debt - Bank			**32,652**	8,344
Subordinated				
Fixed-rate notes	2014-2038	4.75-7.74%	**10,725**	14,153
Floating-rate notes	2014-2017	0.448-2.965	**1,616**	1,617
Total subordinated debt - Bank			**12,341**	15,770
Junior subordinated				
Floating-rate notes	2027	0.811-0.894%	**303**	294
Total junior subordinated debt - Bank (3)			**303**	294
Long-term debt issued by VIE - Fixed rate (6)	2014-2047	0.00-7.00%	**1,098**	1,542
Long-term debt issued by VIE - Floating rate (6)	2015-2042	0.296-32.11	**1,230**	1,826
Mortgage notes and other debt (7)	2014-2062	0.00-12.80	**16,874**	16,976
Total long-term debt - Bank			**64,498**	44,752

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(in millions)	Maturity date(s)	Stated interest rate(s)	December 31, **2013**	2012
Other consolidated subsidiaries				
Senior				
Fixed-rate notes	2014-2023	2.774-4.38%	**6,543**	5,968
FixFloat notes	2020	6.795% through 2015, varies	**20**	20
Total senior debt - Other consolidated subsidiaries			**6,563**	5,988
Junior subordinated				
Floating-rate notes	2027	0.736%	**155**	155
Total junior subordinated debt - Other consolidated subsidiaries (3)			**155**	155
Long-term debt issued by VIE - Fixed rate (6)	2015	5.16%	**18**	105
Long-term debt issued by VIE - Floating rate (6)	2015	1.544	**10**	10
Mortgage notes and other (7)	2014-2022	1.54-6.00	**173**	136
Total long-term debt - Other consolidated subsidiaries			**6,919**	6,394
Total long-term debt			**$ 152,998**	127,379

(1) Primarily consists of long-term notes where the performance of the note is linked to an embedded equity, commodity, or currency index, or basket of indices accounted for separately from the note as a free-standing derivative. For informat on on embedded derivatives, see Note 16 – Free-standing derivatives. In addit on, a major portion consists of zero coupon callable notes where interest is paid as part of the final redemption amount.
(2) Includes fixed-rate subordinated notes issued by the Parent at a discount of $140 million in fourth quarter 2013 to effect a modification of Wells Fargo Bank, NA notes. These notes are carried at their par amount on the balance sheet of the Parent presented in Note 25.
(3) Represents junior subordinated debentures held by unconsolidated wholly-owned trusts formed for the sole purpose of issuing trust preferred secur ties. See Note 8 for additional information on our trust preferred secur ty structures.
(4) Represents floating-rate extendible notes where holders of the notes may elect to extend the contractual matur ty of all or a portion of the principal amount on a per odic basis.
(5) At December 31, 2013, Federal Home Loan Bank advances are secured by residential loan collateral. Outstanding advances at December 31, 2012, were secured by investment securities and residential loan collateral.
(6) For add tional information on VIEs, see Note 8.
(7) Primarily related to securitizations and secured borrowings, see Note 8.

The aggregate carrying value of long-term debt that matures (based on contractual payment dates) as of December 31, 2013, in each of the following five years and thereafter, is presented in the following table.

(in millions)	Parent	Company
2014	$ 8,535	12,800
2015	8,684	26,531
2016	15,734	19,732
2017	9,122	13,114
2018	7,937	26,867
Thereafter	31,569	53,954
Total	$ 81,581	152,998

As part of our long-term and short-term borrowing arrangements, we are subject to various financial and operational covenants. Some of the agreements under which debt has been issued have provisions that may limit the merger or sale of certain subsidiary banks and the issuance of capital stock or convertible securities by certain subsidiary banks. At December 31, 2013, we were in compliance with all the covenants.

Note 14: Guarantees, Pledged Assets and Collateral

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, liquidity agreements, written put options, recourse obligations, residual value guarantees, and contingent consideration. The following table shows carrying value, maximum exposure to loss on our guarantees and the related non-investment grade amounts.

		December 31, 2013						
			Maximum exposure to loss					
(in millions)		Carrying value	Expires in one year or less	Expires after one year through three years	Expires after three years through five years	Expires after five years	Total	Non-investment grade
Standby letters of credit (1)	**$**	**56**	**16,907**	**11,628**	**5,308**	**994**	**34,837**	**9,512**
Securities lending and other indemnifications		**-**	**-**	**3**	**18**	**3,199**	**3,220**	**25**
Liquidity agreements (2)		**-**	**-**	**-**	**-**	**17**	**17**	**-**
Written put options (3)		**907**	**4,775**	**2,967**	**3,521**	**2,725**	**13,988**	**4,311**
Loans and MHFS sold with recourse		**86**	**116**	**418**	**849**	**5,014**	**6,397**	**3,674**
Contingent consideration		**30**	**15**	**94**	**-**	**-**	**109**	**109**
Other guarantees		**3**	**329**	**17**	**16**	**954**	**1,316**	**4**
Total guarantees	**$**	**1,082**	**22,142**	**15,127**	**9,712**	**12,903**	**59,884**	**17,635**

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

(1) Total maximum exposure to loss includes direct pay letters of credit (DPLCs) of $16.8 bill on and $18.5 billion at December 31, 2013 and December 31, 2012, respectively. We issue DPLCs to prov de credit enhancements for certain bond issuances. Beneficiaries (bond trustees) may draw upon these instruments to make scheduled principal and interest payments, redeem all outstanding bonds because a default event has occurred, or for other reasons as permitted by the agreement. We also originate multipurpose lending commitments under which borrowers have the opt on to draw on the facil ty in one of several forms, including as a standby letter of credit. Total maximum exposure to loss includes the portion of these facilities for which we have issued standby letters of cred t under the commitments.
(2) Certain of these agreements included in this table are related to off-balance sheet entities and, accordingly, are also disclosed in Note 8.
(3) Written put opt ons, which are in the form of derivatives, are also included in the derivative disclosures in Note 16.

"Maximum exposure to loss" and "Non-investment grade" are required disclosures under GAAP. Non-investment grade represents those guarantees on which we have a higher risk of being required to perform under the terms of the guarantee. If the underlying assets under the guarantee are non-investment grade (that is, an external rating that is below investment grade or an internal credit default grade that is equivalent to a below investment grade external rating), we consider the risk of performance to be high. Internal credit default grades are determined based upon the same credit policies that we use to evaluate the risk of payment or performance when making loans and other extensions of credit. These credit policies are further described in Note 6.

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

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

SECURITIES LENDING AND OTHER INDEMNIFICATIONS As a securities lending agent, we lend debt and equity securities from participating institutional clients' portfolios to third-party borrowers. These arrangements are for an indefinite period of time whereby we indemnify our clients against default by the borrower in returning these lent securities. This indemnity is supported by collateral received from the borrowers and is generally in the form of cash or highly liquid securities that are marked to market daily. There was $346 million at December 31, 2013 and $443 million at December 31, 2012, in collateral supporting loaned securities with values of $337 million and $436 million, respectively.

We use certain third party clearing agents to clear and settle transactions on behalf of some of our institutional brokerage customers. We indemnify the clearing agents against loss that could occur for non-performance by our customers on transactions that are not sufficiently collateralized. Transactions subject to the indemnifications may include customer obligations related to the settlement of margin accounts and short positions, such as written call options and securities borrowing transactions. Outstanding customer obligations were $769 million and $579 million and the related collateral was $3.7 billion and $3.1 billion at December 31, 2013, and December 31, 2012, respectively. Our estimate of maximum exposure to loss, which requires judgment regarding the range and likelihood of future events, was $2.9 billion as of December 31, 2013, and $2.1 billion as of December 31, 2012.

We enter into other types of indemnification agreements in the ordinary course of business under which we agree to indemnify third parties against any damages, losses and expenses incurred in connection with legal and other proceedings arising from relationships or transactions with us. These relationships or transactions include those arising from service as a director or officer of the Company, underwriting agreements relating to our securities, acquisition agreements and various other business transactions or arrangements. Because the extent of our obligations under these agreements depends entirely upon the occurrence of future events, we are unable to determine our potential future liability under these agreements. We do, however, record a liability for residential mortgage loans that we expect to repurchase pursuant to various representations and warranties. See Note 9 for additional information on the liability for mortgage loan repurchase losses.

LIQUIDITY AGREEMENTS We provide liquidity to certain off-balance sheet entities that hold securitized fixed-rate municipal bonds and consumer or commercial assets that are partially funded with the issuance of money market and other short-term notes. See Note 8 for additional information on securitizations and VIEs.

WRITTEN PUT OPTIONS Written put options are contracts that give the counterparty the right to sell to us an underlying instrument held by the counterparty at a specified price, and include options, floors, caps and credit default swaps. These written put option contracts generally permit net settlement. While these derivative transactions expose us to risk in the event the option is exercised, we manage this risk by entering into offsetting trades or by taking short positions in the underlying instrument. We offset substantially all put options written to customers with purchased options. Additionally, for certain of these contracts, we require the counterparty to pledge the underlying instrument as collateral for the transaction. Our ultimate obligation under written put options is based on future market conditions and is only quantifiable at settlement. See Note 16 for additional information regarding written derivative contracts.

LOANS AND MHFS SOLD WITH RECOURSE In certain loan sales or securitizations, we provide recourse to the buyer whereby we are required to indemnify the buyer for any loss on the loan up to par value plus accrued interest. We provide recourse, predominantly to the GSEs, on loans sold under various programs and arrangements. Primarily all of these programs and arrangements require that we share in the loans' credit exposure for their remaining life by providing recourse to the GSE, up to 33.33% of actual losses incurred on a pro-rata basis, in the event of borrower default. Under the remaining recourse programs and arrangements, if certain events occur within a specified period of time from transfer date, we have to provide limited recourse to the buyer to indemnify them for losses incurred for the remaining life of the loans. The maximum exposure to loss reported in the accompanying table represents the outstanding principal balance of the loans sold or securitized that are subject to recourse provisions or the maximum losses per the contractual agreements. However, we believe the likelihood of loss of the entire balance due to these recourse agreements is remote and amounts paid can be recovered in whole or in part from the sale of collateral. During 2013 and 2012 we repurchased $33 million and $26 million, respectively, of loans associated with these agreements. We also provide representation and warranty guarantees on loans sold under the various recourse programs and arrangements. Our loss exposure relative to these guarantees is separately considered and provided for, as necessary, in determination of our liability for loan repurchases due to breaches of representation and warranties. See Note 9 for additional information on the liability for mortgage loan repurchase losses.

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

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

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

Pledged Assets

As part of our liquidity management strategy, we pledge assets to secure trust and public deposits, borrowings and letters of credit from the FHLB and FRB, securities sold under agreements to repurchase (repurchase agreements), and for other purposes as required or permitted by law or insurance statutory requirements. The types of collateral we pledge include securities issued by federal agencies, government-sponsored entities (GSEs), domestic and foreign companies and various commercial and consumer loans. The following table provides the total carrying amount of pledged assets by asset type, of which substantially all are pursuant to agreements that do not permit the secured party to sell or repledge the collateral. The table excludes pledged consolidated VIE assets of $8.1 billion and $14.6 billion at December 31, 2013, and December 31, 2012, respectively, which can only be used to settle the liabilities of those entities. The table also excludes $15.3 billion and $22.3 billion in assets pledged in transactions accounted for as secured borrowings at December 31, 2013 and December 31, 2012, respectively. See Note 8 for additional information on consolidated VIE assets and secured borrowings.

(in millions)		**Dec. 31, 2013**	Dec. 31, 2012
Trading assets and other (1)	**$**	**30,288**	28,031
Investment securities (2)		**85,468**	96,018
Loans (3)		**381,597**	360,171
Total pledged assets	**$**	**497,353**	484,220

(1) Represent assets pledged to collateralize repurchase agreements and other securities financings. Balance includes $29.0 billion and $27.4 bill on at December 31, 2013, and December 31, 2012, respectively, under agreements that permit the secured parties to sell or repledge the collateral.
(2) Includes $8.7 billion and $8.4 billion in collateral for repurchase agreements at December 31, 2013, and December 31, 2012, respectively, wh ch are pledged under agreements that do not permit the secured parties to sell or repledge the collateral.
(3) Represent loans carried at amortized cost, which are pledged under agreements that do not permit the secured parties to sell or repledge the collateral.

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

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

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

In addition to the amounts included in the table below, we also have balance sheet netting related to derivatives that is disclosed within Note 16.

(in millions)		**Dec. 31, 2013**	Dec. 31, 2012
Assets:			
Resale and securities borrowing agreements			
Gross amounts recognized	**$**	**38,635**	45,847
Gross amounts offset in consolidated balance sheet (1)		**(2,817)**	(2,561)
Net amounts in consolidated balance sheet (2)		**35,818**	43,286
Noncash collateral not recognized in consolidated balance sheet (3)		**(35,768)**	(42,920)
Net amount (4)	**$**	**50**	366
Liabilities:			
Repurchase and securities lending agreements			
Gross amounts recognized	**$**	**38,032**	35,876
Gross amounts offset in consolidated balance sheet (1)		**(2,817)**	(2,561)
Net amounts in consolidated balance sheet (5)		**35,215**	33,315
Noncash collateral pledged but not netted in consolidated balance sheet (6)		**(34,770)**	(33,050)
Net amount (7)	**$**	**445**	265

(1) Represents recognized amount of resale and repurchase agreements with counterparties subject to enforceable MRAs or MSLAs that have been offset in the consolidated balance sheet.
(2) At December 31, 2013 and December 31, 2012, includes $25.7 bill on and $33.8 billion, respectively, classified on our consolidated balance sheet in Federal funds sold, secur ties purchased under resale agreements and other short-term investments and $10.1 billion and $9.5 billion, respectively, in Loans.
(3) Represents the fair value of non-cash collateral we have received under enforceable MRAs or MSLAs, limited for table presentat on purposes to the amount of the recognized asset due from each counterparty. At December 31, 2013 and December 31, 2012, we have received total collateral with a fair value of $43.3 billion and $46.6 billion, respectively, all of which, we have the right to sell or repledge. These amounts include secur ties we have sold or repledged to others with a fair value of $23.8 bill on at December 31, 2013 and $29.7 bill on at December 31, 2012.
(4) Represents the amount of our exposure that is not collateralized and/or is not subject to an enforceable MRA or MSLA.
(5) Amount is classified in Short-term borrowings on our consolidated balance sheet.
(6) Represents the fair value of non-cash collateral we have pledged, related to enforceable MRAs or MSLAs, limited for table presentation purposes to the amount of the recognized liability owed to each counterparty. At December 31, 2013 and December 31, 2012, we have pledged total collateral w th a fair value of $39.0 billion and $36.4 billion, respectively, of which, the counterparty does not have the right to sell or repledge $10.0 billion as of December 31, 2013 and $9.1 billion as of December 31, 2012.
(7) Represents the amount of our exposure that is not covered by pledged collateral and/or is not subject to an enforceable MRA or MSLA.

Note 15: Legal Actions

Wells Fargo and certain of our subsidiaries are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising from the conduct of our business activities. These proceedings include actions brought against Wells Fargo and/or our subsidiaries with respect to corporate related matters and transactions in which Wells Fargo and/or our subsidiaries were involved. In addition, Wells Fargo and our subsidiaries may be requested to provide information or otherwise cooperate with government authorities in the conduct of investigations of other persons or industry groups.

Although there can be no assurance as to the ultimate outcome, Wells Fargo and/or our subsidiaries have generally denied, or believe we have a meritorious defense and will deny, liability in all significant litigation pending against us, including the matters described below, and we intend to defend vigorously each case, other than matters we describe as having settled. Reserves are established for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts reserved for those claims.

FHA INSURANCE LITIGATION On October 9, 2012, the United States filed a complaint, captioned *United States of America v. Wells Fargo Bank, N A.*, in the U.S. District Court for the Southern District of New York. The complaint makes claims with respect to Wells Fargo's Federal Housing Administration (FHA) lending program for the period 2001 to 2010. The complaint alleges, among other allegations, that Wells Fargo improperly certified certain FHA mortgage loans for United States Department of Housing and Urban Development (HUD) insurance that did not qualify for the program, and therefore Wells Fargo should not have received insurance proceeds from HUD when some of the loans later defaulted. The complaint further alleges Wells Fargo knew some of the mortgages did not qualify for insurance and did not disclose the deficiencies to HUD before making insurance claims. On December 1, 2012, Wells Fargo filed a motion in the U.S. District Court for the District of Columbia seeking to enforce a release of Wells Fargo given by the United States, which was denied on February 12, 2013. On April 11, 2013, Wells Fargo appealed the decision to the U.S. Court of Appeals for the District of Columbia Circuit, with appellate briefing completed on November 26, 2013. On December 14, 2012, the United States filed an amended complaint. On January 16, 2013, Wells Fargo filed a motion in the Southern District of New York to dismiss the amended complaint. On September 24, 2013, the Court entered an order denying the motion with respect to the government's federal statutory claims and granting in part, and denying in part, the motion with respect to the government's common law claims. On January 10, 2014, the United States filed a second amended complaint.

INTERCHANGE LITIGATION Wells Fargo Bank, N.A., Wells Fargo & Company, Wachovia Bank, N.A. and Wachovia Corporation are named as defendants, separately or in combination, in putative class actions filed on behalf of a plaintiff class of merchants and in individual actions brought by individual merchants with regard to the interchange fees associated with Visa and MasterCard payment card transactions. These actions have been consolidated in the U.S. District Court for the Eastern District of New York. Visa, MasterCard and several banks and bank holding companies are named as defendants in various of these actions. The amended and consolidated complaint asserts claims against defendants based on alleged violations of federal and state antitrust laws and seeks damages, as well as injunctive relief. Plaintiff merchants allege that Visa, MasterCard and payment card issuing banks unlawfully colluded to set interchange rates. Plaintiffs also allege that enforcement of certain Visa and MasterCard rules and alleged tying and bundling of services offered to merchants are anticompetitive. Wells Fargo and Wachovia, along with other defendants and entities, are parties to Loss and Judgment Sharing Agreements, which provide that they, along with other entities, will share, based on a formula, in any losses from the Interchange Litigation. On July 13, 2012, Visa, MasterCard and the financial institution defendants, including Wells Fargo, signed a memorandum of understanding with plaintiff merchants to resolve the consolidated class actions and reached a separate settlement in principle of the consolidated individual actions. The proposed settlement payments by all defendants in the consolidated class and individual actions total approximately $6.6 billion. The class settlement also provides for the distribution to class merchants of 10 basis points of default interchange across all credit rate categories for a period of eight consecutive months. The Court granted final approval of the settlement, which is proceeding. Merchants have filed several "opt-out" actions.

MARYLAND MORTGAGE LENDING LITIGATION On December 26, 2007, a class action complaint captioned *Denise Minter, et al., v. Wells Fargo Bank, N A., et al.,* was filed in the U.S. District Court for the District of Maryland. The complaint alleges that Wells Fargo and others violated provisions of the Real Estate Settlement Procedures Act and other laws by conducting mortgage lending business improperly through a general partnership, Prosperity Mortgage Company. The complaint asserts that Prosperity Mortgage Company was not a legitimate affiliated business and instead operated to conceal Wells Fargo Bank, N.A.'s role in the loans at issue. A plaintiff class of borrowers who received a mortgage loan from Prosperity Mortgage Company that was funded by Prosperity Mortgage Company's line of credit with Wells Fargo Bank, N.A. from 1993 to May 31, 2012, had been certified. Prior to trial, the Court narrowed the class action to borrowers who were referred to Prosperity Mortgage Company by Wells Fargo's partner and whose loans were transferred to Wells Fargo Bank, N.A. from 1993 to May 31, 2012. On May 6, 2013, the case went to trial. On June 6, 2013, the jury returned a verdict in favor of all defendants, including Wells Fargo. The plaintiffs have appealed.

On July 8, 2008, a class action complaint captioned *Stacey and Bradley Petry, et al., v. Wells Fargo Bank, N.A., et al.*, was

filed. The complaint alleges that Wells Fargo and others violated the Maryland Finder's Fee Act in the closing of mortgage loans in Maryland. On March 13, 2013, the Court held the plaintiff class did not have sufficient evidence to proceed to trial, which was previously set for March 18, 2013. On June 20, 2013, the Court entered judgment in favor of the defendants. The plaintiffs have appealed.

MORTGAGE RELATED REGULATORY INVESTIGATIONS
Government agencies continue investigations or examinations of certain mortgage related practices of Wells Fargo and predecessor institutions. Wells Fargo, for itself and for predecessor institutions, has responded, and continues to respond, to requests from government agencies seeking information regarding the origination, underwriting and securitization of residential mortgages, including sub-prime mortgages.

ORDER OF POSTING LITIGATION A series of putative class actions have been filed against Wachovia Bank, N.A. and Wells Fargo Bank, N.A., as well as many other banks, challenging the high to low order in which the banks post debit card transactions to consumer deposit accounts. There are currently several such cases pending against Wells Fargo Bank (including the Wachovia Bank cases to which Wells Fargo succeeded), most of which have been consolidated in multi-district litigation proceedings in the U.S. District Court for the Southern District of Florida. The bank defendants moved to compel these cases to arbitration under recent Supreme Court authority. On November 22, 2011, the Judge denied the motion. The bank defendants appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. On October 26, 2012, the Eleventh Circuit affirmed the District Court's denial of the motion. Wells Fargo renewed its motion to compel arbitration with respect to the unnamed putative class members. On April 8, 2013, the District Court denied the motion. Wells Fargo has appealed the decision to the Eleventh Circuit.

On August 10, 2010, the U.S. District Court for the Northern District of California issued an order in Gutierrez v. Wells Fargo Bank, N.A., a case that was not consolidated in the multi-district proceedings, enjoining the bank's use of the high to low posting method for debit card transactions with respect to the plaintiff class of California depositors, directing the bank to establish a different posting methodology and ordering remediation of approximately $203 million. On October 26, 2010, a final judgment was entered in Gutierrez. On October 28, 2010, Wells Fargo appealed to the U.S. Court of Appeals for the Ninth Circuit. On December 26, 2012, the Ninth Circuit reversed the order requiring Wells Fargo to change its order of posting and vacated the portion of the order granting remediation of approximately $203 million on the grounds of federal preemption. The Ninth Circuit affirmed the District Court's finding that Wells Fargo violated a California state law prohibition on fraudulent representations and remanded the case to the District Court for further proceedings. On August 5, 2013, the District Court entered a judgment against Wells Fargo in the approximate amount of $203 million, together with post-judgment interest thereon from October 25, 2010, and, effective as of July 15, 2013, enjoined Wells Fargo from making or disseminating additional misrepresentations about its order of posting of transactions. On August 7, 2013, Wells Fargo appealed the judgment to the Ninth Circuit.

SECURITIES LENDING LITIGATION Wells Fargo Bank, N.A. is involved in five separate pending actions brought by securities lending customers of Wells Fargo and Wachovia Bank in various courts. In general, each of the cases alleges that Wells Fargo violated fiduciary and contractual duties by investing collateral for loaned securities in investments that suffered losses. One of the cases, filed on March 27, 2012, is composed of a class of Wells Fargo securities lending customers in a case captioned *City of Farmington Hills Employees Retirement System v. Wells Fargo Bank, N.A.* The class action is pending in the U.S. District Court for the District of Minnesota.

OUTLOOK When establishing a liability for contingent litigation losses, the Company determines a range of potential losses for each matter that is both probable and estimable, and records the amount it considers to be the best estimate within the range. The high end of the range of reasonably possible potential litigation losses in excess of the Company's liability for probable and estimable losses was $951 million as of December 31, 2013. For these matters and others where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the established liability that cannot be estimated. Based on information currently available, advice of counsel, available insurance coverage and established reserves, Wells Fargo believes that the eventual outcome of the actions against Wells Fargo and/or its subsidiaries, including the matters described above, will not, individually or in the aggregate, have a material adverse effect on Wells Fargo's consolidated financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to Wells Fargo's results of operations for any particular period.

Note 16: Derivatives

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

Our asset/liability management approach to interest rate, foreign currency and certain other risks includes the use of derivatives. Such derivatives are typically designated as fair value or cash flow hedges, or economic hedges. This helps minimize significant, unplanned fluctuations in earnings, fair

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

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

The following table presents the total notional or contractual amounts and fair values for our derivatives. Derivative transactions can be measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged, but is used only as the basis on which interest and other payments are determined. Derivatives designated as qualifying hedge contracts and free-standing derivatives (economic hedges) are recorded on the balance sheet at fair value in other assets or other liabilities. Customer accommodation, trading and other free-standing derivatives are recorded on the balance sheet at fair value in trading assets, other assets or other liabilities.

	December 31, 2013			December 31, 2012		
	Notional or contractual	Fair value		Notional or contractual	Fair value	
(in millions)	amount	Asset derivatives	Liability derivatives	amount	Asset derivatives	Liability derivatives
Derivatives designated as hedging instruments						
Interest rate contracts (1)	$ 100,412	4,315	2,528	92,004	7,284	2,696
Foreign exchange contracts	26,483	1,091	847	27,382	1,808	274
Total derivatives designated as qualifying hedging instruments		5,406	3,375		9,092	2,970
Derivatives not designated as hedging instruments						
Free-standing derivatives (economic hedges):						
Interest rate contracts (2)	220,577	595	897	334,555	450	694
Equity contracts	3,273	349	206	75	-	50
Foreign exchange contracts	10,064	21	35	3,074	3	64
Credit contracts - protection purchased	-	-	-	16	-	-
Other derivatives	2,160	13	16	2,296	-	78
Subtotal		978	1,154		453	886
Customer accommodation, trading and other free-standing derivatives:						
Interest rate contracts	4,030,068	50,936	53,113	2,774,783	63,617	65,305
Commodity contracts	96,889	2,673	2,603	90,732	3,456	3,590
Equity contracts	96,379	7,475	7,588	71,958	3,783	4,114
Foreign exchange contracts	164,160	3,731	3,626	166,061	3,713	3,241
Credit contracts - protection sold	19,501	354	1,532	26,455	315	2,623
Credit contracts - protection purchased	23,314	1,147	368	29,021	1,495	329
Subtotal		66,316	68,830		76,379	79,202
Total derivatives not designated as hedging instruments		67,294	69,984		76,832	80,088
Total derivatives before netting		72,700	73,359		85,924	83,058
Netting (3)		(56,894)	(63,739)		(62,108)	(71,116)
Total		$ 15,806	9,620		23,816	11,942

(1) Notional amounts presented exclude $1.9 billion at December 31, 2013, and $4.7 billion at December 31, 2012, of certain derivatives that are combined for designation as a hedge on a single instrument.
(2) Includes free-standing derivatives (economic hedges) used to hedge the risk of changes in the fair value of res dential MSRs, MHFS, loans, derivative loan commitments and other interests held.
(3) Represents balance sheet netting of derivative asset and liability balances, and related cash collateral. See the next table in this Note for further information.

The following table provides information on the gross fair values of derivative assets and liabilities, the balance sheet netting adjustments and the resulting net fair value amount recorded on our balance sheet, as well as the non-cash collateral associated with such arrangements. We execute substantially all of our derivative transactions under master netting arrangements. We reflect all derivative balances and related cash collateral subject to enforceable master netting arrangements on a net basis within the balance sheet. The "Gross amounts recognized" column in the following table include $59.8 billion and $66.1 billion of gross derivative assets and liabilities, respectively, at December 31, 2013, and $68.9 billion and $75.8 billion, respectively, at December 31, 2012, with counterparties subject to enforceable master netting arrangements that are carried on the balance sheet net of offsetting amounts. The remaining gross derivative assets and liabilities of $12.9 billion and $7.3 billion, respectively, at December 31, 2013 and $17.0 billion and $7.3 billion, respectively, at December 31, 2012, include those with counterparties subject to master netting arrangements for which we have not assessed the enforceability because they are with counterparties where we do not currently have positions to offset, those subject to master netting arrangements where we have not been able to confirm the enforceability and those not subject to master netting arrangements. As such,we do not net derivative balances or collateral within the balance sheet for these counterparties.

We determine the balance sheet netting adjustments based on the terms specified within each master netting arrangement. We disclose the balance sheet netting amounts within the column titled "Gross amounts offset in consolidated balance sheet." Balance sheet netting adjustments are determined at the counterparty level for which there may be multiple contract types. For disclosure purposes, we allocate these adjustments to the contract type for each counterparty proportionally based upon the "Gross amounts recognized" by counterparty. As a result, the net amounts disclosed by contract type may not represent the actual exposure upon settlement of the contracts.

Balance sheet netting does not include non-cash collateral that we pledge. For disclosure purposes, we present these amounts in the column titled "Gross amounts not offset in consolidated balance sheet (Disclosure-only netting)" within the table. We determine and allocate the Disclosure-only netting amounts in the same manner as balance sheet netting amounts.

The "Net amounts" column within the following table represents the aggregate of our net exposure to each counterparty after considering the balance sheet and Disclosure-only netting adjustments. We manage derivative exposure by monitoring the credit risk associated with each counterparty using counterparty specific credit risk limits, using master netting arrangements and obtaining collateral. Derivative contracts executed in over-the-counter markets include bilateral contractual arrangements that are not cleared through a central clearing organization but are typically subject to master netting arrangements. The percentage of our bilateral derivative transactions outstanding at period end in such markets, based on gross fair value, is provided within the following table. Other derivative contracts executed in over-the-counter or exchange-traded markets are settled through a central clearing organization and are excluded from this percentage. In addition to the netting amounts included in the table, we also have balance sheet netting related to resale and repurchase agreements that are disclosed within Note 14.

(in millions)		Gross amounts recognized	Gross amounts offset in consolidated balance sheet (1)	Net amounts in consolidated balance sheet (2)	Gross amounts not offset in consolidated balance sheet (Disclosure-only netting) (3)	Net amounts	Percent exchanged in over-the-counter market (4)
December 31, 2013							
Derivative assets							
Interest rate contracts	**$**	**55,846**	**(48,271)**	**7,575**	**(1,101)**	**6,474**	**65 %**
Commodity contracts		**2,673**	**(659)**	**2,014**	**(72)**	**1,942**	**52**
Equity contracts		**7,824**	**(3,254)**	**4,570**	**(239)**	**4,331**	**81**
Foreign exchange contracts		**4,843**	**(3,567)**	**1,276**	**(9)**	**1,267**	**100**
Credit contracts-protection sold		**354**	**(302)**	**52**	**-**	**52**	**92**
Credit contracts-protection purchased		**1,147**	**(841)**	**306**	**(33)**	**273**	**100**
Other contracts		**13**	**-**	**13**	**-**	**13**	**100**
Total derivative assets	**$**	**72,700**	**(56,894)**	**15,806**	**(1,454)**	**14,352**	
Derivative liabilities							
Interest rate contracts	**$**	**56,538**	**(53,902)**	**2,636**	**(482)**	**2,154**	**66 %**
Commodity contracts		**2,603**	**(952)**	**1,651**	**(11)**	**1,640**	**73**
Equity contracts		**7,794**	**(3,502)**	**4,292**	**(124)**	**4,168**	**94**
Foreign exchange contracts		**4,508**	**(3,652)**	**856**	**-**	**856**	**100**
Credit contracts-protection sold		**1,532**	**(1,432)**	**100**	**-**	**100**	**100**
Credit contracts-protection purchased		**368**	**(299)**	**69**	**-**	**69**	**89**
Other contracts		**16**	**-**	**16**	**-**	**16**	**100**
Total derivative liabilities	**$**	**73,359**	**(63,739)**	**9,620**	**(617)**	**9,003**	
December 31, 2012							
Derivative assets							
Interest rate contracts	$	71,351	(53,708)	17,643	(2,692)	14,951	94 %
Commodity contracts		3,456	(1,080)	2,376	(27)	2,349	48
Equity contracts		3,783	(2,428)	1,355	-	1,355	89
Foreign exchange contracts		5,524	(3,449)	2,075	(105)	1,970	100
Credit contracts-protection sold		315	(296)	19	(4)	15	100
Credit contracts-protection purchased		1,495	(1,147)	348	(56)	292	100
Total derivative assets	$	85,924	(62,108)	23,816	(2,884)	20,932	
Derivative liabilities							
Interest rate contracts	$	68,695	(62,559)	6,136	(287)	5,849	92 %
Commodity contracts		3,590	(1,394)	2,196	-	2,196	79
Equity contracts		4,164	(2,618)	1,546	-	1,546	95
Foreign exchange contracts		3,579	(1,804)	1,775	(55)	1,720	100
Credit contracts-protection sold		2,623	(2,450)	173	-	173	100
Credit contracts-protection purchased		329	(291)	38	-	38	100
Other contracts		78	-	78	-	78	100
Total derivative liabilities	$	83,058	(71,116)	11,942	(342)	11,600	

(1) Represents amounts with counterparties subject to enforceable master netting arrangements that have been offset in the consolidated balance sheet, including related cash collateral and portfolio level counterparty valuation adjustments. Counterparty valuat on adjustments were $236 million and $352 million related to derivative assets and $67 million and $68 million related to derivative liabilities as of December 31, 2013 and 2012, respectively. Cash collateral totaled $4.3 billion and $11.3 bill on, netted against derivative assets and liabilities, respectively, at December 31, 2013, and $5.0 bill on and $14.5 billion, respectively, at December 31, 2012.

(2) Net derivative assets of $14.4 billion and $18.3 bill on are classified in Trading assets as of December 31, 2013 and 2012, respectively. $1.4 billion and $5.5 billion are classified in Other assets in the consolidated balance sheet as of December 31, 2013 and 2012, respectively. Net derivative liabil ties are classified in Accrued expenses and other liabil ties in the consolidated balance sheet.

(3) Represents non-cash collateral pledged and received against derivative assets and liabil ties w th the same counterparty that are subject to enforceable master netting arrangements. U.S. GAAP does not permit netting of such non-cash collateral balances in the consolidated balance sheet but requires disclosure of these amounts.

(4) Represents derivatives executed in over-the-counter markets not settled through a central clearing organizat on. Over-the-counter percentages are calculated based on Gross amounts recognized as of the respective balance sheet date. The remaining percentage represents derivatives settled through a central clearing organizat on, which are executed in e ther over-the-counter or exchange-traded markets.

Fair Value Hedges

We use interest rate swaps to convert certain of our fixed-rate long-term debt to floating rates to hedge our exposure to interest rate risk. We also enter into cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge our exposure to foreign currency risk and interest rate risk associated with the issuance of non-U.S. dollar denominated long-term debt. In addition, we use interest rate swaps, cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge against changes in fair value of certain investments in available-for-sale debt securities due to changes in interest rates, foreign currency rates, or both. We also use interest rate swaps to hedge against changes in fair value for certain mortgages held for sale. The entire derivative gain or loss is included in the assessment of hedge effectiveness for all fair value hedge relationships, except for those involving foreign-currency denominated available-for-sale securities and long-term debt hedged with foreign currency forward derivatives for which the time value component of the derivative gain or loss related to the changes in the difference between the spot and forward price is excluded from the assessment of hedge effectiveness.

We use statistical regression analysis to assess hedge effectiveness, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic change in fair value of the hedging instrument against the periodic changes in fair value of the asset or liability being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

The following table shows the net gains (losses) recognized in the income statement related to derivatives in fair value hedging relationships.

		Interest rate contracts hedging:			Foreign exchange contracts hedging:		Total net gains (losses) on fair value hedges
(in millions)		Available-for-sale securities	Mortgages held for sale	Long-term debt	Available-for-sale securities	Long-term debt	
Year ended December 31, 2013							
Net interest income (expense) recognized on derivatives	**$**	**(584)**	**(11)**	**1,632**	**(8)**	**280**	**1,309**
Gains (losses) recorded in noninterest income							
Recognized on derivatives		**1,889**	**47**	**(3,767)**	**(49)**	**(847)**	**(2,727)**
Recognized on hedged item		**(1,874)**	**(57)**	**3,521**	**49**	**722**	**2,361**
Net recognized on fair value hedges (ineffective portion) (1)	**$**	**15**	**(10)**	**(246)**	**-**	**(125)**	**(366)**
Year ended December 31, 2012							
Net interest income (expense) recognized on derivatives	$	(457)	(4)	1,685	(5)	248	1,467
Gains (losses) recorded in noninterest income							
Recognized on derivatives		(22)	(15)	(179)	39	567	390
Recognized on hedged item		17	6	233	(3)	(610)	(357)
Net recognized on fair value hedges (ineffective portion) (1)	$	(5)	(9)	54	36	(43)	33
Year ended December 31, 2011							
Net interest income (expense) recognized on derivatives	$	(451)	-	1,659	(11)	376	1,573
Gains (losses) recorded in noninterest income							
Recognized on derivatives		(1,298)	(21)	2,796	168	512	2,157
Recognized on hedged item		1,232	17	(2,616)	(186)	(445)	(1,998)
Net recognized on fair value hedges (ineffective portion) (1)	$	(66)	(4)	180	(18)	67	159

(1) Included $(5) million, $(9) million and $53 million, respectively, for years ended December 31, 2013, 2012, and 2011 of the time value component recognized as net interest income (expense) on forward derivatives hedging foreign currency available-for-sale securities and long-term debt that were excluded from the assessment of hedge effectiveness.

Cash Flow Hedges

We hedge floating-rate debt against future interest rate increases by using interest rate swaps, caps, floors and futures to limit variability of cash flows due to changes in the benchmark interest rate. We also use interest rate swaps and floors to hedge the variability in interest payments received on certain floating-rate commercial loans, due to changes in the benchmark interest rate. Gains and losses on derivatives that are reclassified from OCI to interest income, interest expense, noninterest income and noninterest expense in the current period are included in the line item in which the hedged item's effect on earnings is recorded. All parts of gain or loss on these derivatives are included in the assessment of hedge effectiveness. We assess hedge effectiveness using regression analysis, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic changes in cash flows of the hedging instrument against the periodic changes in cash flows of the forecasted transaction being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

Based upon current interest rates, we estimate that $212 million (pre tax) of deferred net gains on derivatives in OCI at December 31, 2013, will be reclassified into net interest income during the next twelve months. Future changes to interest rates may significantly change actual amounts reclassified to earnings. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of 7 years for both hedges of floating-rate debt and floating-rate commercial loans.

The following table shows the net gains (losses) recognized related to derivatives in cash flow hedging relationships.

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Gains (losses) (pre tax) recognized in OCI on derivatives	**$ (32)**	52	190
Gains (pre tax) reclassified from cumulative OCI into net income (1)	**296**	388	571
Gains (losses) (pre tax) recognized in noninterest income for hedge ineffectiveness (2)	**1**	(1)	(5)

(1) See Note 23 for detail on components of net income.
(2) None of the change in value of the derivatives was excluded from the assessment of hedge effectiveness.

Free-Standing Derivatives

We use free-standing derivatives (economic hedges) to hedge the risk of changes in the fair value of certain residential MHFS, certain loans held for investment, residential MSRs measured at fair value, derivative loan commitments and other interests held. The resulting gain or loss on these economic hedges is reflected in mortgage banking noninterest income, net gains (losses) from equity investments and other noninterest income.

The derivatives used to hedge MSRs measured at fair value, which include swaps, swaptions, constant maturity mortgages, forwards, Eurodollar and Treasury futures and options contracts, resulted in net derivative losses of $2.9 billion in 2013 and net derivative gains of $3.6 billion and $5.2 billion in 2012 and 2011, respectively which are included in mortgage banking noninterest income. The aggregate fair value of these derivatives was a net liability of $531 million at December 31, 2013 and a net asset of $87 million at December 31, 2012. The change in fair value of these derivatives for each period end is due to changes in the underlying market indices and interest rates as well as the purchase and sale of derivative financial instruments throughout the period as part of our dynamic MSR risk management process.

Interest rate lock commitments for residential mortgage loans that we intend to sell are considered free-standing derivatives. Our interest rate exposure on these derivative loan commitments, as well as substantially all residential MHFS, is hedged with free-standing derivatives (economic hedges) such as swaps, forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts. The commitments, free-standing derivatives and residential MHFS are carried at fair value with changes in fair value included in mortgage banking noninterest income. For the fair value measurement of interest rate lock commitments we include, at inception and during the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan. Fair value changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment (referred to as a fall-out factor). The value of the underlying loan is affected primarily by changes in interest rates and the passage of time. However, changes in investor demand can also cause changes in the value of the underlying loan value that cannot be hedged. The aggregate fair value of derivative loan commitments on the balance sheet was a net liability of $26 million and a net asset of $497 million at December 31, 2013 and December 31, 2012, respectively, and is included in the caption "Interest rate contracts" under "Customer accommodation, trading and other free-standing derivatives" in the first table in this Note.

We also enter into various derivatives primarily to provide derivative products to customers. To a lesser extent, we take positions based on market expectations or to benefit from price differentials between financial instruments and markets. These derivatives are not linked to specific assets and liabilities on the balance sheet or to forecasted transactions in an accounting hedge relationship and, therefore, do not qualify for hedge accounting. We also enter into free-standing derivatives for risk management that do not otherwise qualify for hedge accounting. They are carried at fair value with changes in fair value recorded as other noninterest income.

Free-standing derivatives also include embedded derivatives that are required to be accounted for separately from their host contract. We periodically issue hybrid long-term notes and CDs where the performance of the hybrid instrument notes is linked to an equity, commodity or currency index, or basket of such indices. These notes contain explicit terms that affect some or all of the cash flows or the value of the note in a manner similar to a derivative instrument and therefore are considered to contain an "embedded" derivative instrument. The indices on which the performance of the hybrid instrument is calculated are not clearly and closely related to the host debt instrument. The "embedded" derivative is separated from the host contract and accounted for as a free-standing derivative. Additionally, we may invest in hybrid instruments that contain embedded derivatives, such as credit derivatives, that are not clearly and closely related to the host contract. In such instances, we either elect fair value option for the hybrid instrument or separate the embedded derivative from the host contract and account for the host contract and derivative separately.

The following table shows the net gains recognized in the income statement related to derivatives not designated as hedging instruments.

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Net gains (losses) recognized on free-standing derivatives (economic hedges):			
Interest rate contracts			
Recognized in noninterest income:			
Mortgage banking (1)	**$ 1,412**	(1,882)	246
Other (2)	**119**	2	(157)
Equity contracts (3)	**(317)**	4	(5)
Foreign exchange contracts (2)	**24**	(53)	70
Credit contracts (2)	**(6)**	(15)	(18)
Subtotal	**1,232**	(1,944)	136
Net gains (losses) recognized on customer accommodation, trading and other free-standing derivatives:			
Interest rate contracts			
Recognized in noninterest income:			
Mortgage banking (4)	**(561)**	7,222	3,594
Other (5)	**743**	589	298
Commodity contracts (5)	**324**	(14)	124
Equity contracts (5)	**(622)**	(234)	769
Foreign exchange contracts (5)	**746**	501	698
Credit contracts (5)	**(53)**	(54)	(200)
Other (5)	**-**	-	(5)
Subtotal	**577**	8,010	5,278
Net gains recognized related to derivatives not designated as hedging instruments	**$ 1,809**	6,066	5,414

(1) Predominantly mortgage banking noninterest income including gains (losses) on the derivatives used as economic hedges of MSRs measured at fair value, interest rate lock commitments and mortgages held for sale.
(2) Predominantly included in other noninterest income.
(3) Predominantly included in net gains (losses) from equ ty investments.
(4) Predominantly mortgage banking noninterest income including gains (losses) on interest rate lock comm tments.
(5) Predominantly included in net gains from trading activ ties in noninterest income.

Credit Derivatives

We use credit derivatives primarily to assist customers with their risk management objectives. We may also use credit derivatives in structured product transactions or liquidity agreements written to special purpose vehicles. The maximum exposure of sold credit derivatives is managed through posted collateral, purchased credit derivatives and similar products in order to achieve our desired credit risk profile. This credit risk management provides an ability to recover a significant portion of any amounts that would be paid under the sold credit derivatives. We would be required to perform under the noted credit derivatives in the event of default by the referenced obligors. Events of default include events such as bankruptcy, capital restructuring or lack of principal and/or interest payment. In certain cases, other triggers may exist, such as the credit downgrade of the referenced obligors or the inability of the special purpose vehicle for which we have provided liquidity to obtain funding.

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

			Notional amount				
(in millions)	Fair value liability	Protection sold (A)	Protection sold - non-investment grade	Protection purchased with identical underlyings (B)	Net protection sold (A) - (B)	Other protection purchased	Range of maturities
December 31, 2013							
Credit default swaps on:							
Corporate bonds	**$ 48**	**10,947**	**5,237**	**6,493**	**4,454**	**5,557**	**2014-2021**
Structured products	**1,091**	**1,553**	**1,245**	**894**	**659**	**389**	**2016-2052**
Credit protection on:							
Default swap index	**-**	**3,270**	**388**	**2,471**	**799**	**898**	**2014-2018**
Commercial mortgage-backed securities index	**344**	**1,106**	**1,106**	**535**	**571**	**535**	**2049-2052**
Asset-backed securities index	**48**	**55**	**55**	**1**	**54**	**87**	**2045-2046**
Other	**1**	**2,570**	**2,570**	**3**	**2,567**	**5,451**	**2014-2025**
Total credit derivatives	**$ 1,532**	**19,501**	**10,601**	**10,397**	**9,104**	**12,917**	
December 31, 2012							
Credit default swaps on:							
Corporate bonds	$ 240	15,845	8,448	9,636	6,209	7,701	2013-2021
Structured products	1,787	2,433	2,039	948	1,485	393	2016-2056
Credit protection on:							
Default swap index	4	3,520	348	3,444	76	616	2013-2017
Commercial mortgage-backed securities index	531	1,249	861	790	459	524	2049-2052
Asset-backed securities index	57	64	64	6	58	92	2037-2046
Other	4	3,344	3,344	106	3,238	4,655	2013-2056
Total credit derivatives	$ 2,623	26,455	15,104	14,930	11,525	13,981	

Protection sold represents the estimated maximum exposure to loss that would be incurred under an assumed hypothetical circumstance, where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. We believe this hypothetical circumstance to be an extremely remote possibility and accordingly, this required disclosure is not an indication of expected loss. The amounts under non-investment grade represent the notional amounts of those credit derivatives on which we have a higher risk of being required to perform under the terms of the credit derivative and are a function of the underlying assets.

We consider the risk of performance to be high if the underlying assets under the credit derivative have an external rating that is below investment grade or an internal credit default grade that is equivalent thereto. We believe the net protection sold, which is representative of the net notional amount of protection sold and purchased with identical underlyings, in combination with other protection purchased, is more representative of our exposure to loss than either non-investment grade or protection sold. Other protection purchased represents additional protection, which may offset the exposure to loss for protection sold, that was not purchased with an identical underlying of the protection sold.

Credit-Risk Contingent Features

Certain of our derivative contracts contain provisions whereby if the credit rating of our debt were to be downgraded by certain major credit rating agencies, the counterparty could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a net liability position was $14.3 billion at December 31, 2013, and $16.2 billion at December 31, 2012, respectively, for which we posted $12.2 billion and $14.3 billion, respectively, in collateral in the normal course of business. If the credit rating of our debt had been downgraded below investment grade, which is the credit-risk-related contingent feature that if triggered requires the maximum amount of collateral to be posted, on December 31, 2013, or December 31, 2012, we would have been required to post additional collateral of $2.5 billion or $1.9 billion, respectively, or potentially settle the contract in an amount equal to its fair value.

Counterparty Credit Risk

By using derivatives, we are exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to legally enforceable master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent the master netting arrangements and other criteria meet the applicable requirements, including determining the legal enforceability of the arrangement, it is our policy to present derivative balances and related cash collateral amounts net on the balance sheet. We incorporate credit valuation adjustments (CVA) to reflect counterparty credit risk in determining the fair value of our derivatives. Such adjustments, which consider the effects of enforceable master netting agreements and collateral arrangements, reflect market-based views of the credit quality of each counterparty. Our CVA calculation is determined based on observed credit spreads in the credit default swap market and indices indicative of the credit quality of the counterparties to our derivatives.

Note 17: Fair Values of Assets and Liabilities

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Assets and liabilities recorded at fair value on a recurring basis are presented in the recurring table in this Note. From time to time, we may be required to record at fair value other assets on a nonrecurring basis, such as certain residential and commercial MHFS, certain LHFS, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets.

Following are discussion of the fair value hierarchy and the valuation methodologies used for assets and liabilities recorded at fair value on a recurring or nonrecurring basis and for estimating fair value for financial instruments not recorded at fair value.

Fair Value Hierarchy

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

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

In the determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy, we consider all available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. Based upon the specific facts and circumstances of each instrument or instrument category, we make judgments regarding the significance of the Level 3 inputs to the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

Assets

SHORT-TERM FINANCIAL ASSETS Short-term financial assets include cash and due from banks, federal funds sold and securities purchased under resale agreements and due from customers on acceptances. These assets are carried at historical cost. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

TRADING ASSETS (EXCLUDING DERIVATIVES) AND INVESTMENT SECURITIES Trading assets and available-for-sale securities are recorded at fair value on a recurring basis. Other investment securities classified as held-to-maturity are subject to impairment and fair value measurement in the event fair value declines below amortized cost and we do not expect to recover the entire amortized cost basis of the debt security. Fair value measurement is based upon various sources of market pricing. We use quoted prices in active markets, where available, and classify such instruments within Level 1 of the fair value hierarchy. Examples include exchange-traded equity securities and some highly liquid government securities, such as U.S. Treasuries. When instruments are traded in secondary markets and quoted market prices do not exist for such securities, we generally rely on internal valuation techniques or on prices obtained from third-party pricing services or brokers (collectively, vendors) or combination thereof, and accordingly, we classify these instruments as Level 2 or 3.

Trading securities are mostly valued using internal trader prices that are subject to price verification procedures performed by separate internal personnel. The majority of fair values derived using internal valuation techniques are verified against multiple pricing sources, including prices obtained from third-party vendors. Vendors compile prices from various sources and often apply matrix pricing for similar securities when no price is observable. We review pricing methodologies provided by the vendors in order to determine if observable market information is being used versus unobservable inputs. When evaluating the appropriateness of an internal trader price compared with vendor prices, considerations include the range and quality of vendor prices. Vendor prices are used to ensure the reasonableness of a trader price; however valuing financial instruments involves judgments acquired from knowledge of a particular market. If a trader asserts that a vendor price is not reflective of market value, justification for using the trader price, including recent sales activity where possible, must be provided to and approved by the appropriate levels of management.

Similarly, while investment securities traded in secondary markets are typically valued using unadjusted vendor prices or vendor prices adjusted by weighting them with internal discounted cash flow techniques, these prices are reviewed and, if deemed inappropriate by a trader who has the most knowledge of a particular market, can be adjusted. Securities measured with these internal valuation techniques are generally classified as Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models, discounted cash flow analyses using significant inputs observable in the market where available or a combination of multiple valuation techniques. Examples include certain residential and commercial MBS, municipal bonds, U.S. government and agency MBS, and corporate debt securities.

Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or a combination of multiple valuation

techniques, such as weighting of internal models and vendor or broker pricing, where the unobservable inputs are significant to the overall fair value measurement. Securities classified as Level 3 include certain residential and commercial MBS, other asset-backed securities, CDOs and certain CLOs, and certain residual and retained interests in residential mortgage loan securitizations. We value CDOs using the prices of similar instruments, the pricing of completed or pending third party transactions or the pricing of the underlying collateral within the CDO. Where vendor or broker prices are not readily available, we use management's best estimate.

MORTGAGES HELD FOR SALE (MHFS) We carry substantially all of our residential MHFS portfolio at fair value. Fair value is based on quoted market prices, where available, or the prices for other mortgage whole loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions and liquidity. Most of our MHFS are classified as Level 2. For the portion where market pricing data is not available, we use a discounted cash flow model to estimate fair value and, accordingly, classify as Level 3.

LOANS HELD FOR SALE (LHFS) LHFS are carried at the lower of cost or market value, or at fair value. The fair value of LHFS is based on what secondary markets are currently offering for loans with similar characteristics. As such, we classify those loans subjected to nonrecurring fair value adjustments as Level 2.

LOANS For information on how we report the carrying value of loans, including PCI loans, see Note 1. Although most loans are not recorded at fair value on a recurring basis, reverse mortgages are recorded at fair value on a recurring basis. In addition, we record nonrecurring fair value adjustments to loans to reflect partial write-downs that are based on the observable market price of the loan or current appraised value of the collateral.

We provide fair value estimates in this disclosure for loans that are not recorded at fair value on a recurring or nonrecurring basis. Those estimates differentiate loans based on their financial characteristics, such as product classification, loan category, pricing features and remaining maturity. Prepayment and credit loss estimates are evaluated by product and loan rate.

The fair value of commercial loans is calculated by discounting contractual cash flows, adjusted for credit loss estimates, using discount rates that are appropriate for loans with similar characteristics and remaining maturity.
For real estate 1-4 family first and junior lien mortgages, we calculate fair value by discounting contractual cash flows, adjusted for prepayment and credit loss estimates, using discount rates based on current industry pricing (where readily available) or our own estimate of an appropriate discount rate for loans of similar size, type, remaining maturity and repricing characteristics.

The carrying value of credit card loans, which is adjusted for estimates of credit losses inherent in the portfolio at the balance sheet date, is reported as a reasonable estimate of fair value. For all other consumer loans, the fair value is generally calculated by discounting the contractual cash flows, adjusted for prepayment and credit loss estimates, based on the current rates we offer for loans with similar characteristics.

Loan commitments, standby letters of credit and commercial and similar letters of credit generate ongoing fees at our current pricing levels, which are recognized over the term of the commitment period. In situations where the credit quality of the counterparty to a commitment has declined, we record an allowance. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related allowance. Certain letters of credit that are hedged with derivative instruments are carried at fair value in trading assets or liabilities. For those letters of credit, fair value is calculated based on readily quotable credit default spreads using a market risk credit default swap model.

DERIVATIVES Quoted market prices are available and used for our exchange-traded derivatives, such as certain interest rate futures and option contracts, which we classify as Level 1. However, substantially all of our derivatives are traded in over-the-counter (OTC) markets where quoted market prices are not always readily available. Therefore we value most OTC derivatives using internal valuation techniques. Valuation techniques and inputs to internally-developed models depend on the type of derivative and nature of the underlying rate, price or index upon which the derivative's value is based. Key inputs can include yield curves, credit curves, foreign-exchange rates, prepayment rates, volatility measurements and correlation of such inputs. Where model inputs can be observed in a liquid market and the model does not require significant judgment, such derivatives are typically classified as Level 2 of the fair value hierarchy. Examples of derivatives classified as Level 2 include generic interest rate swaps, foreign currency swaps, commodity swaps, and certain option and forward contracts. When instruments are traded in less liquid markets and significant inputs are unobservable, such derivatives are classified as Level 3. Examples of derivatives classified as Level 3 include complex and highly structured derivatives, certain credit default swaps, interest rate lock commitments written for our residential mortgage loans that we intend to sell and long dated equity options where volatility is not observable. Additionally, significant judgments are required when classifying financial instruments within the fair value hierarchy, particularly between Level 2 and 3, as is the case for certain derivatives.

MORTGAGE SERVICING RIGHTS (MSRs) AND CERTAIN OTHER INTERESTS HELD IN SECURITIZATIONS MSRs and certain other interests held in securitizations (e.g., interest-only strips) do not trade in an active market with readily observable prices. Accordingly, we determine the fair value of MSRs using a valuation model that calculates the present value of estimated future net servicing income cash flows. The model incorporates assumptions that market participants use in estimating future net servicing income cash flows, including estimates of prepayment speeds (including housing price volatility), discount rates, default rates, cost to service (including delinquency and foreclosure costs), escrow account earnings, contractual servicing fee income, ancillary income and late fees. Commercial MSRs are carried at lower of cost or market value, and therefore

can be subject to fair value measurements on a nonrecurring basis. Changes in the fair value of MSRs occur primarily due to the collection/realization of expected cash flows, as well as changes in valuation inputs and assumptions. For other interests held in securitizations (such as interest-only strips), we use a valuation model that calculates the present value of estimated future cash flows. The model incorporates our own estimates of assumptions market participants use in determining the fair value, including estimates of prepayment speeds, discount rates, defaults and contractual fee income. Interest-only strips are recorded as trading assets. Our valuation approach is validated by our internal valuation model validation group. Fair value measurements of our MSRs and interest-only strips use significant unobservable inputs and, accordingly, we classify them as Level 3.

FORECLOSED ASSETS Foreclosed assets are carried at net realizable value, which represents fair value less costs to sell. Fair value is generally based upon independent market prices or appraised values of the collateral and, accordingly, we classify foreclosed assets as Level 2.

NONMARKETABLE EQUITY INVESTMENTS We have elected the fair value option for certain nonmarketable equity investments. The remaining nonmarketable equity investments are generally recorded under the cost or equity method of accounting. There are generally restrictions on the sale and/or liquidation of these investments, including federal bank stock. Federal bank stock carrying value approximates fair value. We use facts and circumstances available to estimate the fair value of our nonmarketable equity investments. We typically consider our access to and need for capital (including recent or projected financing activity), qualitative assessments of the viability of the investee, evaluation of the financial statements of the investee and prospects for its future. Public equity investments are valued using quoted market prices and discounts are only applied when there are trading restrictions that are an attribute of the investment. We estimate the fair value of investments in non-public securities using metrics such as security prices of comparable public companies, acquisition prices for similar companies and original investment purchase price multiples, while also incorporating a portfolio company's financial performance and specific factors. For investments in private equity funds, we use the NAV provided by the fund sponsor as an appropriate measure of fair value. In some cases, such NAVs require adjustments based on certain unobservable inputs.

Liabilities

DEPOSIT LIABILITIES Deposit liabilities are carried at historical cost. The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, interest-bearing checking, and market rate and other savings, is equal to the amount payable on demand at the measurement date. The fair value of other time deposits is calculated based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for like wholesale deposits with similar remaining maturities.

SHORT-TERM FINANCIAL LIABILITIES Short-term financial liabilities are carried at historical cost and include federal funds purchased and securities sold under repurchase agreements, commercial paper and other short-term borrowings. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

OTHER LIABILITIES Other liabilities recorded at fair value on a recurring basis, excluding derivative liabilities (see the "Derivatives" section for derivative liabilities), includes primarily short sale liabilities. Short sale liabilities are predominantly classified as either Level 1 or Level 2, generally dependent upon whether the underlying securities have readily obtainable quoted prices in active exchange markets.

LONG-TERM DEBT Long-term debt is generally carried at amortized cost. For disclosure, we are required to estimate the fair value of long-term debt. Generally, the discounted cash flow method is used to estimate the fair value of our long-term debt. Contractual cash flows are discounted using rates currently offered for new notes with similar remaining maturities and, as such, these discount rates include our current spread levels.

Level 3 Asset and Liability Valuation Processes

We generally determine fair value of our Level 3 assets and liabilities by using internally developed models and, to a lesser extent, prices obtained from third-party pricing services or brokers (collectively, vendors). Our valuation processes vary depending on which approach is utilized.

INTERNAL MODEL VALUATIONS Our internally developed models primarily consist of discounted cash flow techniques. Use of such techniques requires determining relevant inputs, some of which are unobservable. Unobservable inputs are generally derived from historic performance of similar assets or determined from previous market trades in similar instruments. These unobservable inputs usually consist of discount rates, default rates, loss severity upon default, volatilities, correlations and prepayment rates, which are inherent within our Level 3 instruments. Such inputs can be correlated to similar portfolios with known historic experience or recent trades where particular unobservable inputs may be implied; but due to the nature of various inputs being reflected within a particular trade, the value of each input is considered unobservable. We attempt to correlate each unobservable input to historic experience and other third party data where available.

Internal valuation models are subject to review prescribed within our model risk management policies and procedures, which include model validation. The purpose of model validation includes ensuring the model is appropriate for its intended use and the appropriate controls exist to help mitigate risk of invalid valuations. Model validation assesses the adequacy and appropriateness of the model, including reviewing its key components, such as inputs, processing components, logic or theory, output results and supporting model documentation. Validation also includes ensuring significant unobservable model inputs are appropriate given observable market

transactions or other market data within the same or similar asset classes. This ensures modeled approaches are appropriate given similar product valuation techniques and are in line with their intended purpose.

We have ongoing monitoring procedures in place for our Level 3 assets and liabilities that use such internal valuation models. These procedures, which are designed to provide reasonable assurance that models continue to perform as expected after approved, include:

- ongoing analysis and benchmarking to market transactions and other independent market data (including pricing vendors, if available);
- back-testing of modeled fair values to actual realized transactions; and
- review of modeled valuation results against expectations, including review of significant or unusual value fluctuations.

We update model inputs and methodologies periodically to reflect these monitoring procedures. Additionally, procedures and controls are in place to ensure existing models are subject to periodic reviews, and we perform full model revalidations as necessary.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are subject to additional oversight by a corporate-level risk management department. Corporate oversight responsibilities include evaluating adequacy of business unit risk management programs, maintaining company-wide model validation policies and standards and reporting the results of these activities to management and our Corporate Model Risk Committee (CMoR). The CMoR consists of senior executive management and reports on top model risk issues to the Company's Risk Committee of the Board.

VENDOR-DEVELOPED VALUATIONS In certain limited circumstances we obtain pricing from third party vendors for the value of our Level 3 assets or liabilities. We have processes in place to approve such vendors to ensure information obtained and valuation techniques used are appropriate. Once these vendors are approved to provide pricing information, we monitor and review the results to ensure the fair values are reasonable and in line with market experience in similar asset classes. While the input amounts used by the pricing vendor in determining fair value are not provided, and therefore unavailable for our review, we do perform one or more of the following procedures to validate the prices received:

- comparison to other pricing vendors (if available);
- variance analysis of prices;
- corroboration of pricing by reference to other independent market data, such as market transactions and relevant benchmark indices;
- review of pricing by Company personnel familiar with market liquidity and other market-related conditions; and
- investigation of prices on a specific instrument-by-instrument basis.

Fair Value Measurements from Brokers or Third Party Pricing Services

For certain assets and liabilities, we obtain fair value measurements from brokers or third party pricing services and record the unadjusted fair value in our financial statements. The detail by level is shown in the table below. Fair value measurements obtained from brokers or third party pricing services that we have adjusted to determine the fair value recorded in our financial statements are not included in the following table.

(in millions)		Brokers			Third party pricing services		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
December 31, 2013							
Trading assets (excluding derivatives)	**$**	**-**	**122**	**1**	**1,804**	**652**	**3**
Available-for-sale securities:							
Securities of U.S. Treasury and federal agencies		**-**	**-**	**-**	**557**	**5,723**	**-**
Securities of U.S. states and political subdivisions		**-**	**-**	**-**	**-**	**39,257**	**63**
Mortgage-backed securities		**-**	**621**	**-**	**-**	**148,074**	**180**
Other debt securities (1)		**-**	**1,537**	**722**	**-**	**44,681**	**746**
Total debt securities		**-**	**2,158**	**722**	**557**	**237,735**	**989**
Total marketable equity securities		**-**	**-**	**-**	**-**	**630**	**-**
Total available-for-sale securities		**-**	**2,158**	**722**	**557**	**238,365**	**989**
Derivatives (trading and other assets)		**-**	**5**	**-**	**-**	**417**	**3**
Derivatives (liabilities)		**-**	**(12)**	**-**	**-**	**(418)**	**-**
Other liabilities		**-**	**(115)**	**-**	**-**	**(36)**	**-**
December 31, 2012							
Trading assets (excluding derivatives)	$	-	406	8	1,314	1,016	-
Available-for-sale securities:							
Securities of U.S. Treasury and federal agencies		-	-	-	915	6,231	-
Securities of U.S. states and political subdivisions		-	-	-	-	35,036	-
Mortgage-backed securities		-	138	4	-	121,703	292
Other debt securities (1)		-	1,516	12,465	-	28,314	149
Total debt securities		-	1,654	12,469	915	191,284	441
Total marketable equity securities		-	3	-	29	774	-
Total available-for-sale securities		-	1,657	12,469	944	192,058	441
Derivatives (trading and other assets)		-	8	-	-	602	-
Derivatives (liabilities)		-	(26)	-	-	(634)	-
Other liabilities		-	(121)	-	-	(104)	-

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

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following two tables present the balances of assets and liabilities recorded at fair value on a recurring basis.

(in millions)	Level 1	Level 2	Level 3	Netting	Total
December 31, 2013					
Trading assets (excluding derivatives)					
Securities of U.S. Treasury and federal agencies	$ 8,301	3,669	-	-	11,970
Securities of U.S. states and political subdivisions	-	2,043	39	-	2,082
Collateralized loan and other debt obligations (1)	-	212	541	-	753
Corporate debt securities	-	7,052	53	-	7,105
Mortgage-backed securities	-	14,608	1	-	14,609
Asset-backed securities	-	487	122	-	609
Equity securities	5,908	87	13	-	6,008
Total trading securities(2)	14,209	28,158	769	-	43,136
Other trading assets	2,694	2,487	54	-	5,235
Total trading assets (excluding derivatives)	16,903	30,645	823	-	48,371
Securities of U.S. Treasury and federal agencies	557	5,723	-	-	6,280
Securities of U.S. states and political subdivisions	-	39,322	3,214 (3)	-	42,536
Mortgage-backed securities:					
Federal agencies	-	117,591	-	-	117,591
Residential	-	12,389	64	-	12,453
Commercial	-	18,609	138	-	18,747
Total mortgage-backed securities	-	148,589	202	-	148,791
Corporate debt securities	113	20,833	281	-	21,227
Collateralized loan and other debt obligations(4)	-	18,739	1,420 (3)	-	20,159
Asset-backed securities:					
Auto loans and leases	-	21	492 (3)	-	513
Home equity loans	-	843	-	-	843
Other asset-backed securities	-	6,577	1,657 (3)	-	8,234
Total asset-backed securities	-	7,441	2,149	-	9,590
Other debt securities	-	39	-	-	39
Total debt securities	670	240,686	7,266	-	248,622
Marketable equity securities:					
Perpetual preferred securities (5)	508	628	729 (3)	-	1,865
Other marketable equity securities	1,511	9	-	-	1,520
Total marketable equity securities	2,019	637	729	-	3,385
Total available-for-sale securities	2,689	241,323	7,995	-	252,007
Mortgages held for sale	-	11,505	2,374	-	13,879
Loans held for sale	-	1	-	-	1
Loans	-	272	5,723	-	5,995
Mortgage servicing rights (residential)	-	-	15,580	-	15,580
Derivative assets:					
Interest rate contracts	36	55,466	344	-	55,846
Commodity contracts	-	2,667	6	-	2,673
Equity contracts	1,522	4,221	2,081	-	7,824
Foreign exchange contracts	44	4,789	10	-	4,843
Credit contracts	-	782	719	-	1,501
Other derivative contracts	-	-	13	-	13
Netting	-	-	-	(56,894) (6)	(56,894)
Total derivative assets (7)	1,602	67,925	3,173	(56,894)	15,806
Other assets	-	-	1,503	-	1,503
Total assets recorded at fair value	$ 21,194	351,671	37,171	(56,894)	353,142
Derivative liabilities:					
Interest rate contracts	$ (26)	(56,128)	(384)	-	(56,538)
Commodity contracts	-	(2,587)	(16)	-	(2,603)
Equity contracts	(449)	(5,218)	(2,127)	-	(7,794)
Foreign exchange contracts	(75)	(4,432)	(1)	-	(4,508)
Credit contracts	-	(806)	(1,094)	-	(1,900)
Other derivative contracts	-	-	(16)	-	(16)
Netting	-	-	-	63,739 (6)	63,739
Total derivative liabilities (7)	(550)	(69,171)	(3,638)	63,739	(9,620)
Short sale liabilities:					
Securities of U.S. Treasury and federal agencies	(4,311)	(2,063)	-	-	(6,374)
Securities of U.S. states and political subdivisions	-	(24)	-	-	(24)
Corporate debt securities	-	(4,683)	-	-	(4,683)
Equity securities	(1,788)	(48)	-	-	(1,836)
Other securities	-	(95)	-	-	(95)
Total short sale liabilities	(6,099)	(6,913)	-	-	(13,012)
Other liabilities (excluding derivatives)	-	-	(39)	-	(39)
Total liabilities recorded at fair value	$ (6,649)	(76,084)	(3,677)	63,739	(22,671)

(1) Includes collateralized debt obligations of $2 million.

(2) Net gains from trading activ ties recognized in the income statement for the year ended December 31, 2013 include $(29) million in net unrealized losses on trading securities held at December 31, 2013.

(3) Balances consist of securities that are mostly investment grade based on ratings received from the ratings agencies or internal cred t grades categorized as investment grade if external ratings are not available. The secur ties are classified as Level 3 due to lim ted market activ ty.

(4) Includes collateralized debt obligations of $693 million.

(5) Perpetual preferred securities include ARS and corporate preferred securities. See Note 8 for additional informat on.

(6) Represents balance sheet netting of derivative asset and liability balances and related cash collateral. See Note 16 for addit onal information.

(7) Derivative assets and derivative liabil ties include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

(continued on following page)

(continued from previous page)

(in millions)		Level 1	Level 2	Level 3	Netting	Total
December 31, 2012						
Trading assets (excluding derivatives)						
Secur ties of U.S. Treasury and federal agencies	$	5,104	3,774	-	-	8,878
Secur ties of U.S. states and pol t cal subdivisions		-	1,587	46	-	1,633
Collateralized loan and other debt obligat ons (1)		-	-	742	-	742
Corporate debt securities		-	6,664	52	-	6,716
Mortgage-backed securities		-	13,380	6	-	13,386
Asset-backed secur ties		-	722	138	-	860
Equity securities		3,481	356	3	-	3,840
Total trading securities(2)		8,585	26,483	987	-	36,055
Other trading assets		2,150	887	76	-	3,113
Total trading assets (excluding derivatives)		10,735	27,370	1,063	-	39,168
Secur ties of U.S. Treasury and federal agencies		915	6,231	-	-	7,146
Secur ties of U.S. states and pol tical subdivis ons		-	35,045	3,631 (3)	-	38,676
Mortgage-backed securities:						
Federal agencies		-	97,285	-	-	97,285
Res dential		-	15,837	94	-	15,931
Commercial		-	19,765	203	-	19,968
Total mortgage-backed secur ties		-	132,887	297	-	133,184
Corporate debt securities		125	20,934	274	-	21,333
Collateralized loan and other debt obligat ons (4)		-	-	13,188 (3)	-	13,188
Asset-backed secur ties:						
Auto loans and leases		-	7	5,921 (3)	-	5,928
Home equity loans		-	867	51	-	918
Other asset-backed securities		-	7,828	3,283 (3)	-	11,111
Total asset-backed securities		-	8,702	9,255	-	17,957
Other debt securities		-	930	-	-	930
Total debt securities		1,040	204,729	26,645	-	232,414
Marketable equity secur ties:						
Perpetual preferred secur ties (5)		629	753	794 (3)	-	2,176
Other marketable equity securities		554	55	-	-	609
Total marketable equity securities		1,183	808	794	-	2,785
Total available-for-sale securities		2,223	205,537	27,439	-	235,199
Mortgages held for sale		-	39,055	3,250	-	42,305
Loans held for sale		-	6	-	-	6
Loans		-	185	6,021	-	6,206
Mortgage servicing rights (res dential)		-	-	11,538	-	11,538
Derivative assets:						
Interest rate contracts		16	70,277	1,058	-	71,351
Commod ty contracts		-	3,386	70	-	3,456
Equity contracts		432	2,747	604	-	3,783
Foreign exchange contracts		19	5,481	24	-	5,524
Cred t contracts		-	1,160	650	-	1,810
Other derivative contracts		-	-	-	-	-
Netting		-	-	-	(62,108) (6)	(62,108)
Total derivative assets (7)		467	83,051	2,406	(62,108)	23,816
Other assets		136	123	162	-	421
Total assets recorded at fair value	$	13,561	355,327	51,879	(62,108)	358,659
Derivative liabilities:						
Interest rate contracts	$	(52)	(68,244)	(399)	-	(68,695)
Commod ty contracts		-	(3,541)	(49)	-	(3,590)
Equity contracts		(199)	(3,239)	(726)	-	(4,164)
Foreign exchange contracts		(23)	(3,553)	(3)	-	(3,579)
Cred t contracts		-	(1,152)	(1,800)	-	(2,952)
Other derivative contracts		-	-	(78)	-	(78)
Netting		-	-	-	71,116 (6)	71,116
Total derivative liabil ties (7)		(274)	(79,729)	(3,055)	71,116	(11,942)
Short sale liabilities:						
Secur ties of U.S. Treasury and federal agencies		(4,225)	(875)	-	-	(5,100)
Secur ties of U.S. states and pol tical subdivis ons		-	(9)	-	-	(9)
Corporate debt securities		-	(3,941)	-	-	(3,941)
Equity securities		(1,233)	(35)	-	-	(1,268)
Other secur ties		-	(47)	-	-	(47)
Total short sale liabil ties		(5,458)	(4,907)	-	-	(10,365)
Other liabil ties (excluding derivatives)		-	(34)	(49)	-	(83)
Total liabil ties recorded at fair value	$	(5,732)	(84,670)	(3,104)	71,116	(22,390)

(1) Includes collateralized debt obligations of $21 mill on.

(2) Net gains from trading activ ties recognized in the income statement for the year ended December 31, 2012 include $305 million in net unrealized gains on trading securities held at December 31, 2012.

(3) Balances consist of securities that are predominantly investment grade based on ratings received from the ratings agencies or internal cred t grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to lim ted market activ ty.

(4) Includes collateralized debt obligations of $644 million.

(5) Perpetual preferred securities include ARS and corporate preferred securities. See Note 8 for additional informat on.

(6) Represents balance sheet netting of derivative asset and liability balances and related cash collateral. See Note 16 for addit onal information.

(7) Derivative assets and derivative liabil ties include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

Changes in Fair Value Levels

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy and transfer between Level 1, Level 2, and Level 3 accordingly. Observable market data includes but is not limited to quoted prices and market transactions. Changes in economic conditions or market liquidity generally will drive changes in availability of observable market data. Changes in availability of observable market data, which also may result in changing the valuation technique used, are generally the cause of transfers between Level 1, Level 2, and Level 3.

Transfers into and out of Level 1, Level 2, and Level 3 for the periods presented are provided within the following table. The amounts reported as transfers represent the fair value as of the beginning of the quarter in which the transfer occurred.

	Transfers Between Fair Value Levels						
	Level 1		Level 2		Level 3 (1)		
(in millions)	In	Out	In	Out	In	Out	Total
Year ended December 31, 2013							
Trading assets (excluding derivatives) (2)	**$ -**	**(242)**	**535**	**(56)**	**52**	**(289)**	**-**
Available-for-sale securities (2)(3)	**17**	**-**	**12,830**	**(117)**	**100**	**(12,830)**	**-**
Mortgages held for sale	**-**	**-**	**343**	**(336)**	**336**	**(343)**	**-**
Loans	**-**	**-**	**193**	**-**	**-**	**(193)**	**-**
Net derivative assets and liabilities (4)	**-**	**-**	**(142)**	**13**	**(13)**	**142**	**-**
Short sale liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total transfers	**$ 17**	**(242)**	**13,759**	**(496)**	**475**	**(13,513)**	**-**
Year ended December 31, 2012							
Trading assets (excluding derivatives)	$ 23	-	16	(37)	14	(16)	-
Available-for-sale securities (5)	8	-	9,832	(68)	60	(9,832)	-
Mortgages held for sale	-	-	298	(488)	488	(298)	-
Loans (6)	-	-	41	(5,851)	5,851	(41)	-
Net derivative assets and liabilities	-	-	51	8	(8)	(51)	-
Short sale liabilities	-	-	-	-	-	-	-
Total transfers	$ 31	-	10,238	(6,436)	6,405	(10,238)	-

(1) All transfers in and out of Level 3 are disclosed within the recurring Level 3 rollforward table in this Note.
(2) Consists of $231 mill on of collateralized loan obligations classified as trading assets and $12.5 bill on classified as available-for-sale securities that we transferred from Level 3 to Level 2 in 2013 as a result of increased observable market data in the valuation of such instruments.
(3) Transfers out of available-for-sale secur ties classified as Level 3 exclude $6.0 billion in asset-backed secur ties that were transferred from the available-for-sale portfolio to held-to-maturity securities.
(4) Consists of net derivative liabilities that were transferred from Level 3 to Level 2 due to increased observable market data. Also includes net derivative liabilities that were transferred from Level 2 to Level 3 due to a decrease in observable market data.
(5) Includes $9.4 billion of securities of U.S. states and political subdivis ons that we transferred from Level 3 to Level 2 as a result of increased observable market data in the valuat on of such instruments. This transfer was done in conjunct on w th a change in our valuat on technique from an internal model based upon unobservable inputs to third party vendor pr cing based upon market observable data.
(6) Consists of reverse mortgage loans secur tized with GNMA which were accounted for as secured borrowing transact ons. We transferred the loans from Level 2 to Level 3 in third quarter 2012 due to decreased market activity and visibility to significant trades of the same or similar products. As a result, we changed our valuation technique from an internal model based on market observable data to an internal discounted cash flow model based on unobservable inputs.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2013, are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in: Net income	Total net gains (losses) included in: Other comprehensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end	
Year ended December 31, 2013									
Trading assets (excluding derivatives):									
Securities of U.S. states and political subdivisions	$ 46	3	-	(10)	-	-	39	-	
Collateralized loan and other debt obligations	742	67	-	(37)	-	(231)	541	(33)	
Corporate debt securities	52	9	-	(1)	13	(20)	53	6	
Mortgage-backed securities	6	1	-	9	-	(15)	1	1	
Asset-backed securities	138	16	-	(35)	25	(22)	122	15	
Equity securities	3	-	-	(3)	13	-	13	-	
Total trading securities	987	96	-	(77)	51	(288)	769	(11)	
Other trading assets	76	(22)	-	-	1	(1)	54	(8)	
Total trading assets (excluding derivatives)	1,063	74	-	(77)	52	(289)	823	(19)	(3)
Available-for-sale securities:									
Securities of U.S. states and political subdivisions	3,631	11	(85)	(182)	53	(214)	3,214	-	
Mortgage-backed securities:									
Residential	94	17	(1)	(40)	-	(6)	64	-	
Commercial	203	(13)	28	(58)	-	(22)	138	(8)	
Total mortgage-backed securities	297	4	27	(98)	-	(28)	202	(8)	
Corporate debt securities	274	10	(10)	(13)	23	(3)	281	-	
Collateralized loan and other debt obligations	13,188	8	124	625	-	(12,525)	1,420	-	
Asset-backed securities:									
Auto loans and leases	5,921	(1)	(34)	(1,067)	-	(4,327)	492	-	
Home equity loans	51	3	(1)	(5)	-	(48)	-	-	
Other asset-backed securities	3,283	27	19	31	24	(1,727)	1,657	(7)	
Total asset-backed securities	9,255	29	(16)	(1,041)	24	(6,102)	2,149	(7)	(4)
Total debt securities	26,645	62	40	(709)	100	(18,872)	7,266	(15)	(5)
Marketable equity securities:									
Perpetual preferred securities	794	10	(2)	(73)	-	-	729	-	
Other marketable equity securities	-	-	-	-	-	-	-	-	
Total marketable equity securities	794	10	(2)	(73)	-	-	729	-	(6)
Total available-for-sale securities	27,439	72	38	(782)	100	(18,872)	7,995	(15)	
Mortgages held for sale	3,250	5	-	(874)	336	(343)	2,374	(74)	(7)
Loans	6,021	(211)	-	106	-	(193)	5,723	(178)	(7)
Mortgage servicing rights (residential) (8)	11,538	1,156	-	2,886	-	-	15,580	3,398	(7)
Net derivative assets and liabilities:									
Interest rate contracts	659	(662)	-	(39)	-	2	(40)	(186)	
Commodity contracts	21	-	-	(66)	(1)	36	(10)	(19)	
Equity contracts	(122)	(151)	-	137	(14)	104	(46)	48	
Foreign exchange contracts	21	(15)	-	1	2	-	9	(8)	
Credit contracts	(1,150)	(30)	-	805	-	-	(375)	345	
Other derivative contracts	(78)	75	-	-	-	-	(3)	-	
Total derivative contracts	(649)	(783)	-	838	(13)	142	(465)	180	(9)
Other assets	162	315	-	1,026	-	-	1,503	(2)	(3)
Short sale liabilities	-	-	-	-	-	-	-	-	(3)
Other liabilities (excluding derivatives)	(49)	3	-	7	-	-	(39)	5	(7)

(1) See next page for detail.

(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.

(4) Level 3 transfers out include $6.0 billion in asset-backed securities that were transferred from the available-for-sale portfolio to held-to-maturity secur ties.

(5) Included in net gains (losses) from debt securities in the income statement.

(6) Included in net gains (losses) from equ ty investments in the income statement.

(7) Included in mortgage banking and other noninterest income in the income statement.

(8) For more information on the changes in mortgage servicing rights, see Note 9.

(9) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

(continued on following page)

Note 17: Fair Values of Assets and Liabilities *(continued)*

(continued from previous page)

The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2013.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Year ended December 31, 2013					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 127	(136)	-	(1)	(10)
Collateralized loan and other debt obligations	1,030	(1,064)	-	(3)	(37)
Corporate debt securities	117	(117)	-	(1)	(1)
Mortgage-backed securities	429	(420)	-	-	9
Asset-backed securities	53	(45)	-	(43)	(35)
Equity securities	-	(3)	-	-	(3)
Total trading securities	1,756	(1,785)	-	(48)	(77)
Other trading assets	-	-	-	-	-
Total trading assets (excluding derivatives)	1,756	(1,785)	-	(48)	(77)
Available-for-sale securities:					
Securities of U.S. states and political subdivisions	-	(69)	648	(761)	(182)
Mortgage-backed securities:					
Residential	-	(37)	-	(3)	(40)
Commercial	-	(1)	-	(57)	(58)
Total mortgage-backed securities	-	(38)	-	(60)	(98)
Corporate debt securities	-	-	20	(33)	(13)
Collateralized loan and other debt obligations	1,008	(14)	-	(369)	625
Asset-backed securities:					
Auto loans and leases	1,751	-	1,047	(3,865)	(1,067)
Home equity loans	-	(5)	-	-	(5)
Other asset-backed securities	1,164	(36)	1,116	(2,213)	31
Total asset-backed securities	2,915	(41)	2,163	(6,078)	(1,041)
Total debt securities	3,923	(162)	2,831	(7,301)	(709)
Marketable equity securities:					
Perpetual preferred securities	-	(20)	-	(53)	(73)
Other marketable equity securities	-	-	-	-	-
Total marketable equity securities	-	(20)	-	(53)	(73)
Total available-for-sale securities	3,923	(182)	2,831	(7,354)	(782)
Mortgages held for sale	286	(574)	-	(586)	(874)
Loans	23	-	452	(369)	106
Mortgage servicing rights (residential)	-	(583)	3,469	-	2,886
Net derivative assets and liabilities:					
Interest rate contracts	-	-	-	(39)	(39)
Commodity contracts	-	-	-	(66)	(66)
Equity contracts	-	(148)	-	285	137
Foreign exchange contracts	-	-	-	1	1
Credit contracts	7	(5)	(4)	807	805
Other derivative contracts	-	-	-	-	-
Total derivative contracts	7	(153)	(4)	988	838
Other assets	1,064	(2)	-	(36)	1,026
Short sale liabilities	8	(8)	-	-	-
Other liabilities (excluding derivatives)	-	-	(4)	11	7

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2012, are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in: Net income	Total net gains (losses) included in: Other comprehensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end (2)	
Year ended December 31, 2012									
Trading assets (excluding derivatives):									
Securities of U.S. states and political subdivisions	$ 53	3	-	(10)	-	-	46	-	
Collateralized loan and other debt obligations	1,582	(191)	-	(649)	-	-	742	(47)	
Corporate debt securities	97	-	-	(45)	-	-	52	(3)	
Mortgage-backed securities	108	8	-	(110)	-	-	6	2	
Asset-backed securities	190	48	-	(98)	14	(16)	138	23	
Equity securities	4	-	-	(1)	-	-	3	-	
Total trading securities	2,034	(132)	-	(913)	14	(16)	987	(25)	
Other trading assets	115	(39)	-	-	-	-	76	(19)	
Total trading assets (excluding derivatives)	2,149	(171)	-	(913)	14	(16)	1,063	(44)	(3)
Available-for-sale securities:									
Securities of U.S. states and political subdivisions	11,516	10	160	1,347	-	(9,402)	3,631	-	
Mortgage-backed securities:									
Residential	61	12	16	50	29	(74)	94	(1)	
Commercial	232	(56)	57	(30)	-	-	203	(56)	
Total mortgage-backed securities	293	(44)	73	20	29	(74)	297	(57)	
Corporate debt securities	295	20	19	(20)	1	(41)	274	-	
Collateralized loan and other debt obligations	8,599	135	514	3,940	-	-	13,188	-	
Asset-backed securities:									
Auto loans and leases	6,641	3	3	(726)	-	-	5,921	-	
Home equity loans	282	15	14	(3)	29	(286)	51	(1)	
Other asset-backed securities	2,863	(29)	148	329	1	(29)	3,283	(6)	
Total asset-backed securities	9,786	(11)	165	(400)	30	(315)	9,255	(7)	
Total debt securities	30,489	110	931	4,887	60	(9,832)	26,645	(64)	(4)
Marketable equity securities:									
Perpetual preferred securities	1,344	91	(30)	(611)	-	-	794	-	
Other marketable equity securities	23	2	(16)	(9)	-	-	-	-	
Total marketable equity securities	1,367	93	(46)	(620)	-	-	794	-	(5)
Total available-for-sale securities	31,856	203	885	4,267	60	(9,832)	27,439	(64)	
Mortgages held for sale	3,410	(42)	-	(308)	488	(298)	3,250	(30)	(6)
Loans	23	43	-	145	5,851	(41)	6,021	43	(6)
Mortgage servicing rights (residential) (7)	12,603	(5,954)	-	4,889	-	-	11,538	(2,893)	(6)
Net derivative assets and liabilities:									
Interest rate contracts	609	7,397	-	(7,349)	-	2	659	562	
Commodity contracts	-	78	-	(50)	(8)	1	21	40	
Equity contracts	(75)	(11)	-	18	-	(54)	(122)	(16)	
Foreign exchange contracts	(7)	23	-	5	-	-	21	30	
Credit contracts	(1,998)	38	-	810	-	-	(1,150)	41	
Other derivative contracts	(117)	40	(1)	-	-	-	(78)	-	
Total derivative contracts	(1,588)	7,565	(1)	(6,566)	(8)	(51)	(649)	657	(8)
Other assets	244	(21)	-	(61)	-	-	162	(8)	(3)
Short sale liabilities	-	-	-	-	-	-	-	-	(3)
Other liabilities (excluding derivatives)	(44)	(43)	-	38	-	-	(49)	-	(6)

(1) See next page for detail.

(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.

(4) Included in net gains (losses) debt securities in the income statement.

(5) Included in net gains (losses) from equity investments in the income statement.

(6) Included in mortgage banking and other noninterest income in the income statement.

(7) For more information on the changes in mortgage servicing rights, see Note 9.

(8) Included in mortgage banking, trading activities and other noninterest income in the income statement.

(continued on following page)

Note 17: Fair Values of Assets and Liabilities *(continued)*

(continued from previous page)

The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2012.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Year ended December 31, 2012					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 85	(95)	-	-	(10)
Collateralized loan and other debt obligations	829	(1,478)	-	-	(649)
Corporate debt securities	192	(237)	-	-	(45)
Mortgage-backed securities	49	(159)	-	-	(110)
Asset-backed securities	116	(169)	-	(45)	(98)
Equity securities	1	(2)	-	-	(1)
Total trading securities	1,272	(2,140)	-	(45)	(913)
Other trading assets	-	-	-	-	-
Total trading assets (excluding derivatives)	1,272	(2,140)	-	(45)	(913)
Available-for-sale securities:					
Securities of U.S. states and political subdivisions	1,847	(37)	1,011	(1,474)	1,347
Mortgage-backed securities:					
Residential	86	(34)	-	(2)	50
Commercial	39	-	-	(69)	(30)
Total mortgage-backed securities	125	(34)	-	(71)	20
Corporate debt securities	26	(37)	-	(9)	(20)
Collateralized loan and other debt obligations	5,608	(185)	-	(1,483)	3,940
Asset-backed securities:					
Auto loans and leases	3,004	-	666	(4,396)	(726)
Home equity loans	-	(2)	-	(1)	(3)
Other asset-backed securities	2,074	(159)	1,401	(2,987)	329
Total asset-backed securities	5,078	(161)	2,067	(7,384)	(400)
Total debt securities	12,684	(454)	3,078	(10,421)	4,887
Marketable equity securities:					
Perpetual preferred securities	-	-	-	(611)	(611)
Other marketable equity securities	-	(8)	-	(1)	(9)
Total marketable equity securities	-	(8)	-	(612)	(620)
Total available-for-sale securities	12,684	(462)	3,078	(11,033)	4,267
Mortgages held for sale	441	-	-	(749)	(308)
Loans	2	-	257	(114)	145
Mortgage servicing rights (residential)	-	(293)	5,182	-	4,889
Net derivative assets and liabilities:					
Interest rate contracts	11	-	-	(7,360)	(7,349)
Commodity contracts	-	(2)	-	(48)	(50)
Equity contracts	386	(375)	1	6	18
Foreign exchange contracts	2	(3)	-	6	5
Credit contracts	(6)	3	-	813	810
Other derivative contracts	-	-	-	-	-
Total derivative contracts	393	(377)	1	(6,583)	(6,566)
Other assets	19	(8)	-	(72)	(61)
Short sale liabilities	9	(9)	-	-	-
Other liabilities (excluding derivatives)	(3)	11	(216)	246	38

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2011 are summarized as follows:

(in millions)	Balance, beginning of year	Total net gains (losses) included in: Net income	Total net gains (losses) included in: Other comprehensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of year	Net unrealized gains (losses) included in net income related to assets and liabilities held at period end (2)
Year ended December 31, 2011								
Trading assets (excluding derivatives):								
Securities of U.S. states and political subdivisions	$ 5	3	-	12	51	(18)	53	-
Collateralized debt obligations	1,915	(24)	-	(297)	-	(12)	1,582	1
Corporate debt securities	166	1	-	(70)	-	-	97	(80)
Mortgage-backed securities	117	6	-	(36)	31	(10)	108	(4)
Asset-backed securities	366	75	-	(122)	-	(129)	190	(2)
Equity securities	34	(3)	-	(28)	1	-	4	72
Total trading securities	2,603	58	-	(541)	83	(169)	2,034	(13)
Other trading assets	136	(21)	-	2	-	(2)	115	14
Total trading assets (excluding derivatives)	2,739	37	-	(539)	83	(171)	2,149	1 (3)
Available-for-sale securities:								
Securities of U.S. states and political subdivisions	4,564	10	52	6,923	-	(33)	11,516	9
Mortgage-backed securities:								
Residential	20	(9)	(1)	(6)	121	(64)	61	(8)
Commercial	217	(44)	59	2	2	(4)	232	(56)
Total mortgage-backed securities	237	(53)	58	(4)	123	(68)	293	(64)
Corporate debt securities	433	150	(112)	(185)	41	(32)	295	(3)
Collateralized debt obligations	4,778	290	(202)	3,725	8	-	8,599	-
Asset-backed securities:								
Auto loans and leases	6,133	4	(27)	531	-	-	6,641	-
Home equity loans	112	(3)	(18)	40	221	(70)	282	(25)
Other asset-backed securities	3,150	10	13	181	107	(598)	2,863	(7)
Total asset-backed securities	9,395	11	(32)	752	328	(668)	9,786	(32)
Other debt securities	85	-	-	(85)	-	-	-	-
Total debt securities	19,492	408	(236)	11,126	500	(801)	30,489	(90)(4)
Marketable equity securities:								
Perpetual preferred securities	2,434	160	(7)	(1,243)	2	(2)	1,344	(53)
Other marketable equity securities	32	-	1	(10)	-	-	23	-
Total marketable equity securities	2,466	160	(6)	(1,253)	2	(2)	1,367	(53)(5)
Total available-for-sale securities	21,958	568	(242)	9,873	502	(803)	31,856	(143)
Mortgages held for sale	3,305	44	-	(104)	492	(327)	3,410	43 (6)
Loans	309	13	-	(299)	-	-	23	- (6)
Mortgage servicing rights (residential) (7)	14,467	(5,821)	-	3,957	-	-	12,603	(3,680)(6)
Net derivative assets and liabilities:								
Interest rate contracts	77	4,051	-	(3,414)	(1)	(104)	609	309
Commodity contracts	(1)	2	-	(9)	(3)	11	-	1
Equity contracts	(225)	126	-	28	(6)	2	(75)	55
Foreign exchange contracts	9	(8)	-	(6)	1	(3)	(7)	(19)
Credit contracts	(1,017)	(856)	-	(123)	-	(2)	(1,998)	50
Other derivative contracts	(35)	(82)	-	-	-	-	(117)	-
Total derivative contracts	(1,192)	3,233	-	(3,524)	(9)	(96)	(1,588)	396 (8)
Other assets	314	12	-	(82)	-	-	244	3 (3)
Other liabilities (excluding derivatives)	(344)	(8)	-	308	-	-	(44)	- (6)

(1) See next page for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.
(4) Included in net gains (losses) from debt securities in the income statement.
(5) Included in net gains (losses) from equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) For more information on the change in mortgage servicing rights, see Note 9.
(8) Included in mortgage banking, trading activities and other noninterest income in the income statement.

(continued on following page)

Note 17: Fair Values of Assets and Liabilities *(continued)*

(continued from previous page)

The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2011.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Year ended December 31, 2011					
Trading assets (excluding derivatives):					
Securities of U.S. states and pol t cal subdivisions	$ 313	(199)	-	(102)	12
Collateralized loan and other debt obligat ons	1,054	(1,310)	-	(41)	(297)
Corporate debt securities	80	(150)	-	-	(70)
Mortgage-backed secur ties	759	(790)	-	(5)	(36)
Asset-backed securities	516	(585)	-	(53)	(122)
Equity securities	6	(22)	-	(12)	(28)
Total trading secur ties	2,728	(3,056)	-	(213)	(541)
Other trading assets	-	-	2	-	2
Total trading assets (excluding derivatives)	2,728	(3,056)	2	(213)	(539)
Available-for-sale securities:					
Securities of U.S. states and pol t cal subdivisions	4,280	(4)	4,723	(2,076)	6,923
Mortgage-backed secur ties:					
Res dential	3	-	-	(9)	(6)
Commercial	21	-	-	(19)	2
Total mortgage-backed secur ties	24	-	-	(28)	(4)
Corporate debt securities	94	(208)	1	(72)	(185)
Collateralized loan and other debt obligat ons	4,805	(36)	-	(1,044)	3,725
Asset-backed securities:					
Auto loans and leases	5,918	-	333	(5,720)	531
Home equity loans	44	-	-	(4)	40
Other asset-backed securities	1,428	(456)	1,395	(2,186)	181
Total asset-backed securities	7,390	(456)	1,728	(7,910)	752
Other debt securities	-	(85)	-	-	(85)
Total debt securities	16,593	(789)	6,452	(11,130)	11,126
Marketable equity secur ties:					
Perpetual preferred secur ties	1	(13)	-	(1,231)	(1,243)
Other marketable equ ty securities	3	(12)	-	(1)	(10)
Total marketable equ ty securities	4	(25)	-	(1,232)	(1,253)
Total available-for-sale secur ties	16,597	(814)	6,452	(12,362)	9,873
Mortgages held for sale	576	(21)	-	(659)	(104)
Loans	23	(309)	-	(13)	(299)
Mortgage servicing rights (res dential)	-	-	4,011	(54)	3,957
Net derivative assets and liabil ties:					
Interest rate contracts	6	(1)	-	(3,419)	(3,414)
Commod ty contracts	7	(17)	-	1	(9)
Equity contracts	123	(255)	-	160	28
Foreign exchange contracts	4	(4)	-	(6)	(6)
Cred t contracts	6	(3)	-	(126)	(123)
Other derivative contracts	-	-	-	-	-
Total derivative contracts	146	(280)	-	(3,390)	(3,524)
Other assets	10	(1)	-	(91)	(82)
Short sale liabilities	(125)	124	-	1	-
Other liabil ties (excluding derivatives)	(10)	1	-	317	308

The following table provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a recurring basis for which we use an internal model.

The significant unobservable inputs for Level 3 assets and liabilities that are valued using fair values obtained from third party vendors are not included in the table as the specific inputs applied are not provided by the vendor (see discussion regarding vendor-developed valuations within the “Level 3 Asset and Liability Valuation Processes” section previously within this Note). In addition, the table excludes the valuation techniques and significant unobservable inputs for certain classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 assets and liabilities. We made this determination based upon an evaluation of each class which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

($ in millions, except cost to service amounts)	Fair Value Level 3		Valuation Technique(s)	Significant Unobservable Input	Range of Inputs			Weighted Average (1)
December 31, 2013								
Trading and available-for-sale securities:								
Securities of U.S. states and political subdivisions:								
Government, healthcare and other revenue bonds	$ 2,739		Discounted cash flow	Discount rate	0.4 - 6.4	%		1.4
	63		Vendor priced					
Auction rate securities and other municipal bonds	451		Discounted cash flow	Discount rate	0.4 - 12.3			4.6
				Weighted average life	1.4 - 13.0	yrs		4.4
Collateralized loan and other debt obligations (2)	612		Market comparable pricing	Comparability adjustment	(12.0) - 23.3	%		8.5
	1,349		Vendor priced					
Asset-backed securities:								
Auto loans and leases	492		Discounted cash flow	Discount rate	0.6 - 0.9			0.8
				Weighted average life	1.4 - 1.6	yrs		1.5
Other asset-backed securities:								
Diversified payment rights (3)	757		Discounted cash flow	Discount rate	1.4 - 4.7	%		3.0
Other commercial and consumer	944	(4)	Discounted cash flow	Discount rate	0.6 - 21.2			4.0
				Weighted average life	0.6 - 7.6	yrs		2.2
	78		Vendor priced					
Marketable equity securities: perpetual preferred	729	(5)	Discounted cash flow	Discount rate	4.8 - 8.3	%		7.4
				Weighted average life	1.0 - 15.0	yrs		12.2
Mortgages held for sale (residential)	2,374		Discounted cash flow	Default rate	0.6 - 12.4	%		2.8
				Discount rate	3.8 - 7.9			5.5
				Loss severity	1.3 - 32.5			21.5
				Prepayment rate	2.0 - 9.9			5.4
Loans	5,723	(6)	Discounted cash flow	Discount rate	2.4 - 3.9			3.3
				Prepayment rate	3.3 - 37.8			12.2
				Utilization rate	0.0 - 2.0			0.8
Mortgage servicing rights (residential)	15,580		Discounted cash flow	Cost to service per loan (7)	$ 86 - 773			191
				Discount rate	5.4 - 11.2	%		7.8
				Prepayment rate (8)	7.5 - 19.4			10.7
Net derivative assets and (liabilities):								
Interest rate contracts	(14)		Discounted cash flow	Default rate	0.0 - 16.5			5.0
				Loss severity	44.9 - 50.0			50.0
				Prepayment rate	11.1 - 15.6			15.6
Interest rate contracts: derivative loan commitments	(26)		Discounted cash flow	Fall-out factor	1.0 - 99.0			21.8
				Initial-value servicing	(21.5) - 81.6	bps		32.6
Equity contracts	199		Discounted cash flow	Conversion factor	(18.4) - 0.0	%		(14.1)
				Weighted average life	0.3 - 3.3	yrs		1.8
	(245)		Option model	Correlation factor	(5.3) - 87.6	%		72.2
				Volatility factor	6.8 - 81.2			25.4
Credit contracts	(378)		Market comparable pricing	Comparability adjustment	(31.3) - 30.4			(0.1)
	3		Option model	Credit spread	0.0 - 12.2			0.7
				Loss severity	10.5 - 72.5			47.4
Other assets: nonmarketable equity investments	1,386		Market comparable pricing	Comparability adjustment	(30.6) - (5.4)			(21.9)
Insignificant Level 3 assets, net of liabilities	678	(9)						
Total level 3 assets, net of liabilities	$ 33,494	(10)						

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments such as loans and securities, and notional amounts for derivative instruments.
(2) Includes $695 million of collateralized debt obligations.
(3) Securities backed by specified sources of current and future receivables generated from foreign originators.
(4) Consists primarily of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.
(5) Consists of auction rate preferred equity securities with no maturity date that are callable by the issuer.
(6) Consists predominantly of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions.
(7) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is $86 - $302.
(8) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.
(9) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, other marketable equity securities, other liabilities and certain net derivative assets and liabilities, such as commodity contracts, foreign exchange contracts and other derivative contracts.
(10) Consists of total Level 3 assets of $37.2 billion and total Level 3 liabilities of $3.7 billion, before netting of derivative balances.

Note 17: Fair Values of Assets and Liabilities *(continued)*

($ in millions, except cost to service amounts)	Fair Value Level 3	Valuation Technique(s)	Significant Unobservable Input	Range of Inputs	Weighted Average (1)
December 31, 2012					
Trading and available-for-sale securities:					
Securities of U.S. states and political subdivisions:					
Government, healthcare and other revenue bonds	$ 3,081	Discounted cash flow	Discount rate	0.5 - 4.8 %	1.8
Auction rate securities and other municipal bonds	596	Discounted cash flow	Discount rate	2.0 - 12.9	4.4
			Weighted average life	3.0 - 7.5 yrs	3.4
Collateralized loan and other debt obligations(2)	1,423	Market comparable pricing	Comparability adjustment	(22.5) - 24.7 %	3.5
	12,507	Vendor priced			
Asset-backed securities:					
Auto loans and leases	5,921	Discounted cash flow	Default rate	2.1 - 9.7	3.2
			Discount rate	0.6 - 1.6	1.0
			Loss severity	50.0 - 66.6	51.8
			Prepayment rate	0.6 - 0.9	0.7
Other asset-backed securities:					
Dealer floor plan	1,030	Discounted cash flow	Discount rate	0.5 - 2.2	1.9
Diversified payment rights (3)	639	Discounted cash flow	Discount rate	1.0 - 2.9	1.8
Other commercial and consumer	1,665 (4)	Discounted cash flow	Discount rate	0.6 - 6.8	2.7
			Weighted average life	1.0 - 7.5 yrs	2.9
	87	Vendor priced			
Marketable equity securities: perpetual preferred	794 (5)	Discounted cash flow	Discount rate	4.3 - 9.3 %	6.3
			Weighted average life	1.0 - 7.0 yrs	5.3
Mortgages held for sale (residential)	3,250	Discounted cash flow	Default rate	0.6 - 14.8 %	5.5
			Discount rate	3.4 - 7.5	5.4
			Loss severity	1.3 - 35.3	26.4
			Prepayment rate	1.0 - 11.0	6.2
Loans	6,021 (6)	Discounted cash flow	Discount rate	2.4 - 2.8	2.6
			Prepayment rate	1.6 - 44.4	11.6
			Utilization rate	0.0 - 2.0	0.8
Mortgage servicing rights (residential)	11,538	Discounted cash flow	Cost to service per loan (7)	$ 90 - 854	219
			Discount rate	6.7 - 10.9 %	7.4
			Prepayment rate (8)	7.3 - 23.7	15.7
Net derivative assets and (liabilities):					
Interest rate contracts	162	Discounted cash flow	Default rate	0.0 - 20.0	5.4
			Loss severity	45.8 - 83.2	51.6
			Prepayment rate	7.4 - 15.6	14.9
Interest rate contracts: derivative loan commitments	497	Discounted cash flow	Fall-out factor	1.0 - 99.0	22.9
			Initial-value servicing	(13.7) - 137.2 bps	85.6
Equity contracts	(122)	Option model	Correlation factor	(43.6) - 94.5 %	50.3
			Volatility factor	3.0 - 68.9	26.5
Credit contracts	(1,157)	Market comparable pricing	Comparability adjustment	(34.4) - 30.5	0.1
	8	Option model	Credit spread	0.1 - 14.0	2.0
			Loss severity	16.5 - 87.5	52.3
Insignificant Level 3 assets, net of liabilities	835 (9)				
Total level 3 assets, net of liabilities	$ 48,775 (10)				

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments such as loans and securities, and notional amounts for derivative instruments.
(2) Includes $665 million of collateralized debt obligations.
(3) Securities backed by specified sources of current and future receivables generated from foreign originators.
(4) Consists primarily of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.
(5) Consists of auction rate preferred equity securities with no maturity date that are callable by the issuer.
(6) Consists predominantly of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions.
(7) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is $90 - $437.
(8) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.
(9) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, asset-backed securities backed by home equity loans, other marketable equity securities, other assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts, foreign exchange contracts and other derivative contracts.
(10) Consists of total Level 3 assets of $51.9 billion and total Level 3 liabilities of $3.1 billion, before netting of derivative balances.

The valuation techniques used for our Level 3 assets and liabilities, as presented in the previous table, are described as follows:

- Discounted cash flow - Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument and then discounting those cash flows at a rate of return that results in the fair value amount.
- Option model - Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.
- Market comparable pricing - Market comparable pricing valuation techniques are used to determine the fair value of certain instruments by incorporating known inputs such as recent transaction prices, pending transactions, or prices of other similar investments which require significant adjustment to reflect differences in instrument characteristics.
- Vendor-priced – Prices obtained from third party pricing vendors or brokers that are used to record the fair value of the asset or liability, of which the related valuation technique and significant unobservable inputs are not provided.

Significant unobservable inputs presented in the previous table are those we consider significant to the fair value of the Level 3 asset or liability. We consider unobservable inputs to be significant, if by their exclusion, the fair value of the Level 3 asset or liability would be impacted by a predetermined percentage change or based on qualitative factors such as nature of the instrument, type of valuation technique used, and the significance of the unobservable inputs relative to other inputs used within the valuation. Following is a description of the significant unobservable inputs provided in the table.

- Comparability adjustment – is an adjustment made to observed market data such as a transaction price in order to reflect dissimilarities in underlying collateral, issuer, rating, or other factors used within a market valuation approach, expressed as a percentage of an observed price.
- Conversion Factor – is the risk-adjusted rate in which a particular instrument may be exchanged for another instrument upon settlement, expressed as a percentage change from a specified rate.
- Correlation factor - is the likelihood of one instrument changing in price relative to another based on an established relationship expressed as a percentage of relative change in price over a period over time.
- Cost to service - is the expected cost per loan of servicing a portfolio of loans which includes estimates for unreimbursed expenses (including delinquency and foreclosure costs) that may occur as a result of servicing such loan portfolios.
- Credit spread – is the portion of the interest rate in excess of a benchmark interest rate, such as OIS, LIBOR or U.S. Treasury rates, that when applied to an investment captures changes in the obligor's creditworthiness.
- Default rate – is an estimate of the likelihood of not collecting contractual amounts owed expressed as a constant default rate (CDR).
- Discount rate – is a rate of return used to present value the future expected cash flow to arrive at the fair value of an instrument. The discount rate consists of a benchmark rate component and a risk premium component. The benchmark rate component, for example, OIS, LIBOR or U.S. Treasury rates, is generally observable within the market and is necessary to appropriately reflect the time value of money. The risk premium component reflects the amount of compensation market participants require due to the uncertainty inherent in the instruments' cash flows resulting from risks such as credit and liquidity.
- Fall-out factor - is the expected percentage of loans associated with our interest rate lock commitment portfolio that are likely of not funding.
- Initial-value servicing - is the estimated value of the underlying loan, including the value attributable to the embedded servicing right, expressed in basis points of outstanding unpaid principal balance.
- Loss severity – is the percentage of contractual cash flows lost in the event of a default.
- Prepayment rate – is the estimated rate at which forecasted prepayments of principal of the related loan or debt instrument are expected to occur, expressed as a constant prepayment rate (CPR).
- Utilization rate – is the estimated rate in which incremental portions of existing reverse mortgage credit lines are expected to be drawn by borrowers, expressed as an annualized rate.
- Volatility factor – is the extent of change in price an item is estimated to fluctuate over a specified period of time expressed as a percentage of relative change in price over a period over time.
- Weighted average life – is the weighted average number of years an investment is expected to remain outstanding, based on its expected cash flows reflecting the estimated date the issuer will call or extend the maturity of the instrument or otherwise reflecting an estimate of the timing of an instrument's cash flows whose timing is not contractually fixed.

Significant Recurring Level 3 Fair Value Asset and Liability Input Sensitivity

We generally use discounted cash flow or similar internal modeling techniques to determine the fair value of our Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the preceding table. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the

instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated to one another), which may counteract or magnify the fair value impact.

SECURITIES, LOANS and MORTGAGES HELD FOR SALE The fair values of predominantly all Level 3 trading securities, mortgages held for sale, loans, other nonmarketable equity investments, and available-for-sale securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The internal models used to determine fair value for these Level 3 instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs include discount rate, prepayment rate, default rate, loss severity, utilization rate and weighted average life.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rate, default rate, loss severity, or weighted average life inputs. Conversely, the fair value of these Level 3 assets would generally increase (decrease) in value if the prepayment rate input were to increase (decrease) or if the utilization rate input were to increase (decrease).

Generally, a change in the assumption used for default rate is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayment rates. Unobservable inputs for loss severity, utilization rate and weighted average life do not increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

DERIVATIVE INSTRUMENTS Level 3 derivative instruments are valued using market comparable pricing, option pricing and discounted cash flow valuation techniques. We utilize certain unobservable inputs within these techniques to determine the fair value of the Level 3 derivative instruments. The significant unobservable inputs consist of credit spread, a comparability adjustment, prepayment rate, default rate, loss severity, initial-value servicing, fall-out factor, volatility factor, weighted average life, conversion factor, and correlation factor.

Level 3 derivative assets (liabilities) where we are long the underlying would decrease (increase) in value upon an increase (decrease) in default rate, fall-out factor, credit spread, conversion factor, or loss severity inputs. Conversely, Level 3 derivative assets (liabilities) would increase (decrease) in value upon an increase (decrease) in prepayment rate, initial-value servicing, weighted average life, or volatility factor inputs. The inverse of the above relationships would occur for instruments in which we are short the underlying. The correlation factor and comparability adjustment inputs may have a positive or negative impact on the fair value of these derivative instruments depending on the change in value of the item the correlation factor and comparability adjustment is referencing. The correlation factor and comparability adjustment is considered independent from movements in other significant unobservable inputs for derivative instruments.

Generally, for derivative instruments for which we are subject to changes in the value of the underlying referenced instrument, change in the assumption used for default rate is accompanied by directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayment rates. Unobservable inputs for loss severity, fall-out factor, initial-value servicing, weighted average life, conversion factor, and volatility do not increase or decrease based on movements in other significant unobservable inputs for these Level 3 instruments.

MORTGAGE SERVICING RIGHTS We use a discounted cash flow valuation technique to determine the fair value of Level 3 mortgage servicing rights. These models utilize certain significant unobservable inputs including prepayment rate, discount rate and costs to service. An increase in any of these unobservable inputs will reduce the fair value of the mortgage servicing rights and alternatively, a decrease in any one of these inputs would result in the mortgage servicing rights increasing in value. Generally, a change in the assumption used for the default rate is accompanied by a directionally similar change in the assumption used for cost to service and a directionally opposite change in the assumption used for prepayment. The sensitivity of our residential MSRs is discussed further in Note 8.

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of LOCOM accounting or write-downs of individual assets. The following table provides the fair value hierarchy and carrying amount of all assets that were still held as of December 31, 2013, and 2012, and for which a nonrecurring fair adjustment was recorded during the years then ended.

	December 31, 2013				December 31, 2012			
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Mortgages held for sale (LOCOM) (1)	**$ -**	**1,126**	**893**	**2,019**	-	1,509	1,045	2,554
Loans held for sale	**-**	**14**	**-**	**14**	-	4	-	4
Loans:								
Commercial	**-**	**414**	**-**	**414**	-	1,507	-	1,507
Consumer	**-**	**3,690**	**7**	**3,697**	-	5,889	4	5,893
Total loans (2)	**-**	**4,104**	**7**	**4,111**	-	7,396	4	7,400
Other assets (3)	**-**	**445**	**740**	**1,185**	-	989	144	1,133

(1) Predominantly real estate 1-4 family first mortgage loans.
(2) Represents carrying value of loans for which adjustments are based on the appraised value of the collateral.
(3) Includes the fair value of foreclosed real estate, other collateral owned and nonmarketable equity investments.

The following table presents the increase (decrease) in value of certain assets for which a nonrecurring fair value adjustment has been recognized during the periods presented.

	Year ended December 31,	
(in millions)	**2013**	2012
Mortgages held for sale (LOCOM)	**$ (23)**	37
Loans held for sale	**(1)**	1
Loans:		
Commercial	**(216)**	(795)
Consumer (1)	**(2,050)**	(4,989)
Total loans	**(2,266)**	(5,784)
Other assets (2)	**(214)**	(316)
Total	**$ (2,504)**	(6,062)

(1) Represents wr te-downs of loans based on the appraised value of the collateral.
(2) Includes the losses on foreclosed real estate and other collateral owned that were measured at fair value subsequent to their in tial classification as foreclosed assets. Also includes impairment losses on nonmarketable equ ty investments.

The table below provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a nonrecurring basis for which we use an internal model.

We have excluded from the table classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 nonrecurring measurements. We made this determination based upon an evaluation of each class which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

($ in millions)	Fair Value Level 3	Valuation Technique(s) (1)	Significant Unobservable Inputs (1)	Range of inputs	Weighted Average (2)
December 31, 2013					
Residential mortgages held for sale (LOCOM)	**$ 893 (3)**	**Discounted cash flow**	**Default rate (5)**	**1.2 - 4.4 %**	**2.7 %**
			Discount rate	**4.3 - 12.0**	**10.9**
			Loss severity	**1.6 - 48.2**	**5.2**
			Prepayment rate (6)	**2.0 - 100.0**	**67.2**
Other assets: private equity fund investments (4)	**505**	**Market comparable pricing**	**Comparability adjustment**	**4.6 - 4.6**	**4.6**
Insignificant level 3 assets	**242**				
Total	**1,640**				
December 31, 2012					
Residential mortgages held for sale (LOCOM)	$ 1,045 (3)	Discounted cash flow	Default rate(5)	2.9 - 21.2 %	7.9 %
			Discount rate	4.1 - 11.9	10.9
			Loss severity	2.0 - 45.0	6.0
			Prepayment rate (6)	1.0 - 100.0	66.7
Insignificant level 3 assets	148				
Total	1,193				

(1) Refer to the narrative following the recurring quantitative Level 3 table of this Note for a definition of the valuation techn que(s) and significant unobservable inputs.
(2) For residential MHFS, weighted averages are calculated using outstanding unpaid principal balance of the loans.
(3) Consists of approximately $825 million and $942 mill on government insured/guaranteed loans purchased from GNMA-guaranteed mortgage securitization, at December 31, 2013 and 2012, respectively and $68 mill on and $103 million of other mortgage loans wh ch are not government insured/guaranteed at December 31, 2013 and 2012, respectively.
(4) Represents a single investment. For add t onal information, see the "Alternative Investments" sect on in this Note.
(5) Applies only to non-government insured/guaranteed loans.
(6) Includes the impact on prepayment rate of expected defaults for the government insured/guaranteed loans, which impacts the frequency and timing of early resolution of loans.

Alternative Investments

The following table summarizes our investments in various types of funds for which we use net asset values (NAVs) per share as a practical expedient to measure fair value on recurring and nonrecurring bases. The investments are included in trading assets, available-for-sale securities, and other assets. The table excludes those investments that are probable of being sold at an amount different from the funds' NAVs.

(in millions)		Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
December 31, 2013					
Offshore funds	**$**	**308**	**-**	**Daily - Quarterly**	**1 - 180 days**
Funds of funds		**-**	**-**	**N/A**	**N/A**
Hedge funds		**2**	**-**	**Monthly - Semi Annually**	**5 - 95 days**
Private equity funds (1)(2)		**1,496**	**316**	**N/A**	**N/A**
Venture capital funds (2)		**63**	**14**	**N/A**	**N/A**
Total (3)	**$**	**1,869**	**330**		
December 31, 2012					
Offshore funds	$	379	-	Daily - Annually	1 - 180 days
Funds of funds		1	-	Quarterly	90 days
Hedge funds		2	-	Daily - Annually	5 - 95 days
Private equity funds		807	195	N/A	N/A
Venture capital funds		82	21	N/A	N/A
Total (3)	$	1,271	216		

N/A - Not applicable

(1) Excludes $505 mill on in a private equ ty fund that had a nonrecurring fair value adjustment during 2013 and is probable of being sold for an amount different from the fund's NAV; therefore, the investment's fair value has been estimated using recent transact on information. This investment is subject to the Volcker Rule, which includes provisions that restr ct banking entities from owning interests in certain types of funds.

(2) Includes certain investments subject to the Volcker Rule, which we may have to divest.

(3) Includes nonmarketable equity investments carried at cost for wh ch we use NAVs as a pract cal expedient for determining nonrecurring fair value adjustments. These investments are predominantly private equity funds and had a fair value of $1.5 billion and $816 mill on and carrying value of $1.4 billion and $651 mill on at December 31, 2013 and 2012, respectively. The fair value and carrying value of investments w th nonrecurring fair value adjustments were $88 mill on and $21 mill on during 2013 and 2012, respectively.

Offshore funds primarily invest in foreign mutual funds. Redemption restrictions are in place for these investments with a fair value of $144 million and $189 million at December 31, 2013 and December 31, 2012, respectively, due to lock-up provisions that will remain in effect until October 2015.

Private equity funds invest in equity and debt securities issued by private and publicly-held companies in connection with leveraged buyouts, recapitalizations and expansion opportunities. Substantially all of these investments do not allow redemptions. Alternatively, we receive distributions as the underlying assets of the funds liquidate.

Venture capital funds invest in domestic and foreign companies in a variety of industries, including information technology, financial services and healthcare. These investments can never be redeemed with the funds. Instead, we receive distributions as the underlying assets of the fund liquidate.

Fair Value Option

We measure MHFS at fair value for MHFS originations for which an active secondary market and readily available market prices exist to reliably support fair value pricing models used for these loans. Loan origination fees on these loans are recorded when earned, and related direct loan origination costs are recognized when incurred. We also measure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe fair value measurement for MHFS and other interests held, which we hedge with free-standing derivatives (economic hedges) along with our MSRs measured at fair value, reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets.

We elected to measure certain LHFS portfolios at fair value in conjunction with customer accommodation activities, to better align the measurement basis of the assets held with our management objectives given the trading nature of these portfolios. In addition, we elected to measure at fair value certain letters of credit and nonmarketable equity securities that are hedged with derivative instruments to better reflect the economics of the transactions. The letters of credit are included in trading account assets or liabilities, and the nonmarketable equity securities are included in other assets.

Loans that we measure at fair value consist predominantly of reverse mortgage loans previously transferred under a GNMA reverse mortgage securitization program accounted for as a secured borrowing. Before the transfer, they were classified as MHFS measured at fair value and, as such, remain carried on our balance sheet under the fair value option.

Similarly, we may elect fair value option for the assets and liabilities of certain consolidated VIEs. This option is generally elected for newly consolidated VIEs for which predominantly all of our interests, prior to consolidation, are carried at fair value with changes in fair value recorded to earnings. Accordingly, such an election allows us to continue fair value accounting through earnings for those interests and eliminate income statement mismatch otherwise caused by differences in the measurement basis of the consolidated VIEs assets and liabilities.

The following table reflects the differences between fair value carrying amount of certain assets and liabilities for which we have elected the fair value option and the contractual aggregate unpaid principal amount at maturity.

	December 31, 2013			December 31, 2012		
(in millions)	**Fair value carrying amount**	**Aggregate unpaid principal**	**Fair value carrying amount less aggregate unpaid principal**	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Mortgages held for sale:						
Total loans	**$ 13,879**	**13,966**	**(87) (1)**	42,305	41,183	1,122 (1)
Nonaccrual loans	**205**	**359**	**(154)**	309	655	(346)
Loans 90 days or more past due and still accruing	**39**	**46**	**(7)**	49	64	(15)
Loans held for sale:						
Total loans	**1**	**9**	**(8)**	6	10	(4)
Nonaccrual loans	**1**	**9**	**(8)**	2	6	(4)
Loans:						
Total loans	**5,995**	**5,674**	**321**	6,206	5,669	537
Nonaccrual loans	**188**	**188**	**-**	89	89	-
Other assets (2)	**1,386**	**n/a**	**n/a**	-	n/a	n/a
Long-term debt	**-**	**(199)**	**199 (3)**	(1)	(1,157)	1,156 (3)

(1) The difference between fair value carrying amount and aggregate unpaid principal includes changes in fair value recorded at and subsequent to funding, gains and losses on the related loan commitment pr or to funding, and premiums on acquired loans.

(2) Consists of nonmarketable equity investments carried at fair value. See Note 7 for more information.

(3) Represents collateralized, non-recourse debt securities issued by certain of our consol dated securitization VIEs that are held by third party investors. To the extent cash flows from the underlying collateral are not suff cient to pay the unpa d principal amount of the debt, those third party investors absorb losses.

The assets and liabilities accounted for under the fair value option are initially measured at fair value. Gains and losses from initial measurement and subsequent changes in fair value are recognized in earnings. The changes in fair value related to initial measurement and subsequent changes in fair value included in earnings for these assets and liabilities measured at fair value are shown below by income statement line item.

	2013			2012			2011		
(in millions)	**Mortgage banking noninterest income**	**Net gains (losses) from trading activities**	**Other noninterest income**	Mortgage banking noninterest income	Net gains (losses) from trading activities	Other noninterest income	Mortgage banking noninterest income	Net gains (losses) from trading activities	Other noninterest income
Year ended December 31,									
Mortgages held for sale	**$ 2,073**	**-**	**-**	8,240	-	1	6,084	-	-
Loans held for sale	**-**	**-**	**-**	-	-	21	-	-	32
Loans	**-**	**-**	**(216)**	-	-	63	13	-	80
Other assets	**-**	**-**	**324**	-	-	-	-	-	-
Long-term debt	**-**	**-**	**-**	-	-	(27)	(11)	-	-
Other interests held (1)	**-**	**(15)**	**-**	-	(42)	34	-	(25)	-

(1) Consists of retained interests in securitization and changes in fair value of letters of credit.

For performing loans, instrument-specific credit risk gains or losses were derived principally by determining the change in fair value of the loans due to changes in the observable or implied credit spread. Credit spread is the market yield on the loans less the relevant risk-free benchmark interest rate. For nonperforming loans, we attribute all changes in fair value to instrument-specific credit risk. The following table shows the estimated gains and losses from earnings attributable to instrument-specific credit risk related to assets accounted for under the fair value option.

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Gains (losses) attributable to instrument-specific credit risk:			
Mortgages held for sale	**$ 126**	(124)	(144)
Loans held for sale	**-**	21	32
Total	**$ 126**	(103)	(112)

Disclosures about Fair Value of Financial Instruments

The table below is a summary of fair value estimates for financial instruments, excluding financial instruments recorded at fair value on a recurring basis as they are included within the Assets and Liabilities Recorded at Fair Value on a Recurring Basis table included earlier in this Note. The carrying amounts in the following table are recorded on the balance sheet under the indicated captions.

We have not included assets and liabilities that are not financial instruments in our disclosure, such as the value of the long-term relationships with our deposit, credit card and trust customers, amortized MSRs, premises and equipment, goodwill and other intangibles, deferred taxes and other liabilities. The total of the fair value calculations presented does not represent, and should not be construed to represent, the underlying value of the Company.

		Estimated fair value			
(in millions)	Carrying amount	Level 1	Level 2	Level 3	Total
December 31, 2013					
Financial assets					
Cash and due from banks (1)	**$ 19,919**	**19,919**	**-**	**-**	**19,919**
Federal funds sold, securities purchased under resale agreements and other short-term investments (1)	**213,793**	**5,160**	**208,633**	**-**	**213,793**
Held-to-maturity securities	**12,346**	**-**	**6,205**	**6,042**	**12,247**
Mortgages held for sale (2)	**2,884**	**-**	**2,009**	**893**	**2,902**
Loans held for sale (2)	**132**	**-**	**136**	**-**	**136**
Loans, net (3)	**793,363**	**-**	**58,350**	**740,063**	**798,413**
Nonmarketable equity investments (cost method)	**6,978**	**-**	**-**	**8,635**	**8,635**
Financial liabilities					
Deposits	**1,079,177**	**-**	**1,037,448**	**42,079**	**1,079,527**
Short-term borrowings (1)	**53,883**	**-**	**53,883**	**-**	**53,883**
Long-term debt (4)	**152,987**	**-**	**144,984**	**10,879**	**155,863**
December 31, 2012					
Financial assets					
Cash and due from banks (1)	$ 21,860	21,860	-	-	21,860
Federal funds sold, securities purchased under resale agreements and other short-term investments (1)	137,313	5,046	132,267	-	137,313
Mortgages held for sale (2)	4,844	-	3,808	1,045	4,853
Loans held for sale (2)	104	-	83	29	112
Loans, net (3)	763,968	-	56,237	716,114	772,351
Nonmarketable equity investments (cost method)	6,799	-	2	8,229	8,231
Financial liabilities					
Deposits	1,002,835	-	946,922	57,020	1,003,942
Short-term borrowings (1)	57,175	-	57,175	-	57,175
Long-term debt (4)	127,366	-	119,220	11,063	130,283

(1) Amounts consist of financial instruments in which carrying value approximates fair value.
(2) Balance reflects MHFS and LHFS, as applicable, other than those MHFS and LHFS for which elect on of the fair value opt on was made.
(3) Loans exclude balances for which the fair value option was elected and also exclude lease financing with a carrying amount of $12.0 billion and $12.4 billion at December 31, 2013 and 2012, respectively.
(4) The carrying amount and fair value exclude balances for wh ch the fair value option was elected and obligations under capital leases of $11 million and $12 million at December 31, 2013 and 2012, respectively.

Loan commitments, standby letters of credit and commercial and similar letters of credit are not included in the table above. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related allowance. This amounted to $597 million and $586 million at December 31, 2013 and 2012, respectively.

Note 18: Preferred Stock

We are authorized to issue 20 million shares of preferred stock and 4 million shares of preference stock, both without par value. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. We have not issued any preference shares under this authorization. If issued, preference shares would be limited to one vote per share. Our total authorized, issued and outstanding preferred stock is presented in the following two tables. The Employee Stock Ownership Plan (ESOP) Cumulative Convertible Preferred Stock is presented in the two tables below and in the table on the following page.

	December 31, 2013		December 31, 2012	
	Liquidation preference per share	**Shares authorized and designated**	Liquidat on preference per share	Shares authorized and designated
DEP Shares				
Div dend Equalization Preferred Shares (DEP)	**$ 10**	**97,000**	$ 10	97,000
Series G				
7.25% Class A Preferred Stock	**15,000**	**50,000**	15,000	50,000
Series H				
Floating Class A Preferred Stock	**20,000**	**50,000**	20,000	50,000
Series I				
Floating Class A Preferred Stock	**100,000**	**25,010**	100,000	25,010
Series J				
8.00% Non-Cumulative Perpetual Class A Preferred Stock	**1,000**	**2,300,000**	1,000	2,300,000
Series K				
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**1,000**	**3,500,000**	1,000	3,500,000
Series L				
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	**1,000**	**4,025,000**	1,000	4,025,000
Series N				
5.20% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**30,000**	25,000	30,000
Series O				
5.125% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**27,600**	25,000	27,600
Series P				
5.25% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**26,400**	-	-
Series Q				
5.85% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**69,000**	-	-
Series R				
6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**34,500**	-	-
ESOP				
Cumulative Convertible Preferred Stock (1)	**-**	**1,105,664**	-	910,934
Total		**11,340,174**		11,015,544

(1) See the following page for additional information about the l qu dation preference for the ESOP Cumulative Preferred Stock.

	December 31, 2013				December 31, 2012			
(in millions, except shares)	**Shares issued and outstanding**	**Par value**	**Carrying value**	**Discount**	Shares issued and outstanding	Par value	Carrying value	Discount
DEP Shares								
Div dend Equalizat on Preferred Shares (DEP)	**96,546 $**	**-**	**-**	**-**	96,546 $	-	-	-
Series I (1)								
Floating Class A Preferred Stock	**25,010**	**2,501**	**2,501**	**-**	25,010	2,501	2,501	-
Series J (1)								
8.00% Non-Cumulative Perpetual Class A Preferred Stock	**2,150,375**	**2,150**	**1,995**	**155**	2,150,375	2,150	1,995	155
Series K (1)								
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**3,352,000**	**3,352**	**2,876**	**476**	3,352,000	3,352	2,876	476
Series L (1)								
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	**3,968,000**	**3,968**	**3,200**	**768**	3,968,000	3,968	3,200	768
Series N (1)								
5.20% Non-Cumulative Perpetual Class A Preferred Stock	**30,000**	**750**	**750**	**-**	30,000	750	750	-
Series O (1)								
5.125% Non-Cumulative Perpetual Class A Preferred Stock	**26,000**	**650**	**650**	**-**	26,000	650	650	-
Series P (1)								
5.25% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**625**	**625**	**-**	-	-	-	-
Series Q (1)								
5.85% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**69,000**	**1,725**	**1,725**	**-**	-	-	-	-
Series R (1)								
6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**33,600**	**840**	**840**	**-**	-	-	-	-
ESOP								
Cumulative Convertible Preferred Stock	**1,105,664**	**1,105**	**1,105**	**-**	910,934	911	911	-
Total	**10,881,195 $**	**17,666**	**16,267**	**1,399**	10,558,865 $	14,282	12,883	1,399

(1) Preferred shares qualify as Tier 1 cap tal.

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

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

In December 2013, we issued 34 million Depositary Shares, each representing a 1/1,000th interest in a share of the Non-Cumulative Perpetual Class A Preferred Stock, Series R, for an aggregate public offering price of $840 million.

See Note 8 for additional information on our trust preferred securities. We do not have a commitment to issue Series G or H preferred stock.

ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK All shares of our ESOP Cumulative Convertible Preferred Stock (ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (the 401(k) Plan). Dividends on the ESOP Preferred Stock are cumulative from the date of initial issuance and are payable quarterly at annual rates based upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the 401(k) Plan is converted into shares of our common stock based on the stated value of the ESOP Preferred Stock and the then current market price of our common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. We have the option to redeem the ESOP Preferred Stock at any time, in whole or in part, at a redemption price per share equal to the higher of (a) $1,000 per share plus accrued and unpaid dividends or (b) the fair market value, as defined in the Certificates of Designation for the ESOP Preferred Stock.

	Shares issued and outstanding		Carrying value			
	Dec. 31,	Dec. 31,	**Dec. 31,**	Dec. 31,	Adjustable dividend rate	
(in millions, except shares)	**2013**	2012	**2013**	2012	Minimum	Maximum
ESOP Preferred Stock						
$1,000 liquidation preference per share						
2013	**349,788**	-	**$ 350**	-	8.50 %	9.50
2012	**217,404**	245,604	**217**	246	10.00	11.00
2011	**241,263**	277,263	**241**	277	9.00	10.00
2010	**171,011**	201,011	**171**	201	9.50	10.50
2008	**57,819**	73,434	**58**	73	10.50	11.50
2007	**39,248**	53,768	**39**	54	10.75	11.75
2006	**21,139**	33,559	**21**	34	10.75	11.75
2005	**7,992**	18,882	**8**	19	9.75	10.75
2004	**-**	7,413	**-**	7	8.50	9.50
Total ESOP Preferred Stock (1)	**1,105,664**	910,934	**$ 1,105**	911		
Unearned ESOP shares (2)			**$ (1,200)**	(986)		

(1) At December 31, 2013 and December 31, 2012, addit onal paid-in cap tal included $95 million and $75 million, respectively, related to ESOP preferred stock.
(2) We recorded a corresponding charge to unearned ESOP shares in connection w th the issuance of the ESOP Preferred Stock. The unearned ESOP shares are reduced as shares of the ESOP Preferred Stock are committed to be released.

Note 19: Common Stock and Stock Plans

Common Stock

The following table presents our reserved, issued and authorized shares of common stock at December 31, 2013.

	Number of shares
Dividend reinvestment and common stock purchase plans	11,732,445
Director plans	1,054,645
Stock plans (1)	653,684,625
Convertible securities and warrants	104,944,332
Total shares reserved	771,416,047
Shares issued	5,481,811,474
Shares not reserved	2,746,772,479
Total shares authorized	9,000,000,000

(1) Includes employee opt ons, restricted shares and restr cted share rights, 401(k), profit sharing and compensat on deferral plans.

At December 31, 2013, we have warrants outstanding and exercisable to purchase 39,108,864 shares of our common stock with an exercise price of $34.01 per share, expiring on October 28, 2018. We did not purchase any of these warrants in 2013. We purchased 70,210 of these warrants in 2012. These warrants were issued in connection with our participation in the TARP CPP.

Dividend Reinvestment and Common Stock Purchase Plans

Participants in our dividend reinvestment and common stock direct purchase plans may purchase shares of our common stock at fair market value by reinvesting dividends and/or making optional cash payments, under the plan's terms.

Employee Stock Plans

We offer stock-based employee compensation plans as described below. For information on our accounting for stock-based compensation plans, see Note 1.

LONG-TERM INCENTIVE COMPENSATION PLANS Our Long-Term Incentive Compensation Plan (LTICP) provides for awards of incentive and nonqualified stock options, stock appreciation rights, restricted shares, restricted stock rights (RSRs), performance share awards (PSAs) and stock awards without restrictions.

During 2013, 2012 and 2011 we granted RSRs and performance shares as our primary long-term incentive awards instead of stock options. Holders of RSRs are entitled to the related shares of common stock at no cost generally vesting over three to five years after the RSRs were granted. RSRs generally continue to vest after retirement according to the original vesting schedule. Except in limited circumstances, RSRs are canceled when employment ends.

Holders of each vested PSA are entitled to the related shares of common stock at no cost. PSAs continue to vest after retirement according to the original vesting schedule subject to satisfying the performance criteria and other vesting conditions.

Holders of RSRs and PSAs may be entitled to receive additional RSRs and PSAs (dividend equivalents) or cash payments equal to the cash dividends that would have been paid had the RSRs or PSAs been issued and outstanding shares of common stock. RSRs and PSAs granted as dividend equivalents are subject to the same vesting schedule and conditions as the underlying award.

Stock options must have an exercise price at or above fair market value (as defined in the plan) of the stock at the date of grant (except for substitute or replacement options granted in connection with mergers or other acquisitions) and a term of no more than 10 years. Except for options granted in 2004 and 2005, which generally vested in full upon grant, options generally become exercisable over three years beginning on the first anniversary of the date of grant. Except as otherwise permitted under the plan, if employment is ended for reasons other than retirement, permanent disability or death, the option exercise period is reduced or the options are canceled.

Certain options granted prior to 2004 included the right to acquire a “reload” stock option. Reload grants are fully vested upon grant and are expensed immediately; the last reload options were granted in 2013. As of December 31, 2013, none of the options outstanding included a reload feature.

Compensation expense for most of our RSRs, and PSAs granted prior to 2013, is based on the quoted market price of the related stock at the grant date; in 2013 certain RSRs and all PSAs granted include discretionary performance based vesting conditions and are subject to variable accounting. For these awards, the associated compensation expense fluctuates with changes in our stock price. Stock option expense is based on the fair value of the awards at the date of grant. The following table summarizes the major components of stock incentive compensation expense and the related recognized tax benefit.

	Year ended December 31,		
(in millions)	**2013**	2012	2011
RSRs	**$ 568**	435	338
Performance shares	**157**	112	128
Stock options	**-**	13	63
Total stock incentive compensation expense	**$ 725**	560	529
Related recognized tax benefit	**$ 273**	211	200

For various acquisitions and mergers, we converted employee and director stock options of acquired or merged companies into stock options to purchase our common stock based on the terms of the original stock option plan and the agreed-upon exchange ratio. In addition, we converted restricted stock awards into awards that entitle holders to our stock after the vesting conditions are met. Holders receive cash dividends on outstanding awards if provided in the original award.

The total number of shares of common stock available for grant under the plans at December 31, 2013, was 282 million.

Director Awards

Beginning in 2011, we granted only common stock awards under the LTICP to non-employee directors elected or re-elected at the annual meeting of stockholders and prorated awards to directors who join the Board at any other time. Stock awards vest immediately. Options also were granted to directors prior to 2011, and can be exercised after twelve months through the tenth anniversary of the grant date. Options granted prior to 2005 may include the right to acquire a "reload" stock option.

Restricted Share Rights

A summary of the status of our RSRs and restricted share awards at December 31, 2013, and changes during 2013 is in the following table:

	Number	Weighted-average grant-date fair value
Nonvested at January 1, 2013	55,287,337	$ 29.78
Granted	18,476,399	35.52
Vested	(12,233,361)	29.32
Canceled or forfeited	(886,381)	30.70
Nonvested at December 31, 2013	60,643,994	31.61

The weighted-average grant date fair value of RSRs granted during 2012 and 2011 was $31.49 and $31.02, respectively.

At December 31, 2013, there was $702 million of total unrecognized compensation cost related to nonvested RSRs. The cost is expected to be recognized over a weighted-average period of 2.5 years. The total fair value of RSRs that vested during 2013, 2012 and 2011 was $472 million, $89 million and $41 million, respectively.

Performance Share Awards

Holders of PSAs are entitled to the related shares of common stock at no cost subject to the Company's achievement of specified performance criteria over a three-year period. PSAs are granted at a target number; based on the Company's performance, the number of awards that vest can be adjusted downward to zero and upward to a maximum of either 125% or 150% of target. The awards vest in the quarter after the end of the performance period. For PSAs whose performance period ended December 31, 2013, the determination of the number of performance shares that will vest will occur in the first quarter of 2014, after review of the Company's performance by the Human Resources Committee of the Board of Directors. In 2013, PSAs granted include discretionary performance based vesting conditions and are subject to variable accounting. For these awards, the associated compensation expense fluctuates with changes in our stock price and the estimated outcome of meeting the performance conditions. The total expense that will be recognized on these awards cannot be finalized until the determination of the awards that will vest.

A summary of the status of our PSAs at December 31, 2013 and changes during 2013 is in the following table, based on the target amount of awards:

	Number	Weighted-average grant date fair value
Nonvested at January 1, 2013	10,294,881	$ 30.35
Granted	4,614,295	33.56
Vested	(4,070,028)	27.67
Nonvested at December 31, 2013	10,839,148	32.72

The weighted-average grant date fair value of performance awards granted during 2012 and 2011 was $31.44 and $31.26, respectively.

At December 31, 2013, there was $56 million of total unrecognized compensation cost related to nonvested performance awards. The cost is expected to be recognized over a weighted-average period of 1.7 years.

Stock Options

The table below summarizes stock option activity and related information for the stock plans. Options assumed in mergers are included in the activity and related information for Incentive Compensation Plans if originally issued under an employee plan, and in the activity and related information for Director Awards if originally issued under a director plan.

	Number	Weighted-average exercise price	Weighted-average remaining contractual term (in yrs.)	Aggregate intrinsic value (in millions)
Incentive compensation plans				
Options outstanding as of December 31, 2012	202,926,392	$ 40.84		
Granted	72,581	35.25		
Canceled or forfeited	(6,366,940)	105.88		
Exercised	(56,147,977)	28.40		
Options exercisable and outstanding as of December 31, 2013	140,484,056	42.86	3.2	$ 2,245
Director awards				
Options outstanding as of December 31, 2012	588,022	31.42		
Granted	11,585	37.05		
Canceled or forfeited	(17,629)	35.43		
Exercised	(102,341)	28.87		
Options exercisable and outstanding as of December 31, 2013	479,637	31.95	2.8	6

As of December 31, 2013, there was no unrecognized compensation cost related to stock options. The total intrinsic value of options exercised during 2013, 2012 and 2011 was $643 million, $694 million and $246 million, respectively.

Cash received from the exercise of stock options for 2013, 2012 and 2011 was $1.6 billion, $1.5 billion and $554 million, respectively.

We do not have a specific policy on repurchasing shares to satisfy share option exercises. Rather, we have a general policy on repurchasing shares to meet common stock issuance requirements for our benefit plans (including share option exercises), conversion of our convertible securities, acquisitions and other corporate purposes. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for acquisitions and employee benefit plans, market conditions (including the trading price of our stock), and regulatory and legal considerations. These factors can change at any time, and there can be no assurance as to the number of shares we will repurchase or when we will repurchase them.

The fair value of each option award granted on or after January 1, 2006, is estimated using a Black-Scholes valuation model. The expected term of reload options granted is generally based on the midpoint between the valuation date and the contractual termination date of the original option. Our expected volatilities are based on a combination of the historical volatility of our common stock and implied volatilities for traded options on our common stock. The risk-free rate is based on the U.S. Treasury zero-coupon yield curve in effect at the time of grant. Both expected volatility and the risk-free rates are based on a period commensurate with our expected term. The expected dividend is based on a fixed dividend amount.

The following table presents the weighted-average per share fair value of options granted and the assumptions used, based on a Black-Scholes option valuation model. All of the options granted in the years shown resulted from the reload feature.

	Year ended December 31,		
	2013	2012	2011
Per share fair value of options granted	**$ 1.58**	2.79	3.78
Expected volatility	**18.3 %**	29.2	32.7
Expected dividends	**$ 0.93**	0.68	0.32
Expected term (in years)	**0.5**	0.7	1.0
Risk-free interest rate	**0.1 %**	0.1	0.2

Employee Stock Ownership Plan

The Wells Fargo & Company 401(k) Plan (401(k) Plan) is a defined contribution plan with an Employee Stock Ownership Plan (ESOP) feature. The ESOP feature enables the 401(k) Plan to borrow money to purchase our preferred or common stock. From 1994 through 2013, with the exception of 2009, we loaned money to the 401(k) Plan to purchase shares of our ESOP preferred stock. As our employer contributions are made to the 401(k) Plan and are used by the 401(k) Plan to make ESOP loan payments, the ESOP preferred stock in the 401(k) Plan is released and converted into our common stock shares. Dividends on the common stock shares allocated as a result of the release and conversion of the ESOP preferred stock reduce retained earnings and the shares are considered outstanding for computing earnings per share. Dividends on the unallocated ESOP preferred stock do not reduce retained earnings, and the shares are not considered to be common stock equivalents for computing earnings per share. Loan principal and interest payments are made from our employer contributions to the 401(k) Plan, along with dividends paid on the ESOP preferred

stock. With each principal and interest payment, a portion of the ESOP preferred stock is released and converted to common stock shares, which are allocated to the 401(k) Plan participants and invested in the Wells Fargo ESOP Fund within the 401(k) Plan.

The balance of common stock and unreleased preferred stock held in the Wells Fargo ESOP fund, the fair value of unreleased ESOP preferred stock and the dividends on allocated shares of common stock and unreleased ESOP Preferred Stock paid to the 401(k) Plan were:

	Shares outstanding December 31,		
(in millions, except shares)	**2013**	2012	2011
Allocated shares (common)	**137,354,139**	136,821,035	131,046,406
Unreleased shares (preferred)	**1,105,664**	910,934	858,759
Fair value of unreleased ESOP preferred shares	**$ 1,105**	911	859

	Dividends paid Year ended December 31,		
	2013	2012	2011
Allocated shares (common)	**$ 159**	117	60
Unreleased shares (preferred)	**132**	115	95

Deferred Compensation Plan for Independent Sales Agents

WF Deferred Compensation Holdings, Inc. is a wholly-owned subsidiary of the Parent formed solely to sponsor a deferred compensation plan for independent sales agents who provide investment, financial and other qualifying services for or with respect to participating affiliates.

The Nonqualified Deferred Compensation Plan for Independent Contractors, which became effective January 1, 2002, allows participants to defer all or part of their eligible compensation payable to them by a participating affiliate. The Parent has fully and unconditionally guaranteed the deferred compensation obligations of WF Deferred Compensation Holdings, Inc. under the plan.

Note 20: Employee Benefits and Other Expenses

Pension and Postretirement Plans

We sponsor a noncontributory qualified defined benefit retirement plan, the Wells Fargo & Company Cash Balance Plan (Cash Balance Plan), which covers eligible employees of Wells Fargo. Benefits accrued under the Cash Balance Plan were frozen effective July 1, 2009.

Prior to July 1, 2009, eligible employees' Cash Balance Plan accounts were allocated a compensation credit based on a percentage of their certified compensation. The compensation credit percentage was based on age and years of credited service. The freeze discontinues the allocation of compensation credits after June 30, 2009. Investment credits continue to be allocated to participants based on their accumulated balances.

We recognize settlement losses for our Cash Balance Plan based on an assessment of whether our estimated lump sum payments related to the Cash Balance Plan will, in aggregate for the year, exceed the sum of its annual service and interest cost (threshold); in 2013, lump sum payments exceeded this threshold. Settlement losses of $123 million were recognized in 2013, representing the pro rata portion of the net loss remaining in cumulative other comprehensive income based on the percentage reduction in the Cash Balance Plan's projected benefit obligation. A remeasurement of the Cash Balance liability and related plan assets occurs at the end of each quarter in which settlement losses are recognized.

We did not make a contribution to our Cash Balance Plan in 2013. We do not expect that we will be required to make a contribution to the Cash Balance Plan in 2014; however, this is dependent on the finalization of the actuarial valuation in 2014. Our decision of whether to make a contribution in 2014 will be based on various factors including the actual investment performance of plan assets during 2014. Given these uncertainties, we cannot estimate at this time the amount, if any, that we will contribute in 2014 to the Cash Balance Plan. For the nonqualified pension plans and postretirement benefit plans, there is no minimum required contribution beyond the amount needed to fund benefit payments; we may contribute more to our postretirement benefit plans dependent on various factors.

We provide health care and life insurance benefits for certain retired employees and reserve the right to terminate, modify or amend any of the benefits at any time.

The information set forth in the following tables is based on current actuarial reports using the measurement date of December 31 for our pension and postretirement benefit plans.

The changes in the benefit obligation and the fair value of plan assets, the funded status and the amounts recognized on the balance sheet were:

	December 31,					
	2013			2012		
	Pension benefits			Pension benefits		
(in millions)	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Change in benefit obligation:						
Benefit obligation at beginning of year	$ 11,717	719	1,293	10,634	691	1,304
Service cost	-	-	11	3	-	11
Interest cost	465	29	47	514	32	60
Plan participants' contributions	-	-	77	-	-	80
Actuarial loss (gain)	(1,106)	(17)	(306)	1,242	62	(23)
Benefits paid	(875)	(62)	(147)	(725)	(66)	(147)
Medicare Part D subsidy	-	-	8	-	-	11
Curtailment	-	-	-	-	-	(3)
Amendments	-	-	-	1	-	-
Liability transfer	-	-	-	47	-	-
Foreign exchange impact	(3)	-	(1)	1	-	-
Benefit obligation at end of year	10,198	669	982	11,717	719	1,293
Change in plan assets:						
Fair value of plan assets at beginning of year	9,539	-	636	9,061	-	640
Actual return on plan assets	743	-	71	1,149	-	55
Employer contribution	4	62	-	9	66	(3)
Plan participants' contributions	-	-	77	-	-	80
Benefits paid	(875)	(62)	(147)	(725)	(66)	(147)
Medicare Part D subsidy	-	-	8	-	-	11
Asset transfer	-	-	-	44	-	-
Foreign exchange impact	(2)	-	-	1	-	-
Fair value of plan assets at end of year	9,409	-	645	9,539	-	636
Funded status at end of year	$ (789)	(669)	(337)	(2,178)	(719)	(657)
Amounts recognized on the balance sheet at end of year:						
Liabilities	$ (789)	(669)	(337)	(2,178)	(719)	(657)

Note 20: Employee Benefits and Other Expenses *(continued)*

The following table provides information for pension plans with benefit obligations in excess of plan assets.

	December 31,	
(in millions)	**2013**	2012
Projected benefit obligation	**$ 10,822**	12,391
Accumulated benefit obligation	**10,820**	12,389
Fair value of plan assets	**9,364**	9,490

The components of net periodic benefit cost and other comprehensive income were:

										December 31,
				2013			2012			2011
		Pension benefits			Pension benefits			Pension benefits		
(in millions)		**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Service cost	**$**	**-**	**-**	**11**	3	-	11	6	1	13
Interest cost		**465**	**29**	**47**	514	32	60	520	34	71
Expected return on plan assets		**(674)**	**-**	**(36)**	(652)	-	(36)	(759)	-	(41)
Amortization of net actuarial loss (gain)		**137**	**15**	**(1)**	131	10	-	86	6	-
Amortization of prior service credit		**-**	**-**	**(2)**	-	-	(2)	-	-	(3)
Settlement loss (1)		**124**	**3**	**-**	2	5	-	4	3	-
Curtailment gain		**-**	**-**	**-**	-	-	(3)	-	-	-
Net periodic benefit cost		**52**	**47**	**19**	(2)	47	30	(143)	44	40
Other changes in plan assets and benefit obligations recognized in other comprehensive income:										
Net actuarial loss (gain)		**(1,175)**	**(17)**	**(341)**	758	62	(42)	1,120	33	(74)
Amortization of net actuarial gain (loss)		**(137)**	**(15)**	**1**	(131)	(10)	-	(86)	(6)	-
Prior service cost		**-**	**-**	**-**	(2)	-	-	-	-	-
Amortization of prior service credit		**-**	**-**	**2**	-	-	2	-	-	3
Settlement (1)		**(124)**	**(3)**	**-**	(1)	(5)	-	(4)	(3)	-
Curtailment		**-**	**-**	**-**	-	-	-	(3)	-	-
Translation adjustments		**-**	**-**	**-**	-	-	-	(1)	-	-
Total recognized in other comprehensive income		**(1,436)**	**(35)**	**(338)**	624	47	(40)	1,026	24	(71)
Total recognized in net periodic benefit cost and other comprehensive income	**$**	**(1,384)**	**12**	**(319)**	622	94	(10)	883	68	(31)

(1) Qualified settlements include $123 million for the Cash Balance Plan.

Amounts recognized in cumulative OCI (pre tax) consist of:

	December 31,					
	2013			2012		
	Pension benefits			Pension benefits		
(in millions)	**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits
Net actuarial loss (gain)	**$ 1,887**	**148**	**(321)**	3,323	184	19
Net prior service credit	**(2)**	**-**	**(22)**	(2)	-	(25)
Net transition obligation	**-**	**-**	**-**	-	-	1
Total	**$ 1,885**	**148**	**(343)**	3,321	184	(5)

The net actuarial loss for the defined benefit pension plans and other post retirement plans that will be amortized from cumulative OCI into net periodic benefit cost in 2014 is $74 million. The net prior service credit for the defined benefit pension plans and other post retirement plans that will be amortized from cumulative OCI into net periodic benefit cost in 2014 is $3 million.

Plan Assumptions

For additional information on our pension accounting assumptions, see Note 1.

The weighted-average discount rates used to estimate the projected benefit obligation for pension benefits were:

	December 31,					
	2013			2012		
	Pension benefits			Pension benefits		
	Qualified	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits
Discount rate	**4.75 %**	**4.25**	**4.50**	4.00	4.00	3.75

The weighted-average assumptions used to determine the net periodic benefit cost were:

	December 31,								
	2013			2012			2011		
	Pension benefits			Pension benefits			Pension benefits		
	Qualified	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Discount rate (1)	**4.38 %**	**4.08**	**3.75**	5.00	4.92	4.75	5.25	5.25	5.25
Expected return on plan assets	**7.50**	**n/a**	**6.00**	7.50	n/a	6.00	8.25	n/a	6.00

(1) The discount rate for the 2013 qualified pension benefits and for the 2013 and 2012 nonqualified pension benefits includes the impact of quarter-end remeasurements when settlement losses are recognized.

To account for postretirement health care plans we use health care cost trend rates to recognize the effect of expected changes in future health care costs due to medical inflation, utilization changes, new technology, regulatory requirements and Medicare cost shifting. In determining the end of year benefit obligation we assume a range of average annual increases of approximately 6.75% to 8.50%, dependent on plan type, for health care costs in 2014. These rates are assumed to trend down 0.25% per year until the trend rate reaches an ultimate rate of 5.00% in 2023 to 2028, dependent on plan type. The 2013 periodic benefit cost was determined using initial annual trend rates in the range of 7.00% to 8.75%, dependent on plan type. These rates were assumed to decrease 0.25% per year until they reached ultimate rates of 5.00% in 2023 to 2028, dependent on plan type. Increasing the assumed health care trend by one percentage point in each year would increase the benefit obligation as of December 31, 2013, by $29 million and the total of the interest cost and service cost components of the net periodic benefit cost for 2013 by $1 million. Decreasing the assumed health care trend by one percentage point in each year would decrease the benefit obligation as of December 31, 2013, by $26 million and the total of the interest cost and service cost components of the net periodic benefit cost for 2013 by $1 million.

Investment Strategy and Asset Allocation

We seek to achieve the expected long-term rate of return with a prudent level of risk given the benefit obligations of the pension plans and their funded status. Our overall investment strategy is designed to provide our Cash Balance Plan with long-term growth opportunities while ensuring that risk is mitigated through diversification across numerous asset classes and various investment strategies. We target the asset allocation for our Cash Balance Plan at a target mix range of 30-50% equities, 40-60% fixed income, and approximately 10% in real estate, venture capital, private equity and other investments. The Employee Benefit Review Committee (EBRC), which includes several members of senior management, formally reviews the investment risk and performance of our Cash Balance Plan on a quarterly basis. Annual Plan liability analysis and periodic asset/liability evaluations are also conducted.

Other benefit plan assets include (1) assets held in a 401(h) trust, which are invested with a target mix of 40-60% for both equities and fixed income, and (2) assets held in the Retiree Medical Plan Voluntary Employees' Beneficiary Association (VEBA) trust, which are invested with a general target asset mix of 20-40% equities and 60-80% fixed income. In addition, the strategy for the VEBA trust assets considers the effect of income taxes by utilizing a combination of variable annuity and low turnover investment strategies. Members of the EBRC formally review the investment risk and performance of these assets on a quarterly basis.

Projected Benefit Payments

Future benefits that we expect to pay under the pension and other benefit plans are presented in the following table. Other benefits payments are expected to be reduced by prescription drug subsidies from the federal government provided by the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

	Pension benefits		Other benefits	
(in millions)	Qualified	Non-qualified	Future benefits	Subsidy receipts
Year ended December 31,				
2014	$ 768	70	87	13
2015	743	65	89	11
2016	721	64	90	11
2017	719	58	90	11
2018	717	72	90	12
2019-2023	3,321	238	425	57

Fair Value of Plan Assets

The following table presents the balances of pension plan assets and other benefit plan assets measured at fair value. See Note 17 for fair value hierarchy level definitions.

	Carrying value at year end							
	Pension plan assets				Other benefits plan assets			
(in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
December 31, 2013								
Cash and cash equivalents	$ 65	357	-	422	147	22	-	169
Long duration fixed income (1)	546	3,287	1	3,834	-	-	-	-
Intermediate (core) fixed income (2)	86	339	-	425	64	115	-	179
High-yield fixed income	5	326	-	331	-	-	-	-
International fixed income	201	112	-	313	-	-	-	-
Domestic large-cap stocks (3)	824	415	-	1,239	-	107	-	107
Domestic mid-cap stocks	260	145	-	405	-	46	-	46
Domestic small-cap stocks (4)	286	15	-	301	-	38	-	38
International stocks (5)	540	354	1	895	28	54	-	82
Emerging market stocks	-	405	-	405	-	-	-	-
Real estate/timber (6)	89	1	294	384	-	-	-	-
Hedge funds (7)	-	149	152	301	-	-	-	-
Private equity	-	-	158	158	-	-	-	-
Other	-	27	52	79	2	-	22	24
Total plan investments	$ 2,902	5,932	658	9,492	241	382	22	645
Payable upon return of securities loaned				(94)				-
Net receivables				11				-
Total plan assets			$	9,409				645
December 31, 2012								
Cash and cash equivalents	$ -	312	-	312	164	23	-	187
Long duration fixed income (1)	545	3,124	1	3,670	-	-	-	-
Intermediate (core) fixed income (2)	71	355	-	426	65	116	-	181
High-yield fixed income	5	367	-	372	-	-	-	-
International fixed income	251	112	-	363	-	-	-	-
Domestic large-cap stocks (3)	854	499	-	1,353	-	102	-	102
Domestic mid-cap stocks	283	158	-	441	-	41	-	41
Domestic small-cap stocks (4)	309	15	-	324	-	30	-	30
International stocks (5)	578	341	1	920	28	47	-	75
Emerging market stocks	-	538	-	538	-	-	-	-
Real estate/timber (6)	100	1	328	429	-	-	-	-
Hedge funds (7)	-	187	71	258	-	-	-	-
Private equity	-	-	145	145	-	-	-	-
Other	-	31	48	79	1	-	22	23
Total plan investments	$ 2,996	6,040	594	9,630	258	359	22	639
Payable upon return of securities loaned				(112)				(3)
Net receivables (payables)				21				-
Total plan assets			$	9,539				636

(1) This category includes a diversified mix of assets wh ch are being managed in accordance with a duration target of approximately 10 years and an emphasis on corporate credit bonds combined with investments in U.S. Treasury securities and other U.S. agency and non-agency bonds.

(2) This category includes assets that are primarily intermediate duration, investment grade bonds held in investment strategies benchmarked to the Barclays Cap tal U.S. Aggregate Bond Index. Includes U.S. Treasury securities, agency and non-agency asset-backed bonds and corporate bonds.

(3) This category covers a broad range of investment styles, both active and passive approaches, as well as style characteristics of value, core and growth emphasized strategies. Assets in this category are currently diversified across seven unique investment strategies. For December 31, 2013 and 2012, respectively, approximately 15% and 24% of the assets w thin this category are passively managed to popular mainstream market indexes including the Standard & Poor's 500 Index; excluding the allocat on to the S&P 500 Index strategy, no single investment manager represents more than 2.5% of total plan assets.

(4) This category consists of a highly diversified combination of four distinct investment management strategies with no single strategy representing more than 2% of total plan assets. Allocations in this category are spread across actively managed approaches w th distinct value and growth emphasized approaches in fairly equal proport ons.

(5) This category includes assets diversified across six unique investment strategies providing exposure to companies based primarily in developed market, non-U.S. countries w th no single strategy representing more than 2.5% of total plan assets.

(6) This category primarily includes investments in private and publ c real estate, as well as timber specific limited partnerships; real estate holdings are diversified by geograph c location and sector (e.g., retail, off ce, apartments).

(7) This category consists of several investment strategies diversified across more than 30 hedge fund managers. Single manager allocation exposure is limited to 0.15% (15 basis points) of total plan assets.

The changes in Level 3 pension plan and other benefit plan assets measured at fair value are summarized as follows:

(in millions)	Balance beginning of year	Gains (losses) Realized	Gains (losses) Unrealized (1)	Purchases, sales and settlements (net)	Transfers Into/(Out of) Level 3	Balance end of year
Year ended December 31, 2013						
Pension plan assets:						
Long duration fixed income	**$ 1**	**-**	**-**	**-**	**-**	**1**
International stocks	**1**	**-**	**-**	**-**	**-**	**1**
Real estate/timber	**328**	**27**	**52**	**(113)**	**-**	**294**
Hedge funds	**71**	**5**	**6**	**56**	**14**	**152**
Private equity	**145**	**19**	**6**	**(12)**	**-**	**158**
Other	**48**	**1**	**5**	**(2)**	**-**	**52**
	$ 594	**52**	**69**	**(71)**	**14**	**658**
Other benefits plan assets:						
Other	**$ 22**	**-**	**-**	**-**	**-**	**22**
	$ 22	**-**	**-**	**-**	**-**	**22**
Year ended December 31, 2012						
Pension plan assets:						
Long duration fixed income	$ 1	-	-	-	-	1
Intermediate (core) fixed income	6	-	-	-	(6)	-
High-yield fixed income	1	-	-	-	(1)	-
Domestic large-cap stocks	2	-	-	-	(2)	-
International stocks	1	-	-	1	(1)	1
Real estate/timber	355	22	2	(51)	-	328
Hedge funds	251	1	2	8	(191)	71
Private equity	129	8	10	(2)	-	145
Other	46	1	3	(2)	-	48
	$ 792	32	17	(46)	(201)	594
Other benefits plan assets:						
Real estate/timber	$ 12	-	-	(12)	-	-
Hedge funds	8	-	-	(8)	-	-
Private equity	4	-	-	(4)	-	-
Other	23	-	-	(1)	-	22
	$ 47	-	-	(25)	-	22

(1) All unrealized gains (losses) relate to instruments held at period end.

VALUATION METHODOLOGIES Following is a description of the valuation methodologies used for assets measured at fair value.

Cash and Cash Equivalents – includes investments in collective investment funds valued at fair value based upon the quoted market values of the underlying net assets. The unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments traded on an active market. This group of assets also includes investments in registered investment companies valued at the NAV of shares held at year end.

Long Duration, Intermediate (Core), High-Yield, and International Fixed Income – includes investments traded on the secondary markets; prices are measured by using quoted market prices for similar securities, pricing models, and discounted cash flow analyses using significant inputs observable in the market where available, or a combination of multiple valuation techniques. This group of assets also includes highly liquid government securities such as U.S. Treasuries, and registered investment companies and collective investment funds described above.

Domestic, International and Emerging Market Stocks – investments in exchange-traded equity securities are valued at quoted market values. This group of assets also includes investments in registered investment companies and collective investment funds described above.

Real Estate and Timber – the fair value of real estate and timber is estimated based primarily on appraisals prepared by third-party appraisers. Market values are estimates and the actual market price of the real estate can only be determined by negotiation between independent third parties in a sales transaction. This group of assets also includes investments in exchange-traded equity securities described above.

Hedge Funds and Private Equity – the fair values of hedge funds are valued based on the proportionate share of the underlying

net assets of the investment funds that comprise the fund, based on valuations supplied by the underlying investment funds. Investments in private equity funds are valued at the NAV provided by the fund sponsor. Market values are estimates and the actual market price of the investments can only be determined by negotiation between independent third parties in a sales transaction.

Other – insurance contracts that are generally stated at cash surrender value. This group of assets also includes investments in collective investment funds and private equity described above.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Defined Contribution Retirement Plans

We sponsor a defined contribution retirement plan named the Wells Fargo & Company 401(k) Plan (401(k) Plan). Under the 401(k) Plan, after one month of service, eligible employees may contribute up to 50% of their certified compensation, subject to statutory limits. Eligible employees who complete one year of service are eligible for company matching contributions, which are generally dollar for dollar up to 6% of an employee's eligible certified compensation. As of January 1, 2010, matching contributions are 100% vested. The 401(k) Plan includes a discretionary profit sharing contribution feature to allow us to make a contribution to eligible employees' 401(k) Plan accounts. Profit sharing contributions are vested after three years of service. Total defined contribution retirement plan expenses were $1.2 billion in 2013, and $1.1 billion in both 2012 and 2011.

Other Expenses

Expenses exceeding 1% of total interest income and noninterest income in any of the years presented that are not otherwise shown separately in the financial statements or Notes to Financial Statements were:

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Outside professional services	**$ 2,519**	2,729	2,692
Outside data processing	**983**	910	935
Contract services	**935**	1,011	1,407
Travel and entertainment	**885**	839	821
Operating losses	**821**	2,235	1,261
Postage, stationery and supplies	**756**	799	942
Foreclosed assets	**605**	1,061	1,354

Note 21: Income Taxes

The components of income tax expense were:

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Current:			
Federal	**$ 4,601**	9,141	3,352
State and local	**736**	1,198	468
Foreign	**91**	61	52
Total current	**5,428**	10,400	3,872
Deferred:			
Federal	**4,457**	(1,151)	3,088
State and local	**522**	(166)	471
Foreign	**(2)**	20	14
Total deferred	**4,977**	(1,297)	3,573
Total	**$ 10,405**	9,103	7,445

The tax effects of our temporary differences that gave rise to significant portions of our deferred tax assets and liabilities are presented in the following table.

	December 31,	
(in millions)	**2013**	2012
Deferred tax assets		
Allowance for loan losses	**$ 5,227**	6,192
Deferred compensation and employee benefits	**4,283**	4,701
Accrued expenses	**1,247**	1,692
PCI loans	**2,150**	2,692
Basis difference in investments	**1,084**	1,182
Net operating loss and tax credit carry forwards	**773**	1,058
Other	**1,720**	1,868
Total deferred tax assets	**16,484**	19,385
Deferred tax assets valuation allowance	**(457)**	(579)
Deferred tax liabilities		
Mortgage servicing rights	**(6,657)**	(7,360)
Leasing	**(4,274)**	(4,414)
Mark to market, net	**(5,761)**	(2,401)
Intangible assets	**(1,885)**	(2,157)
Net unrealized gains on investment securities	**(1,155)**	(4,135)
Insurance reserves	**(2,068)**	(1,707)
Other	**(1,733)**	(1,683)
Total deferred tax liabilities	**(23,533)**	(23,857)
Net deferred tax liability (1)	**$ (7,506)**	(5,051)

(1) Included in accrued expenses and other liabilities.

Deferred taxes related to net unrealized gains (losses) on investment securities, net unrealized gains (losses) on derivatives, foreign currency translation, and employee benefit plan adjustments are recorded in cumulative OCI (see Note 23). These associated adjustments increased OCI by $2.5 billion in 2013.

We have determined that a valuation reserve is required for 2013 in the amount of $457 million predominantly attributable to deferred tax assets in various state and foreign jurisdictions where we believe it is more likely than not that these deferred tax assets will not be realized. In these jurisdictions, carry back limitations, lack of sources of taxable income, and tax planning strategy limitations contributed to our conclusion that the deferred tax assets would not be realizable. We have concluded that it is more likely than not that the remaining deferred tax assets will be realized based on our history of earnings, sources of taxable income in carry back periods, and our ability to implement tax planning strategies.

At December 31, 2013, we had net operating loss and credit carry forwards with related deferred tax assets of $730 million and $43 million, respectively. If these carry forwards are not utilized, they will expire in varying amounts through 2033.

At December 31, 2013, we had undistributed foreign earnings of $1.6 billion related to foreign subsidiaries. We intend to reinvest these earnings indefinitely outside the U.S. and accordingly have not provided $450 million of income tax liability on these earnings.

The following table reconciles the statutory federal income tax expense and rate to the effective income tax expense and rate. Our effective tax rate is calculated by dividing income tax expense by income before income tax expense less the net income from noncontrolling interests.

(in millions)	2013 Amount	2013 Rate	2012 Amount	2012 Rate	2011 Amount	2011 Rate
			December 31,			
Statutory federal income tax expense and rate	**$ 11,299**	**35.0 %**	$ 9,800	35.0 %	$ 8,160	35.0 %
Change in tax rate resulting from:						
State and local taxes on income, net of federal income tax benefit	**964**	**3.0**	856	3.1	730	3.1
Tax-exempt interest	**(490)**	**(1.5)**	(414)	(1.5)	(334)	(1.4)
Excludable dividends	**(49)**	**(0.2)**	(132)	(0.5)	(247)	(1.1)
Tax credits	**(967)**	**(3.0)**	(815)	(2.9)	(735)	(3.2)
Life insurance	**(173)**	**(0.5)**	(524)	(1.9)	(222)	(1.0)
Leveraged lease tax expense	**302**	**0.9**	347	1.2	272	1.2
Other	**(481)**	**(1.5)**	(15)	-	(179)	(0.7)
Effective income tax expense and rate	**$ 10,405**	**32.2 %**	$ 9,103	32.5 %	$ 7,445	31.9 %

The effective tax rate for 2013, included a net reduction in the reserve for uncertain tax positions primarily due to settlements with authorities regarding certain cross border transactions and tax benefits recognized from the realization for tax purposes of a previously written down investment. The 2012 effective tax rate included a tax benefit resulting from the surrender of previously written-down Wachovia life insurance investments. The 2011 effective tax rate included a decrease in tax expense associated with leverage leases, as well as tax benefits related to charitable donations of appreciated securities.

The change in unrecognized tax benefits follows:

(in millions)	Year ended December 31, 2013	2012
Balance at beginning of year	**$ 6,069**	5,005
Additions:		
For tax positions related to the current year	**427**	877
For tax positions related to prior years	**283**	491
Reductions:		
For tax positions related to prior years	**(540)**	(114)
Lapse of statute of limitations	**(74)**	(23)
Settlements with tax authorities	**(637)**	(167)
Balance at end of year	**$ 5,528**	6,069

Of the $5.5 billion of unrecognized tax benefits at December 31, 2013, approximately $3.7 billion would, if recognized, affect the effective tax rate. The remaining $1.8 billion of unrecognized tax benefits relates to income tax positions on temporary differences.

We recognize interest and penalties as a component of income tax expense. At December 31, 2013 and 2012, we have accrued approximately $832 million and $1.0 billion for the payment of interest and penalties, respectively. We recognized in income tax expense in 2013 and 2012, interest and penalties of $69 million and $92 million, respectively.

We are subject to U.S. federal income tax as well as income tax in numerous state and foreign jurisdictions. We are routinely examined by tax authorities in these various jurisdictions. The IRS is currently examining the 2007 through 2012 consolidated federal income tax returns of Wells Fargo & Company and its subsidiaries. In addition, we are currently subject to examination by various state, local and foreign taxing authorities. With few exceptions, Wells Fargo and its subsidiaries are not subject to federal, state, local and foreign income tax examinations for taxable years prior to 2007. Wachovia Corporation and its subsidiaries are no longer subject to federal examination and, with limited exception, are no longer subject to state, local, and foreign income tax examinations.

We are litigating or appealing various issues related to our prior IRS examinations for the periods 1999 and 2003 through 2006, and we are appealing various issues related to IRS examinations of Wachovia's 2003 through 2008 tax years. We have paid the IRS the contested income tax and interest associated with these issues and refund claims have been filed for the respective years. On August 22, 2013, the U.S. Court of Appeals for the Eighth Circuit affirmed the adverse decision of the trial court in our lease restructuring transaction and on October 29, 2013, the Eighth Circuit denied our petition for rehearing. We are considering whether to file a petition for certiorari to the U.S. Supreme Court. It is possible that one or more of these examinations, appeals or litigation may be resolved within the next twelve months resulting in a decrease of up to $1.5 billion to our gross unrecognized tax benefits.

Note 22: Earnings Per Common Share

The table below shows earnings per common share and diluted earnings per common share and reconciles the numerator and denominator of both earnings per common share calculations. See Note 1 for discussion of private share repurchases and the Consolidated Statement of Changes in Equity and Note 19 for information about stock and options activity and terms and conditions of warrants.

		Year ended December 31,		
(in millions, except per share amounts)		**2013**	2012	2011
Wells Fargo net income	**$**	**21,878**	18,897	15,869
Less: Preferred stock dividends and other		**989**	898	844
Wells Fargo net income applicable to common stock (numerator)	**$**	**20,889**	17,999	15,025
Earnings per common share				
Average common shares outstanding (denominator)		**5,287.3**	5,287.6	5,278.1
Per share	**$**	**3.95**	3.40	2.85
Diluted earnings per common share				
Average common shares outstanding		**5,287.3**	5,287.6	5,278.1
Add: Stock Options		**33.1**	27.5	24.2
Restricted share rights		**44.8**	36.4	21.1
Warrants		**6.0**	-	-
Diluted average common shares outstanding (denominator)		**5,371.2**	5,351.5	5,323.4
Per share	**$**	**3.89**	3.36	2.82

The following table presents the outstanding options and warrants to purchase shares of common stock that were anti-dilutive (the exercise price was higher than the weighted-average market price), and therefore not included in the calculation of diluted earnings per common share.

	Weighted-average shares		
	Year ended December 31,		
(in millions)	**2013**	2012	2011
Options	**11.1**	56.4	198.8
Warrants	**-**	39.2	39.4

Note 23: Other Comprehensive Income

The components of other comprehensive income (OCI), reclassifications to net income by income statement line item, and the related tax effects were:

	Year ended December 31,								
			2013			2012			2011
(in millions)	**Before tax**	**Tax effect**	**Net of tax**	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Investment securities:									
Net unrealized gains (losses) arising during the period (1)	**$ (7,661)**	**2,981**	**(4,680)**	5,143	(1,921)	3,222	(588)	359	(229)
Reclassification of net (gains) losses to net income:									
Net (gains) losses on debt securities	**29**	**(11)**	**18**	128	(48)	80	(54)	20	(34)
Net gains from equity investments	**(314)**	**118**	**(196)**	(399)	150	(249)	(642)	242	(400)
Subtotal reclassifications to net income	**(285)**	**107**	**(178)**	(271)	102	(169)	(696)	262	(434)
Net change	**(7,946)**	**3,088**	**(4,858)**	4,872	(1,819)	3,053	(1,284)	621	(663)
Derivatives and hedging activities:									
Net unrealized gains (losses) arising during the period	**(32)**	**12**	**(20)**	52	(12)	40	190	(85)	105
Reclassification of net (gains) losses to net income:									
Interest income on loans	**(426)**	**156**	**(270)**	(490)	185	(305)	(686)	259	(427)
Interest expense on long-term debt	**91**	**(34)**	**57**	96	(36)	60	115	(42)	73
Noninterest income	**35**	**(13)**	**22**	-	-	-	-	-	-
Salaries expense	**4**	**(2)**	**2**	6	(2)	4	-	-	-
Subtotal reclassifications to net income	**(296)**	**107**	**(189)**	(388)	147	(241)	(571)	217	(354)
Net change	**(328)**	**119**	**(209)**	(336)	135	(201)	(381)	132	(249)
Defined benefit plans adjustments:									
Net actuarial gains (losses) arising during the period	**1,533**	**(578)**	**955**	(775)	290	(485)	(1,079)	411	(668)
Reclassification of amounts to net periodic benefit costs (2):									
Amortization of net actuarial loss	**151**	**(57)**	**94**	141	(53)	88	92	(35)	57
Settlements and other	**125**	**(46)**	**79**	3	(1)	2	7	(3)	4
Subtotal reclassifications to net periodic benefit costs	**276**	**(103)**	**173**	144	(54)	90	99	(38)	61
Net change	**1,809**	**(681)**	**1,128**	(631)	236	(395)	(980)	373	(607)
Foreign currency translation adjustments:									
Net unrealized losses arising during the period	**(44)**	**(7)**	**(51)**	(6)	2	(4)	(37)	13	(24)
Reclassification of net gains to net income:									
Noninterest income	**(12)**	**5**	**(7)**	(10)	4	(6)	-	-	-
Net change	**(56)**	**(2)**	**(58)**	(16)	6	(10)	(37)	13	(24)
Other comprehensive income (loss)	**$ (6,521)**	**2,524**	**(3,997)**	3,889	(1,442)	2,447	(2,682)	1,139	(1,543)
Less: Other comprehensive income (loss) from noncontrolling interests, net of tax			**267**			4			(12)
Wells Fargo other comprehensive income (loss), net of tax			**$ (4,264)**			2,443			(1,531)

(1) December 31, 2013, includes $46 million in unrealized gains (pre-tax) related to available-for-sale securities that were transferred to the held-to-maturity portfolio.
(2) These items are included in the computation of net periodic benefit cost, which is recorded in employee benefits expense (see Note 20 for additional details).

Note 23: Other Comprehensive Income *(continued)*

Cumulative OCI balances were:

(in millions)	Investment securities	Derivatives and hedging activities	Defined benefit plans adjustments	Foreign currency translation adjustments	Cumulative other comprehensive income
Balance, December 31, 2010	$ 5,066	739	(1,179)	112	4,738
Net unrealized gains (losses) arising during the period	(229)	105	(668)	(24)	(816)
Amounts reclassified to net income	(434)	(354)	61	-	(727)
Net change	(663)	(249)	(607)	(24)	(1,543)
Less: Other comprehensive income (loss) from noncontrolling interests	(10)	-	-	(2)	(12)
Balance, December 31, 2011	4,413	490	(1,786)	90	3,207
Net unrealized gains (losses) arising during the period	3,222	40	(485)	(4)	2,773
Amounts reclassified to net income	(169)	(241)	90	(6)	(326)
Net change	3,053	(201)	(395)	(10)	2,447
Less: Other comprehensive income (loss) from noncontrolling interests	4	-	-	-	4
Balance, December 31, 2012	7,462	289	(2,181)	80	5,650
Net unrealized gains (losses) arising during the period	**(4,680)**	**(20)**	**955**	**(51)**	**(3,796)**
Amounts reclassified to net income	**(178)**	**(189)**	**173**	**(7)**	**(201)**
Net change	**(4,858)**	**(209)**	**1,128**	**(58)**	**(3,997)**
Less: Other comprehensive income (loss) from noncontrolling interests	**266**	**-**	**-**	**1**	**267**
Balance, December 31, 2013	**$ 2,338**	**80**	**(1,053)**	**21**	**1,386**

Note 24: Operating Segments

We have three reportable operating segments: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. The results for these operating segments are based on our management accounting process, for which there is no comprehensive, authoritative guidance equivalent to GAAP for financial accounting. The management accounting process measures the performance of the operating segments based on our management structure and is not necessarily comparable with similar information for other financial services companies. We define our operating segments by product type and customer segment. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change.

Community Banking offers a complete line of diversified financial products and services to consumers and small businesses with annual sales generally up to $20 million in which the owner generally is the financial decision maker. Community Banking also offers investment management and other services to retail customers and securities brokerage through affiliates. These products and services include the *Wells Fargo Advantage Funds*SM, a family of mutual funds. Loan products include lines of credit, auto floor plan lines, equity lines and loans, equipment and transportation loans, education loans, origination and purchase of residential mortgage loans and servicing of mortgage loans and credit cards. Other credit products and financial services available to small businesses and their owners include equipment leases, real estate and other commercial financing, Small Business Administration financing, venture capital financing, cash management, payroll services, retirement plans, Health Savings Accounts, credit cards, and merchant payment processing. Community Banking also offers private label financing solutions for retail merchants across the United States and purchases retail installment contracts from auto dealers in the United States and Puerto Rico. Consumer and business deposit products include checking accounts, savings deposits, market rate accounts, Individual Retirement Accounts, time deposits, global remittance and debit cards.

Community Banking serves customers through a complete range of channels, including traditional banking stores, in-store banking centers, business centers, ATMs, Online and Mobile Banking, and *Wells Fargo Customer Connection,* a 24-hours a day, seven days a week telephone service.

Wholesale Banking provides financial solutions to businesses across the United States with annual sales generally in excess of $20 million and to financial institutions globally. Wholesale Banking provides a complete line of commercial, corporate, capital markets, cash management and real estate banking products and services. These include traditional commercial loans and lines of credit, letters of credit, asset-based lending, equipment leasing, international trade facilities, trade financing, collection services, foreign exchange services, treasury management, investment management, institutional fixed-income sales, interest rate, commodity and equity risk management, online/electronic products such as the *Commercial Electronic Office*® (*CEO*®) portal, insurance, corporate trust fiduciary and agency services, and investment banking services. Wholesale Banking manages customer investments through institutional separate accounts and mutual funds, including the Wells Fargo Advantage Funds and Wells Capital Management. Wholesale Banking also supports the CRE market with products and services such as construction loans for commercial and residential development, land acquisition and development loans, secured and unsecured lines of credit, interim financing arrangements for completed structures, rehabilitation loans, affordable housing loans and letters of credit, permanent loans for securitization, CRE loan servicing and real estate and mortgage brokerage services.

Wealth, Brokerage and Retirement provides a full range of financial advisory services to clients using a planning approach to meet each client's financial needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions, including financial planning, private banking, credit, investment management and fiduciary services. Abbot Downing, a Wells Fargo business, provides comprehensive wealth management services to ultra high net worth families and individuals as well as endowments and foundations. Brokerage serves customers' advisory, brokerage and financial needs as part of one of the largest full-service brokerage firms in the United States. Retirement is a national leader in providing institutional retirement and trust services (including 401(k) and pension plan record keeping) for businesses, retail retirement solutions for individuals, and reinsurance services for the life insurance industry.

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

Note 24: Operating Segments *(continued)*

(income/expense in millions, average balances in billions)		Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Other (1)	Consolidated Company
2013						
Net interest income (2)	**$**	**28,839**	**12,298**	**2,888**	**(1,225)**	**42,800**
Provision (reversal of provision) for credit losses		**2,755**	**(445)**	**(16)**	**15**	**2,309**
Noninterest income		**21,500**	**11,766**	**10,315**	**(2,601)**	**40,980**
Noninterest expense		**28,723**	**12,378**	**10,455**	**(2,714)**	**48,842**
Income (loss) before income tax expense (benefit)		**18,861**	**12,131**	**2,764**	**(1,127)**	**32,629**
Income tax expense (benefit)		**5,799**	**3,984**	**1,050**	**(428)**	**10,405**
Net income (loss) before noncontrolling interests		**13,062**	**8,147**	**1,714**	**(699)**	**22,224**
Less: Net income from noncontrolling interests		**330**	**14**	**2**	**-**	**346**
Net income (loss) (3)	**$**	**12,732**	**8,133**	**1,712**	**(699)**	**21,878**
2012						
Net interest income (2)	$	29,045	12,648	2,768	(1,231)	43,230
Provision (reversal of provision) for credit losses		6,835	286	125	(29)	7,217
Noninterest income		24,360	11,444	9,392	(2,340)	42,856
Noninterest expense		30,840	12,082	9,893	(2,417)	50,398
Income (loss) before income tax expense (benefit)		15,730	11,724	2,142	(1,125)	28,471
Income tax expense (benefit)		4,774	3,943	814	(428)	9,103
Net income (loss) before noncontrolling interests		10,956	7,781	1,328	(697)	19,368
Less: Net income from noncontrolling interests		464	7	-	-	471
Net income (loss) (3)	$	10,492	7,774	1,328	(697)	18,897
2011						
Net interest income (2)	$	29,657	11,616	2,844	(1,354)	42,763
Provision (reversal of provision) for credit losses		7,976	(110)	170	(137)	7,899
Noninterest income		21,124	9,952	9,333	(2,224)	38,185
Noninterest expense		29,252	11,177	9,934	(970)	49,393
Income (loss) before income tax expense (benefit)		13,553	10,501	2,073	(2,471)	23,656
Income tax expense (benefit)		4,104	3,495	785	(939)	7,445
Net income (loss) before noncontrolling interests		9,449	7,006	1,288	(1,532)	16,211
Less: Net income from noncontrolling interests		316	19	7	-	342
Net income (loss) (3)	$	9,133	6,987	1,281	(1,532)	15,869
2013						
Average loans	**$**	**499.3**	**290.0**	**46.1**	**(30.4)**	**805.0**
Average assets		**835.4**	**502.3**	**180.9**	**(70.3)**	**1,448.3**
Average core deposits		**620.1**	**237.2**	**150.1**	**(65.3)**	**942.1**
2012						
Average loans	$	487.1	273.8	42.7	(28.4)	775.2
Average assets		761.1	481.7	164.6	(65.8)	1,341.6
Average core deposits		591.2	227.0	137.5	(61.8)	893.9

(1) Includes corporate items not specific to a business segment and the elimination of certain items that are included in more than one business segment, substantially all of which represents products and serv ces for wealth management customers provided in Commun ty Banking stores.

(2) Net interest income is the difference between interest earned on assets and the cost of liabilities to fund those assets. Interest earned includes actual interest earned on segment assets and, if the segment has excess liabilities, interest cred ts for providing funding to other segments. The cost of liabilities includes interest expense on segment liabilities and, if the segment does not have enough liabilities to fund ts assets, a funding charge based on the cost of excess liabil ties from another segment.

(3) Represents segment net income (loss) for Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement segments and Wells Fargo net income for the consolidated company.

Note 25: Parent-Only Financial Statements

The following tables present Parent-only condensed financial statements.

Parent-Only Statement of Income

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Income			
Dividends from subsidiaries:			
Bank	**$ 10,612**	11,767	11,546
Nonbank	**33**	1,150	140
Interest income from subsidiaries	**848**	897	914
Other interest income	**240**	222	242
Other income	**484**	267	460
Total income	**12,217**	14,303	13,302
Expense			
Interest expense:			
Indebtedness to nonbank subsidiaries	**334**	287	254
Short-term borrowings	**5**	1	1
Long-term debt	**1,546**	1,877	2,423
Other	**15**	23	8
Noninterest expense	**1,175**	1,127	77
Total expense	**3,075**	3,315	2,763
Income before income tax benefit and equity in undistributed income of subsidiaries	**9,142**	10,988	10,539
Income tax benefit	**(570)**	(903)	(584)
Equity in undistributed income of subsidiaries	**12,166**	7,006	4,746
Net income	**$ 21,878**	18,897	15,869

Note 25: Parent-Only Financial Statements *(continued)*

Parent-Only Statement of Comprehensive Income

	Year ended December 31,		
(in millions)	**2013**	2012	2011
Net income	**$ 21,878**	18,897	15,869
Other comprehensive income (loss), net of tax:			
Investment securities	**(248)**	61	(50)
Derivatives and hedging activities	**39**	31	(1)
Defined benefit plans adjustment	**1,136**	(379)	(650)
Equity in other comprehensive income (loss) of subsidiaries	**(5,191)**	2,730	(830)
Other comprehensive income (loss), net of tax:	**(4,264)**	2,443	(1,531)
Total comprehensive income	**$ 17,614**	21,340	14,338

Parent-Only Balance Sheet

	December 31,	
(in millions)	**2013**	2012
Assets		
Cash and cash equivalents due from:		
Subsidiary banks	**$ 42,386**	35,697
Nonaffiliates	**3**	5
Investment securities	**11,652**	7,268
Loans to subsidiaries:		
Bank	**7,140**	-
Nonbank	**38,504**	41,068
Investments in subsidiaries:		
Bank	**154,577**	148,693
Nonbank	**21,852**	19,492
Other assets	**7,329**	7,880
Total assets	**$ 283,443**	260,103
Liabilities and equity		
Short-term borrowings	**$ 5,121**	1,592
Accrued expenses and other liabilities	**7,241**	8,332
Long-term debt	**81,721**	76,233
Indebtedness to nonbank subsidiaries	**19,218**	16,392
Total liabilities	**113,301**	102,549
Stockholders' equity	**170,142**	157,554
Total liabilities and equity	**$ 283,443**	260,103

Parent-Only Statement of Cash Flows

(in millions)		2013	2012	2011
			Year ended December 31,	
Cash flows from operating activities:				
Net cash provided by operating activities	$	**8,607**	13,365	15,049
Cash flows from investing activities:				
Available-for-sale securities:				
Sales proceeds		**3,606**	6,171	11,459
Prepayments and maturities		**12**	30	-
Purchases		**(6,016)**	(5,845)	(16,487)
Loans:				
Net repayments from subsidiaries		**655**	9,191	1,318
Capital notes and term loans made to subsidiaries		**(6,700)**	(1,850)	(1,340)
Principal collected on notes/loans made to subsidiaries		**1,472**	2,462	5,779
Net increase in investment in subsidiaries		**(1,188)**	(5,218)	(610)
Other, net		**461**	(2)	230
Net cash provided (used) by investing activities		**(7,698)**	4,939	349
Cash flows from financing activities:				
Net increase (decrease) in short-term borrowings and indebtedness to subsidiaries		**6,732**	5,456	(242)
Long-term debt:				
Proceeds from issuance		**18,714**	16,989	7,058
Repayment		**(13,096)**	(18,693)	(31,198)
Preferred stock:				
Proceeds from issuance		**3,145**	1,377	2,501
Cash dividends paid		**(1,017)**	(892)	(844)
Common stock warrants repurchased		**-**	(1)	(2)
Common stock:				
Proceeds from issuance		**2,224**	2,091	1,296
Repurchased		**(5,356)**	(3,918)	(2,416)
Cash dividends paid		**(5,953)**	(4,565)	(2,537)
Excess tax benefits related to stock option payments		**271**	226	79
Other, net		**114**	(14)	-
Net cash provided (used) by financing activities		**5,778**	(1,944)	(26,305)
Net change in cash and due from banks		**6,687**	16,360	(10,907)
Cash and due from banks at beginning of year		**35,702**	19,342	30,249
Cash and due from banks at end of year	$	**42,389**	35,702	19,342

Note 26: Regulatory and Agency Capital Requirements

The Company and each of its subsidiary banks are subject to regulatory capital adequacy requirements promulgated by federal regulatory agencies. The Federal Reserve establishes capital requirements, including well capitalized standards, for the consolidated financial holding company, and the OCC has similar requirements for the Company's national banks, including Wells Fargo Bank, N.A. (the Bank).

We do not consolidate our wholly-owned trust (the Trust) formed solely to issue trust preferred and preferred purchase securities (the Securities). Securities issued by the Trust includable in Tier 1 capital were $2.1 billion at December 31, 2013. During first quarter 2013, we redeemed $2.8 billion of trust preferred securities. Under applicable regulatory capital guidelines issued by bank regulatory agencies, upon notice of redemption, the redeemed trust preferred securities no longer qualify as Tier 1 Capital for the Company. This redemption was in connection with the Capital Plan the Company submitted to the Federal Reserve Board in 2012.

Effective January 1, 2013, the Company implemented changes to the market risk capital rule, commonly referred to as Basel 2.5, as required by U.S. banking regulators. Basel 2.5 requires banking organizations with significant trading activities to adjust their capital requirements to better account for the market risks of those activities. The market risk capital rule is reflected in the Company's calculation of risk-weighted assets and upon initial adoption in first quarter 2013, negatively impacted capital ratios under Basel I by approximately 25 basis points, but did not impact our ratio under Basel III, as its impact has historically been included in our calculations.

The Bank is an approved seller/servicer, and is required to maintain minimum levels of shareholders' equity, as specified by various agencies, including the United States Department of Housing and Urban Development, GNMA, FHLMC and FNMA. At December 31, 2013, the Bank met these requirements. Other subsidiaries, including the Company's insurance and broker-dealer subsidiaries, are also subject to various minimum capital levels, as defined by applicable industry regulations. The minimum capital levels for these subsidiaries, and related restrictions, are not significant to our consolidated operations.

The following table presents regulatory capital information for Wells Fargo & Company and Wells Fargo Bank, N.A.

	Wells Fargo & Company		Wells Fargo Bank, N.A.		Well-	Minimum
				December 31,	capitalized	capital
(in billions, except ratios)	**2013**	2012	**2013**	2012	ratios (1)	ratios (1)
Regulatory capital:						
Tier 1	**$ 140.7**	126.6	**110.0**	101.3		
Total	**176.2**	157.6	**136.4**	124.8		
Assets:						
Risk-weighted	**$ 1,141.5**	1,077.1	**1,057.3**	1,002.0		
Adjusted average (2)	**1,466.7**	1,336.4	**1,324.0**	1,195.9		
Capital ratios:						
Tier 1 capital	**12.33 %**	11.75	**10.40**	10.11	6.00	4.00
Total capital	**15.43**	14.63	**12.90**	12.45	10.00	8.00
Tier 1 leverage (2)	**9.60**	9.47	**8.31**	8.47	5.00	4.00

(1) As defined by the regulations issued by the Federal Reserve, OCC and FDIC.
(2) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items. The minimum leverage ratio guideline is 3% for banking organizat ons that do not anticipate signif cant growth and that have well-diversified risk, excellent asset qual ty, high liquidity, good earnings, effective management and mon toring of market risk and, in general, are cons dered top-rated, strong banking organizations.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Wells Fargo & Company:

We have audited the accompanying consolidated balance sheet of Wells Fargo & Company and Subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2014, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

San Francisco, California
February 26, 2014

Quarterly Financial Data

Condensed Consolidated Statement of Income - Quarterly (Unaudited)

(in millions, except per share amounts)		2013 Quarter ended Dec. 31	Sept. 30	June 30	Mar. 31	2012 Quarter ended Dec. 31	Sept. 30	June 30	Mar. 31
Interest income	$	**11,836**	**11,776**	**11,827**	**11,650**	11,857	11,925	12,354	12,255
Interest expense		**1,033**	**1,028**	**1,077**	**1,151**	1,214	1,263	1,317	1,367
Net interest income		**10,803**	**10,748**	**10,750**	**10,499**	10,643	10,662	11,037	10,888
Provision for credit losses		**363**	**75**	**652**	**1,219**	1,831	1,591	1,800	1,995
Net interest income after provision for credit losses		**10,440**	**10,673**	**10,098**	**9,280**	8,812	9,071	9,237	8,893
Noninterest income									
Service charges on deposit accounts		**1,283**	**1,278**	**1,248**	**1,214**	1,250	1,210	1,139	1,084
Trust and investment fees		**3,458**	**3,276**	**3,494**	**3,202**	3,199	2,954	2,898	2,839
Card fees		**827**	**813**	**813**	**738**	736	744	704	654
Other fees		**1,119**	**1,098**	**1,089**	**1,034**	1,193	1,097	1,134	1,095
Mortgage banking		**1,570**	**1,608**	**2,802**	**2,794**	3,068	2,807	2,893	2,870
Insurance		**453**	**413**	**485**	**463**	395	414	522	519
Net gains from trading activities		**325**	**397**	**331**	**570**	275	529	263	640
Net gains (losses) on debt securities		**(14)**	**(6)**	**(54)**	**45**	(63)	3	(61)	(7)
Net gains from equity investments		**654**	**502**	**203**	**113**	715	164	242	364
Lease income		**148**	**160**	**225**	**130**	170	218	120	59
Other		**39**	**191**	**(8)**	**457**	367	411	398	631
Total noninterest income		**9,862**	**9,730**	**10,628**	**10,760**	11,305	10,551	10,252	10,748
Noninterest expense									
Salaries		**3,811**	**3,910**	**3,768**	**3,663**	3,735	3,648	3,705	3,601
Commission and incentive compensation		**2,347**	**2,401**	**2,626**	**2,577**	2,365	2,368	2,354	2,417
Employee benefits		**1,160**	**1,172**	**1,118**	**1,583**	891	1,063	1,049	1,608
Equipment		**567**	**471**	**418**	**528**	542	510	459	557
Net occupancy		**732**	**728**	**716**	**719**	728	727	698	704
Core deposit and other intangibles		**375**	**375**	**377**	**377**	418	419	418	419
FDIC and other deposit assessments		**196**	**214**	**259**	**292**	307	359	333	357
Other		**2,897**	**2,831**	**2,973**	**2,661**	3,910	3,018	3,381	3,330
Total noninterest expense		**12,085**	**12,102**	**12,255**	**12,400**	12,896	12,112	12,397	12,993
Income before income tax expense		**8,217**	**8,301**	**8,471**	**7,640**	7,221	7,510	7,092	6,648
Income tax expense		**2,504**	**2,618**	**2,863**	**2,420**	1,924	2,480	2,371	2,328
Net income before noncontrolling interests		**5,713**	**5,683**	**5,608**	**5,220**	5,297	5,030	4,721	4,320
Less: Net income from noncontrolling interests		**103**	**105**	**89**	**49**	207	93	99	72
Wells Fargo net income	$	**5,610**	**5,578**	**5,519**	**5,171**	5,090	4,937	4,622	4,248
Less: Preferred stock dividends and other		**241**	**261**	**247**	**240**	233	220	219	226
Wells Fargo net income applicable to common stock	$	**5,369**	**5,317**	**5,272**	**4,931**	4,857	4,717	4,403	4,022
Per share information									
Earnings per common share	$	**1.02**	**1.00**	**1.00**	**0.93**	0.92	0.89	0.83	0.76
Diluted earnings per common share		**1.00**	**0.99**	**0.98**	**0.92**	0.91	0.88	0.82	0.75
Dividends declared per common share		**0.30**	**0.30**	**0.30**	**0.25**	0.22	0.22	0.22	0.22
Average common shares outstanding		**5,270.3**	**5,295.3**	**5,304.7**	**5,279.0**	5,272.4	5,288.1	5,306.9	5,282.6
Diluted average common shares outstanding		**5,358.6**	**5,381.7**	**5,384.6**	**5,353.5**	5,338.7	5,355.6	5,369.9	5,337.8
Market price per common share (1)									
High	$	**45.64**	**44.79**	**41.74**	**38.20**	36.34	36.60	34.59	34.59
Low		**40.07**	**40.79**	**36.19**	**34.43**	31.25	32.62	29.80	27.94
Quarter-end		**45.40**	**41.32**	**41.27**	**36.99**	34.18	34.53	33.44	34.14

(1) Based on daily prices reported on the New York Stock Exchange Composite Transaction Reporting System.

Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis) - Quarterly (1) (2) - (Unaudited)

(in millions)	Quarter ended December 31, 2013 Average balance	2013 Yields/ rates	2013 Interest income/ expense	2012 Average balance	2012 Yields/ rates	2012 Interest income/ expense
Earning assets						
Federal funds sold, securities purchased under resale agreements and other short-term investments	$ 205,276	0.28 %	$ 148	117,047	0.41 %	$ 121
Trading assets	45,379	3.40	386	42,005	3.28	345
Investment securities (3):						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	6,611	1.67	27	5,281	1.64	22
Securities of U.S. states and political subdivisions	42,025	4.38	460	36,391	4.64	422
Mortgage-backed securities:						
Federal agencies	117,910	2.94	866	90,898	2.71	617
Residential and commercial	29,233	6.35	464	32,669	6.53	533
Total mortgage-backed securities	147,143	3.62	1,330	123,567	3.72	1,150
Other debt and equity securities	55,325	3.43	478	50,025	3.91	490
Total available-for-sale securities	251,104	3.65	2,295	215,264	3.87	2,084
Held-to-maturity securities (4)	2,845	3.09	22	-	-	-
Mortgages held for sale (5)	21,396	4.13	221	47,241	3.50	413
Loans held for sale (5)	138	8.21	3	135	9.03	3
Loans:						
Commercial:						
Commercial and industrial	193,211	3.48	1,696	179,493	3.85	1,736
Real estate mortgage	105,795	3.85	1,026	105,107	4.02	1,061
Real estate construction	16,579	4.79	200	17,502	4.97	218
Lease financing	11,744	5.70	167	12,461	6.43	201
Foreign	46,682	2.23	262	39,665	2.32	231
Total commercial	374,011	3.56	3,351	354,228	3.87	3,447
Consumer:						
Real estate 1-4 family first mortgage	257,253	4.15	2,673	244,634	4.39	2,686
Real estate 1-4 family junior lien mortgage	66,774	4.29	721	76,908	4.28	826
Credit card	25,854	12.23	797	23,839	12.43	745
Automobile	50,213	6.70	849	45,957	7.34	848
Other revolving credit and installment	42,564	4.94	529	41,644	4.63	485
Total consumer	442,658	5.01	5,569	432,982	5.15	5,590
Total loans (5)	816,669	4.35	8,920	787,210	4.58	9,037
Other	4,728	5.22	61	4,280	5.21	56
Total earning assets	$ 1,347,535	3.56 %	$ 12,056	1,213,182	3.96 %	$ 12,059
Funding sources						
Deposits:						
Interest-bearing checking	$ 35,171	0.07 %	$ 6	30,858	0.06 %	$ 5
Market rate and other savings	568,750	0.08	110	518,593	0.10	135
Savings certificates	43,067	0.94	102	56,743	1.27	181
Other time deposits	39,700	0.48	47	13,612	1.51	51
Deposits in foreign offices	86,333	0.15	32	69,398	0.15	27
Total interest-bearing deposits	773,021	0.15	297	689,204	0.23	399
Short-term borrowings	52,286	0.12	15	52,820	0.21	28
Long-term debt	153,470	1.65	635	127,505	2.30	735
Other liabilities	12,822	2.70	87	9,975	2.27	56
Total interest-bearing liabilities	991,599	0.42	1,034	879,504	0.55	1,218
Portion of noninterest-bearing funding sources	355,936	-	-	333,678	-	-
Total funding sources	$ 1,347,535	0.30	1,034	1,213,182	0.40	1,218
Net interest margin and net interest income on a taxable-equivalent basis (6)		3.26 %	$ 11,022		3.56 %	$ 10,841
Noninterest-earning assets						
Cash and due from banks	$ 15,998			16,361		
Goodwill	25,637			25,637		
Other	119,947			131,876		
Total noninterest-earning assets	$ 161,582			173,874		
Noninterest-bearing funding sources						
Deposits	$ 287,379			286,924		
Other liabilities	60,489			63,025		
Total equity	169,650			157,603		
Noninterest-bearing funding sources used to fund earning assets	(355,936)			(333,678)		
Net noninterest-bearing funding sources	$ 161,582			173,874		
Total assets	$ 1,509,117			1,387,056		

(1) Our average prime rate was 3.25% for the quarters ended December 31, 2013 and 2012. The average three-month London Interbank Offered Rate (LIBOR) was 0.24% and 0.32% for the same quarters, respectively.
(2) Yields/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) Includes $6.3 billion of federal agency mortgage-backed securities purchased during the fourth quarter of 2013 and $6.0 billion of auto asset-backed securities that were transferred near the end of 2013 from the available-for-sale portfolio.
(5) Nonaccrual loans and related income are included in their respective loan categories.
(6) Includes taxable-equivalent adjustments of $219 million and $198 million for the quarters ended December 31, 2013 and 2012, respectively primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate was 35% for the periods presented.

Glossary of Acronyms

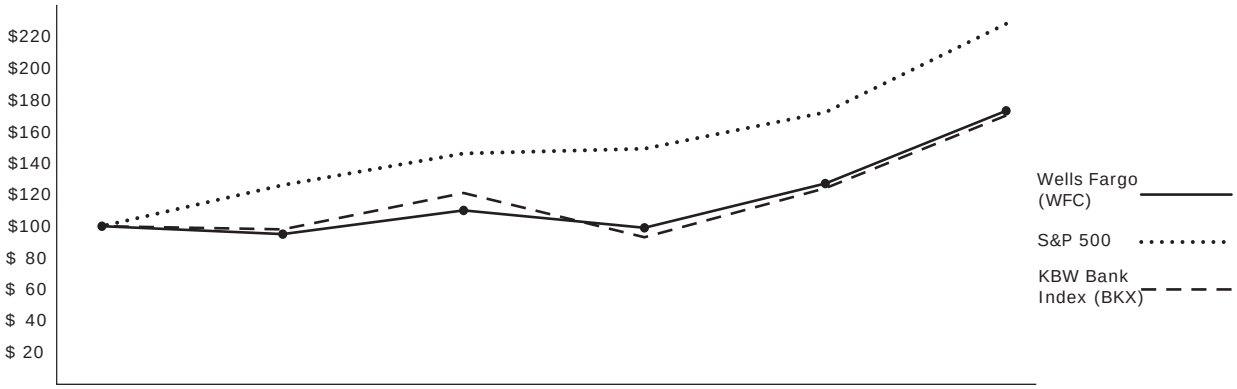
ACL	Allowance for credit losses
ALCO	Asset/Liability Management Committee
ARM	Adjustable-rate mortgage
ARS	Auction rate security
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
AVM	Automated valuation model
BCBS	Basel Committee on Bank Supervision
BHC	Bank holding company
CCAR	Comprehensive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

Stock Performance

These graphs compare the cumulative total stockholder return and total compound annual growth rate (CAGR) for our common stock (NYSE: WFC) for the five- and ten-year periods ended December 31, 2013, with the cumulative total stockholder returns for the same periods for the Keefe, Bruyette and Woods (KBW) Total Return Bank Index (KBW Bank Index (BKX)) and the S&P 500 Index.

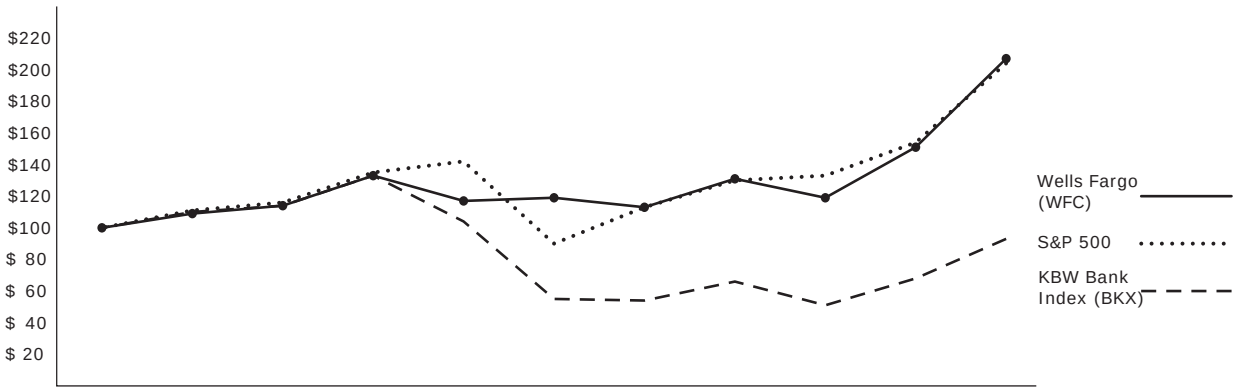
The cumulative total stockholder returns (including reinvested dividends) in the graphs assume the investment of $100 in Wells Fargo's common stock, the KBW Bank Index and the S&P 500 Index.

Five Year Performance Graph



2008	2009	2010	2011	2012	2013	5-year CAGR	
$100	$ 95	$110	$ 99	$127	$173	12%	Wells Fargo
100	126	146	149	172	228	18%	S&P 500
100	98	121	93	124	170	11%	KBW Bank Index

Ten Year Performance Graph



2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	10-year CAGR	
$100	$109	$114	$133	$117	$119	$113	$131	$119	$151	$207	8%	Wells Fargo
100	111	116	135	142	90	113	130	133	154	204	7%	S&P 500
100	110	114	133	104	55	54	66	51	68	93	-1%	KBW Bank Index

Wells Fargo & Company

Wells Fargo & Company (NYSE: WFC) is a nationwide, diversified, community-based financial services company with $1.5 trillion in assets. Founded in 1852 and headquartered in San Francisco, Wells Fargo provides banking, insurance, investments, mortgage, and consumer and commercial finance through more than 9,000 locations, 12,000 ATMs, and the internet, and has offices in 36 countries to support customers who conduct business in the global economy. With more than 264,000 team members, Wells Fargo serves one in three households in the United States. Wells Fargo & Company was ranked No. 25 on *Fortune*'s 2013 rankings of America's largest corporations. Wells Fargo's vision is to satisfy all our customers' financial needs and help them succeed financially.

Common stock

Wells Fargo & Company is listed and trades on the New York Stock Exchange: WFC

5,257,162,705 common shares outstanding (12/31/13)

Stock purchase and dividend reinvestment

You can buy Wells Fargo stock directly from Wells Fargo, even if you're not a Wells Fargo stockholder, through optional cash payments or automatic monthly deductions from a bank account. You can also have your dividends reinvested automatically. It's a convenient, economical way to increase your Wells Fargo investment.

Call 1-877-840-0492 for an enrollment kit including a plan prospectus.

Form 10-K

We will send Wells Fargo's 2013 Annual Report on Form 10-K (including the financial statements filed with the Securities and Exchange Commission) free to any stockholder who asks for a copy in writing. Stockholders also can ask for copies of any exhibit to the Form 10-K. We will charge a fee to cover expenses to prepare and send any exhibits. Please send requests to: Corporate Secretary, Wells Fargo & Company, One Wells Fargo Center, MAC D1053-300, 301 S. College Street, 30th Floor, Charlotte, North Carolina 28202.

SEC filings

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge on our website (www.wellsfargo.com) as soon as practical after they are electronically filed with or furnished to the SEC. Those reports and amendments are also available free of charge on the SEC's website at www.sec.gov.

Independent registered public accounting firm

KPMG LLP
San Francisco, California
1-415-963-5100

Contacts

Investor Relations
1-415-371-2921
investorrelations@wellsfargo.com

Shareowner Services and Transfer Agent
Wells Fargo Shareowner Services
P.O. Box 64854
St. Paul, Minnesota 55164-0854
1-877-840-0492
www.shareowneronline.com

Annual Stockholders' Meeting
8:30 a.m. Central Time
Tuesday, April 29, 2014
Hyatt Regency Hill Country
9800 Hyatt Resort Drive
San Antonio, Texas 78251

Our reputation

American Banker
Banker of the Year; Most Powerful Women in Banking; One of America's Top Banking Teams (2013)

Barron's
World's 27th Most Respected Company (2013)

BLACK ENTERPRISE
One of the Top 40 Best Companies for Diversity (2012)

Brand Finance
The Most Valuable Bank Brand in the World (2013)

Brand Z
Among the Top 20 Most Valuable Brands in the World (2013)

CAREERS & the disABLED
Among Top 50 Employers by Readers Choice (2013)

The Chronicle of Philanthropy
America's #1 Most Generous Cash Donor (2013)

DiversityInc
25th Best Company for Diversity; Top Company for Lesbian, Gay, Bisexual & Transgender Employees; 6th Best Company for Executive Women (2013)

Euromoney
Best Bank Award (2013)

Forbes
12th Biggest Public Company in the World (2013)

Fortune
World's 38th Most Admired Company; 25th in Revenue Among All Companies in All Industries (2013)

G.I. Jobs
36th of Top 50 Military Spouse Friendly Employers (2013)

Global Finance
World's Best Consumer Internet Bank in the United States, Best Social Media in North America (2013); World's Best Corporate/Institutional Internet Bank in Trade Finance Services; Best Investment Management Services, Best Online Treasury Services, Best Integrated Corporate Bank Site, and Best in Mobile Banking in North America (2013); Best Bank for Payments and Collections in North America (2013); Best Treasury Management Systems & Services Mobile Provider (2013); Best Insurance Broker in North America (2013)

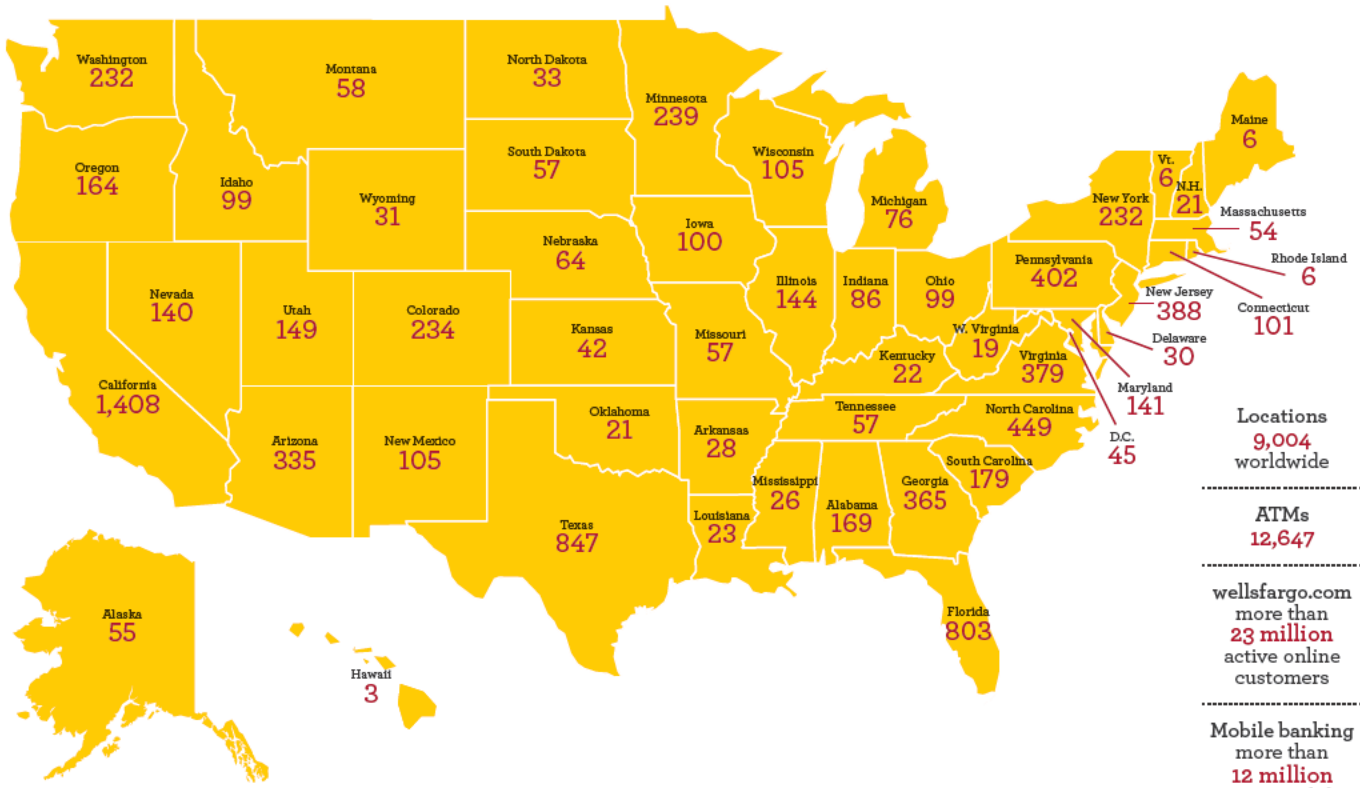
Hispanic Business
13th Best Companies for Diversity (2013)

Human Rights Campaign
Perfect Score of 100 on Corporate Equality Index (2013)

LATINAStyle
25th Best Company for Latinas (2013)

Forward-Looking Statements This Annual 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. Some of these factors are described in the Financial Review and in the Financial Statements and related Notes. For a discussion of other factors, refer to "Forward-Looking Statements" and "Risk Factors" in the Financial Review.

Wells Fargo's extensive network



Locations
9,004
worldwide

ATMs
12,647

wellsfargo.com
more than
23 million
active online customers

Mobile banking
more than
12 million
active mobile customers

Wells Fargo Customer Connection
450 million
customer contacts annually

Around the world

Argentina
Australia
Bahamas
Bangladesh
Brazil
Canada
Cayman Islands
Chile
China
Colombia
Dominican Republic
Ecuador
France
Germany
Hong Kong
India
Indonesia
Ireland
Israel
Italy
Japan
Korea
Malaysia
Mexico
Philippines
Russia
Singapore
South Africa
Spain
Taiwan
Thailand
Turkey
United Arab Emirates
United Kingdom
Vietnam

Key rankings

#1 Retail banking deposits [1]
#1 Total stores
#1 Mortgage lender as of 3Q 2013
#1 National home loan originator to minority and low- to moderate-income consumers and in low- to moderate-income neighborhoods (2012 HMDA Data)
#1 Used auto lender and overall auto lender (excluding leases) based on AutoCount data (Dec. 2012 – Nov. 2013)
#1 Small Business lender (U.S. in dollars per 2012 Community Reinvestment Act government data)
#1 U.S. Small Business Administration's (SBA) 7(a) lender in dollar volume (2013)
#1 Preferred stock underwriter (FY 2013, Bloomberg)
#1 REIT preferred stock underwriter (FY 2013, Bloomberg)
#1 Oil & gas loan syndications (FY 2013, Thomson Reuters LPC)
#1 Ranked Electronic trading platform for Corporate Bonds in the U.S.
#1 In Mobile Banking for privacy and security (Keynote Mobile Banking Scorecard 2013)
#1 Mortgage servicer as of 3Q 2013
#1 Largest crop insurance provider in the nation
#1 Largest private student loan lender among commercial banks
#1 Commercial & Multifamily Real Estate Originations (2012 Mortgage Bankers Association)
#1 Commercial mortgage servicer (Mortgage Bankers Association, June 2013)

#2 U.S. Deposits
#2 Debit card issuer
#2 Annuity distributor (2012 Transamerica Roundtable Survey)
#2 Real estate loan syndications (FY 2013, Thomson Reuters LPC)
#2 Asset-based loans (FY 2013, Thomson Reuters LPC)
#2 Middle market loan syndications (FY 2013, Thomson Reuters LPC)
#2 REIT common stock underwriter (FY 2013, Dealogic)
#2 Bank-affiliated equipment finance provider in the U.S. (2012 Monitor)
#3 REIT loan syndications (FY 2013, Thomson Reuters LPC)
#3 Utilities loan syndications (FY 2013, Thomson Reuters LPC)
#3 Non-investment grade loan syndications (FY 2013, Thomson Reuters LPC)
#3 Loan syndications (FY 2013, Thomson Reuters LPC)
#3 High yield bonds (FY 2013, Dealogic)
#3 Branded bank ATM owner (12,647 Wells Fargo ATMs)
#3 Retail brokerage firm—based on number of Financial Advisors (as of 4Q13, company and competitor reports)
#4 High grade loan syndications (FY 2013, Thomson Reuters LPC)
#4 Wealth management provider (based on assets under management of accounts greater than $5 million as of 2Q13, *Barron's*)
#5 Largest insurance broker in the world (*Business Insurance* 2013)
#6 IRA provider (based on assets as of 3Q13 Cerulli Associates)
#8 Institutional retirement plan recordkeeper (based on assets as of Dec. 31, 2012, *PLANSPONSOR* Magazine, June 2013)
#8 Family wealth provider (Based on assets as of Dec. 31, 2012, Bloomberg)

1 Source: SNL Financial. Retail deposit data 6/30/13. Pro forma for acquisitions. Caps deposits at $500 million in a single banking store and excludes credit union deposits. Non-retail deposits excluded.

Wells Fargo & Company
420 Montgomery Street
San Francisco, California 94104
1-866-878-5865 wellsfargo.com

Our Vision:

Satisfy all our customers' financial needs and help them succeed financially.

Nuestra Vision:

Deseamos satisfacer todas las necesidades financieras de nuestros clientes y ayudarlos a tener éxito en el área financiera.

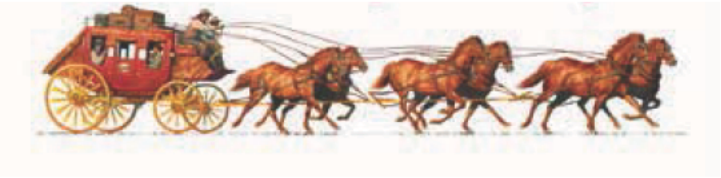
我們的目標：

滿足客戶在財務方面的所有需求，幫助他們在財務上發展成功。

Notre Vision:

Satisfaire tous les besoins financiers de nos clients et les aider à atteindre le succès financier.

Together we'll go far



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CCM2533 (Rev 00, 1/each)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 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: 1-866-878-5865

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $1-2/3	New York Stock Exchange (NYSE)
Warrants to purchase shares of Common Stock (expiring October 28, 2018)	NYSE
Depositary Shares, each representing a 1/40th interest in a share of 8.00% Non-Cumulative Perpetual Class A Preferred Stock, Series J	NYSE
7.5% Non-Cumulative Perpetual Convertible Class A Preferred Stock, Series L	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series N	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series O	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series P	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of 5.85% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series Q	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of 6.625% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series R	NYSE
Guarantee of 5.80% Fixed-to-Floating Rate Normal Wachovia Income Trust Securities of Wachovia Capital Trust III	NYSE

Securities registered pursuant to Section 12(g) of the Act:

Dividend Equalization Preferred Shares, no par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☑

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, and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Act).
Yes ☐ No ☑

At June 30, 2013, the aggregate market value of common stock held by non-affiliates was approximately $217.6 billion, based on a closing price of $41.27. At January 31, 2014, 5,261,842,959 shares of common stock were outstanding.

Documents Incorporated by Reference in Form 10-K

Incorporated Documents	Where incorporated in Form 10-K
1. Portions of the Company's Annual Report to Stockholders for the year ended December 31, 2013 ("2013 Annual Report to Stockholders")	Part I – Items 1, 1A, 2 and 3; Part II – Items 5, 6, 7, 7A, 8 and 9A; and Part IV– Item 15.
2. Portions of the Company's Proxy Statement for the Annual Meeting of Stockholders to be held April 29, 2014 ("2014 Proxy Statement")	Part III – Items 10, 11, 12, 13 and 14

PART I.

ITEM 1. BUSINESS

Wells Fargo & Company is a corporation organized under the laws of Delaware and a financial holding company and a bank holding company registered under the Bank Holding Company Act of 1956, as amended (BHC Act). Its principal business is to act as a holding company for its subsidiaries. References in this report to "the Parent" mean the holding company. References to "we," "our," "us" or "the Company" mean the holding company and its subsidiaries that are consolidated for financial reporting purposes.

At December 31, 2013, we had assets of $1.5 trillion, loans of $826 billion, deposits of $1.1 trillion and stockholders' equity of $170 billion. Based on assets, we were the fourth largest bank holding company in the United States. At December 31, 2013, Wells Fargo Bank, N.A. was the Company's principal subsidiary with assets of $1.4 trillion, or 90% of the Company's assets.

At December 31, 2013, we had 264,900 active, full-time equivalent team members.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, are available for free at www.wellsfargo.com/invest_relations/filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (SEC). They are also available for free on the SEC's website at www.sec.gov.

DESCRIPTION OF BUSINESS

General

We are a diversified financial services company. We provide retail, commercial and corporate banking services through banking stores and offices, the internet and other distribution channels to individuals, businesses and institutions in all 50 states, the District of Columbia and in other countries. We provide other financial services through subsidiaries engaged in various businesses, principally: wholesale banking, mortgage banking, consumer finance, equipment leasing, agricultural finance, commercial finance, securities brokerage and investment banking, insurance agency and brokerage services, computer and data processing services, trust services, investment advisory services, mortgage-backed securities servicing and venture capital investment.

We have three operating segments for management reporting purposes: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. The 2013 Annual Report to Stockholders includes financial information and descriptions of these operating segments.

Competition

The financial services industry is highly competitive. Our subsidiaries compete with financial services providers such as banks, savings and loan associations, credit unions, finance companies, mortgage banking companies, insurance companies, investment banks and mutual fund companies. They also face increased competition from nonbank institutions such as brokerage houses, as well as from financial services subsidiaries of commercial and manufacturing companies. Many of these competitors enjoy fewer regulatory constraints and some may have lower cost structures.

Securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. Combinations of this type could significantly change the competitive environment in which we conduct business. The financial services industry is also likely to become more competitive as further technological advances enable more companies to provide financial services. These technological advances may diminish the importance of depository institutions and other financial intermediaries in the transfer of funds between parties.

REGULATION AND SUPERVISION

We describe below, and in Notes 3 (Cash, Loan and Dividend Restrictions) and 26 (Regulatory and Agency Capital Requirements) to Financial Statements included in the 2013 Annual Report to Stockholders, the material elements of the regulatory framework applicable to us. Banking statutes, regulations and policies are continually under review by Congress and state legislatures and federal and state regulatory agencies, as well as foreign governments and financial regulators, and a change in them, including changes in how they are interpreted or implemented, could have a material effect on our business. The regulatory framework applicable to bank holding companies is intended to protect depositors, federal deposit insurance funds, consumers and the banking system as a whole, and not necessarily investors in bank holding companies such as the Company.

Statutes, regulations and policies could restrict our ability to diversify into other areas of financial services, acquire depository institutions, and pay dividends on our capital stock. They may also require us to provide financial support to one or more of our subsidiary banks, maintain capital balances in excess of amounts desired by management, and pay higher deposit insurance premiums as a result of a general deterioration in the financial condition of depository institutions. See the "Risk Factors" section in the 2013 Annual Report to Stockholders for additional information.

General

Parent Bank Holding Company. As a bank holding company, the Parent is subject to regulation under the BHC Act and to inspection, examination and supervision by its primary regulator, the Board of Governors of the Federal Reserve System (Federal Reserve Board or FRB). The Parent is also subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, both as administered by the SEC. As a company with securities listed on the New York Stock Exchange (NYSE), the Parent is subject to the rules of the NYSE for listed companies.

Subsidiary Banks. Our subsidiary national banks, and their subsidiaries, are subject to regulation and examination primarily by the Office of the Comptroller of the Currency (OCC) and also by the Federal Deposit Insurance Corporation (FDIC), the FRB, the Consumer Financial Protection Bureau (CFPB), the SEC and the Commodities Futures Trading Commission (CFTC). The foreign branches and representative offices of our subsidiary national banks are subject to regulation and examination by their respective foreign financial regulators as well as by the OCC and the FRB. Foreign subsidiaries of our national bank subsidiaries may be subject to the laws and regulations of the foreign countries in which they conduct business. Our state-chartered bank is subject to primary federal regulation and examination by the FDIC and, in addition, is regulated and examined by its state banking department.

Nonbank Subsidiaries. Many of our nonbank subsidiaries are also subject to regulation by the FRB and other applicable federal and state agencies. Our insurance subsidiaries are subject to regulation by applicable state insurance regulatory agencies, as well as the FRB. Our brokerage subsidiaries are regulated by the SEC, the Financial Industry Regulatory Authority (FINRA) and, in some cases, the CFTC and the Municipal Securities Rulemaking Board, and state securities regulators. Our other nonbank subsidiaries may be subject to the laws and regulations of the federal government and/or the various states as well as foreign countries in which they conduct business.

Parent Bank Holding Company Activities

"Financial in Nature" Requirement. We became a financial holding company effective March 13, 2000. We continue to maintain our status as a bank holding company for purposes of other FRB regulations. As a bank holding company that has elected to become a financial holding company pursuant to the BHC Act, we may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature. "Financial in nature" activities include securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking; and activities that the FRB, in consultation with the Secretary of the U.S. Treasury, determines to be financial in nature or incidental to such financial activity. "Complementary activities" are activities that the FRB determines upon application to be complementary to a financial activity and do not pose a safety and soundness risk.

FRB approval is not generally required for us to acquire a company (other than a bank holding company, bank or savings association) engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the FRB. Prior notice to the FRB may be required, however, if the company to be acquired has total consolidated assets of $10 billion or more. Prior FRB approval is required before we may acquire the beneficial ownership or control of more than 5% of the voting shares or substantially all of the assets of a bank holding company, bank or savings association. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) also prohibits our ability to merge, acquire all or substantially all of the assets of, or acquire control of another company if our total resulting consolidated liabilities would exceed 10% of the aggregate consolidated liabilities of all financial companies.

Because we are a financial holding company, if any of our subsidiary banks receives a rating under the Community Reinvestment Act of 1977, as amended (CRA), of less than satisfactory, we will be prohibited, until the rating is raised to satisfactory or better, from engaging in new activities or acquiring companies other than bank holding companies, banks or savings associations, except that we could engage in new activities, or acquire companies engaged in activities, that are closely related to banking under the BHC Act. In addition, if the FRB finds that the Company or any one of our subsidiary banks is not well capitalized or well managed, we would be required to

enter into an agreement with the FRB to comply with all applicable capital and management requirements and which may contain additional limitations or conditions. Until corrected, we could be prohibited from engaging in any new activity or acquiring companies engaged in activities that are not closely related to banking under the BHC Act without prior FRB approval. If we fail to correct any such condition within a prescribed period, the FRB could order us to divest our banking subsidiaries or, in the alternative, to cease engaging in activities other than those closely related to banking under the BHC Act.

Interstate Banking. Under the Riegle-Neal Interstate Banking and Branching Act (Riegle-Neal Act), a bank holding company may acquire banks in states other than its home state, subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company not control, prior to or following the proposed acquisition, more than 10% of the total amount of deposits of insured depository institutions nationwide or, unless the acquisition is the bank holding company's initial entry into the state, more than 30% of such deposits in the state (or such lesser or greater amount set by the state). The Riegle-Neal Act also authorizes banks to merge across state lines, thereby creating interstate branches. Banks are also permitted to acquire and to establish new branches in other states.

Regulatory Approval. In determining whether to approve a proposed bank acquisition, federal banking regulators will consider, among other factors, the effect of the acquisition on competition, financial condition, and future prospects including current and projected capital ratios and levels, the competence, experience, and integrity of management and record of compliance with laws and regulations, the convenience and needs of the communities to be served, including the acquiring institution's record of compliance under the CRA, the effectiveness of the acquiring institution in combating money laundering activities and the risk to the stability of the United States banking system.

Dividend Restrictions

The Parent is a legal entity separate and distinct from its subsidiary banks and other subsidiaries. A significant source of funds to pay dividends on our common and preferred stock and principal and interest on our debt is dividends from the Parent's subsidiaries. Various federal and state statutory provisions and regulations limit the amount of dividends the Parent's subsidiary banks and certain other subsidiaries may pay without regulatory approval. Federal banking regulators have the authority to prohibit the Parent's subsidiary banks from engaging in unsafe or unsound practices in conducting their businesses. The payment of dividends, depending on the financial condition of the bank in question, could be deemed an unsafe or unsound practice. The ability of the Parent's subsidiary banks to pay dividends in the future is currently, and could be further, influenced by bank regulatory policies and capital guidelines. For information about the restrictions applicable to the Parent's subsidiary banks, see Note 3 (Cash, Loan and Dividend Restrictions) to Financial Statements included in the 2013 Annual Report to Stockholders.

In addition to these restrictions on the ability of our subsidiary banks to pay dividends to us, the FRB finalized rules in late December 2011 that require large bank holding companies (BHCs), including Wells Fargo, to submit annual capital plans and to obtain regulatory approval before making capital distributions, such as the payment of dividends. The FRB also finalized rules in July 2013 implementing in the United States the Basel Committee on Banking Supervision's regulatory capital guidelines, including the reforms known as Basel III. These rules introduce new capital conservation buffer requirements. The failure to maintain the capital buffers, once effective, could result in limitations or restrictions on our ability to make capital distributions.

A number of regulatory proposals are also under consideration that could further limit our ability to pay dividends. In late 2011 the FRB proposed enhanced regulations for large BHCs like Wells Fargo that would impose capital distribution restrictions, including on the payment of dividends, upon the occurrence of capital, stress test, risk management, or liquidity risk management triggers. Federal banking regulators are also considering proposals that would impose an enhanced supplementary leverage ratio requirement on large BHCs like Wells Fargo and our insured depository institutions. Under the proposal, we would be required to maintain a supplementary leverage ratio of at least 5% in order to avoid restrictions on capital distributions and discretionary bonus payments.

Holding Company Structure

Transfer of Funds from Subsidiary Banks. The Parent's subsidiary banks are subject to restrictions under federal law that limit the transfer of funds or other items of value from such subsidiaries to the Parent and its nonbank subsidiaries (including affiliates) in so-called "covered transactions." In general, covered transactions include loans and other extensions of credit, investments and asset purchases, as well as certain other transactions involving the transfer of value from a subsidiary bank to an affiliate or for the benefit of an affiliate. Unless an exemption applies, covered transactions by a subsidiary bank with a single affiliate are limited to 10% of the subsidiary bank's capital and surplus and, with respect to all covered transactions with affiliates in the aggregate, to 20% of the subsidiary bank's capital and surplus. Also, loans and extensions of credit to affiliates generally are required to be secured by qualifying collateral. A bank's transactions with its nonbank affiliates are also generally required to be on arm's length terms.

Source of Strength. The FRB has a policy that a BHC is expected to act as a source of financial and managerial strength to each of its subsidiary banks and, under appropriate circumstances, to commit resources to support each such subsidiary bank. This support may be required at times when the BHC may not have the resources to provide the support.

The OCC may order an assessment of the Parent if the capital of one of its national bank subsidiaries were to become impaired. If the Parent failed to pay the assessment within three months, the OCC could order the sale of the Parent's stock in the national bank to cover the deficiency.

Depositor Preference. In the event of the "liquidation or other resolution" of an insured depository institution, the claims of deposits payable in the United States (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver will have priority over other general unsecured claims against the institution. If an insured depository institution fails, claims of insured and uninsured U.S. depositors, along with claims of the FDIC, will have priority in payment ahead of unsecured creditors, including the Parent, and depositors whose deposits are solely payable at such insured depository institution's non-U.S. offices.

Liability of Commonly Controlled Institutions. All of the Company's subsidiary banks are insured by the FDIC. FDIC-insured depository institutions can be held liable for any loss incurred, or reasonably expected to be incurred, by the FDIC due to the default of an FDIC-insured depository institution controlled by the same bank holding company, and for any assistance provided by the FDIC to an FDIC-insured depository institution that is in danger of default and that is controlled by the same bank holding company. "Default" means generally the appointment of a conservator or receiver. "In danger of default" means generally the existence of certain conditions indicating that a default is likely to occur in the absence of regulatory assistance.

Dodd-Frank Act

The Dodd-Frank Act, enacted on July 21, 2010, will result in broad changes to the U.S. financial system and is the most significant financial reform legislation since the 1930s. Federal regulatory agencies have issued numerous rulemakings to implement its provisions, but a number of the provisions of the Dodd-Frank Act still require final rulemaking or additional guidance and interpretation by these agencies. As a result, the ultimate impact of the Dodd-Frank Act is not yet known, but it has affected, and we expect it will continue to affect most of our businesses in some way, either directly through regulation of specific activities or indirectly through regulation of concentration risks, capital or liquidity. At the enterprise level, the FRB has finalized a number of regulations designed to prevent or mitigate the risks that may arise from the material distress or failure of a large BHC. These rules implement enhanced prudential requirements for large BHCs like Wells Fargo regarding risk-based capital and leverage, risk and liquidity management, and stress testing and would impose debt-to-equity limits on any BHC that regulators determine poses a grave threat to the financial stability of the United States. The FRB has also proposed, but not yet finalized, additional enhanced prudential standards that would implement single counterparty credit limits and establish remediation requirements for large BHCs experiencing financial distress.

In addition to requiring rules for the enhanced supervision and regulation of large BHCs and other systemically important firms, the Dodd-Frank Act also requires the FDIC and FRB to implement rules requiring large BHCs like Wells Fargo to prepare and submit resolution plans, known as "living wills," to facilitate the rapid and orderly resolution of the Company in the event of material distress or its failure. Under the rules implemented by the FDIC and FRB in this regard, Wells Fargo submitted its resolution plan on June 29, 2013. If the FRB and FDIC determine that our resolution plan is deficient, the Dodd-Frank Act authorizes the FRB and FDIC to impose more stringent capital, leverage or liquidity requirements on us or restrict our growth or activities until we submit a plan remedying the deficiencies. If the FRB and FDIC ultimately determine that we have been unable to remedy the deficiencies, they could order us to divest assets or operations in order to facilitate our orderly resolution in the event of our material distress or failure. Our national bank subsidiary, Wells Fargo Bank, N.A., is also required to prepare a resolution plan for the FDIC under separate regulatory authority and submitted the plan on June 29, 2013.

The FDIC also recently released a notice regarding a proposed resolution strategy, known as "single point of entry," designed to resolve a large financial institution in a manner that holds management responsible for its failure, maintains market stability, and imposes losses on shareholders and creditors in accordance with statutory priorities, without imposing a cost on U.S. taxpayers. Implementation of the strategy would require that institutions maintain a sufficient amount of available equity and unsecured debt to absorb losses and recapitalize operating subsidiaries. The FDIC has requested public comment on this proposed resolution strategy.

Federal regulatory agencies have also recently finalized rules to implement the provisions of the Dodd-Frank Act known as the "Volcker Rule." The Volcker Rule substantially restricts banking entities from engaging in proprietary trading or owning any interest in or sponsoring or having certain relationships with a hedge fund, a private equity fund or certain structured transactions that are deemed covered funds. Wells Fargo is not required to come into compliance with the Volcker Rule's restrictions until July 21, 2015, but we will be required to report certain trading metrics beginning June 30, 2014. During the conformance period, banking entities are expected to engage in "good faith" planning efforts, appropriate for their activities and investments, to enable them to conform all of their activities and investments to the Volcker Rule's restrictions by no later than July 21, 2015. As a banking entity with more than $50 billion in consolidated assets, Wells Fargo will also be subject to enhanced compliance program requirements.

With respect to consumer protection maters, the Dodd-Frank Act established the CFPB to ensure consumers receive clear and accurate disclosures regarding financial products and to protect consumers from hidden fees and unfair or abusive practices. The CFPB concentrated much of its initial rulemaking efforts on a variety of mortgage-related topics required under the Dodd-Frank Act, including ability-to-repay and qualified mortgage

standards, mortgage servicing standards, loan originator compensation standards, high-cost mortgage requirements, appraisal and escrow standards and requirements for higher-priced mortgages. The CFPB also recently finalized rules integrating disclosures required of lenders and settlement agents under the Truth in Lending Act and the Real Estate Settlement Procedures Act. In addition to the exercise of its rulemaking authority, the CFPB is continuing its on-going examination activities with respect to a number of consumer businesses and products, including credit card add-on products, fair lending requirements, and student lending activities.

Federal regulatory agencies issued numerous other proposals to implement various other requirements of the Dodd-Frank Act, including rules issued by the CFTC and SEC establishing a comprehensive framework for regulating over-the-counter derivatives. Many other proposals have not yet been finalized, including proposed rules requiring sponsors of asset-backed securities (ABS) to retain an ownership stake in the ABS. In addition, both the Financial Stability Oversight Council and the SEC are considering additional regulations to address perceived risks that money market mutual funds may pose to the financial stability of the United States. Although we have analyzed these and other proposed rules, the absence of final rules makes it difficult for us to fully estimate their impact on the Company.

Capital Requirements

The Company and each of our insured depository institutions are subject to various regulatory capital adequacy requirements administered by federal banking regulators. In July 2013, federal banking regulators issued final rules that substantially amended the risk-based capital rules for banking organizations. The rules implement the Basel III regulatory capital reforms in the U.S., comply with changes required by the Dodd-Frank Act, and replace the existing Basel I-based capital requirements. These final capital rules, among other things, establish required minimum ratios relating capital to different categories of assets and exposures. We were required to begin complying with the rules on January 1, 2014, subject to phase-in periods that are scheduled to be fully phased in by January 1, 2022. Federal banking regulators have also issued proposals to impose a supplementary leverage ratio on large BHCs like Wells Fargo and our insured depository institutions and to implement a liquidity coverage ratio. 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.

From time to time, the FRB and the Federal Financial Institutions Examination Council (FFIEC) propose changes and amendments to, and issue interpretations of, risk-based capital guidelines and related reporting instructions. In addition, the FRB closely monitors capital levels of the institutions it supervises and may require such institutions to modify capital levels based on FRB determinations. Such determinations, proposals or interpretations could, if implemented in the future, affect our reported capital ratios and net risk-adjusted assets.

As an additional means to identify problems in the financial management of depository institutions, the Federal Deposit Insurance Act (FDI Act) requires federal banking regulators to establish certain non-capital safety and soundness standards for institutions for which they are the primary federal regulator. The standards relate generally to operations and management, asset quality, interest rate exposure, executive compensation and risk management. The agencies are authorized to take action against institutions that fail to meet such standards.

The FDI Act requires federal banking regulators to take "prompt corrective action" with respect to FDIC-insured depository institutions that do not meet minimum capital requirements. A depository institution's treatment for purposes of the prompt corrective action provisions will depend upon how its capital levels compare to various capital measures and certain other factors, as established by regulation.

Capital Planning

In late 2011, the FRB finalized rules to require large BHCs 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.

On March 14, 2013, the FRB notified us that it did not object to our 2013 capital plan included in the 2013 Comprehensive Capital Analysis and Review (CCAR). Since the FRB notification, the Company took several capital actions, including increasing its quarterly common stock dividend rate to $0.30 per share, redeeming Wachovia Preferred Funding Corp. preferred securities that will no longer count as Tier 1 capital under the Dodd-Frank Act and the final Basel III capital standards, and repurchasing shares of our common stock.

Our 2014 CCAR, which was submitted on January 3, 2014, 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 the CCAR in 2013. As part of the 2014 CCAR, the FRB also generated a supervisory stress test, which assumed a sharp decline in the economy and significant decline in asset pricing using the information provided by the Company to estimate performance. The FRB is expected to review 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 has indicated that it will publish its supervisory stress test results as required under the Dodd-Frank Act, and the related CCAR results, taking into account the Company's proposed capital actions, in March 2014.

Deposit Insurance Assessments

Our bank subsidiaries, including Wells Fargo Bank, N.A., are members of the Deposit Insurance Fund (DIF) maintained by the FDIC. Through the DIF, the FDIC insures the deposits of our banks up to prescribed limits for each depositor. The DIF was formed March 31, 2006, upon the merger of the Bank Insurance

Fund and the Savings Insurance Fund in accordance with the Federal Deposit Insurance Reform Act of 2005 (the FDIR Act). The FDIR Act established a range of 1.15% to 1.50% within which the FDIC Board of Directors may set the Designated Reserve Ratio (reserve ratio or DRR). The FDIR Act also granted the FDIC Board the discretion to price deposit insurance according to risk for all insured institutions regardless of the level of the reserve ratio.

The Dodd-Frank Act gave the FDIC greater discretion to manage the DIF, raised the minimum DRR to 1.35% and removed the upper limit of the range. In October 2010, the FDIC Board adopted a Restoration Plan to ensure that the DIF reserve ratio reaches 1.35% by September 30, 2020, as required by the Dodd-Frank Act. At the same time, the FDIC Board proposed a comprehensive, long-range plan for DIF management. In December 2010, as part of the comprehensive plan, the FDIC Board adopted a final rule to set the DRR at 2%, and in February 2011, the FDIC Board approved the remainder of the comprehensive plan.

On February 7, 2011, the FDIC Board approved a final rule on assessments, dividends, assessment base and large bank pricing that took effect on April 1, 2011. To maintain the DIF, member institutions are assessed an insurance premium based on an assessment base and an assessment rate. Generally, the assessment base is an institution's average consolidated total assets minus average tangible equity. For large and highly complex institutions (those that are very large and are structurally and operationally complex or that pose unique challenges and risks in the case of failure), the assessment rate is determined by combining supervisory ratings and certain financial measures into scorecards. The score received by an institution is converted into an assessment rate for the institution. The FDIC retains the ability to adjust the total score of large and highly complex institutions based upon quantitative or qualitative measures not adequately captured in the scorecards.

All FDIC-insured depository institutions must also pay a quarterly assessment towards interest payments on bonds issued by the Financing Corporation, a federal corporation chartered under the authority of the Federal Housing Finance Board. The bonds (commonly referred to as FICO bonds) were used to capitalize the former Federal Savings and Loan Insurance Corporation. This assessment was 0.64% of the assessable deposit base during 2013, and is 0.62% of the assessable deposit base for first quarter 2014. For the year ended December 31, 2013, the Company's FDIC deposit insurance assessments, including FICO assessments, totaled $1.0 billion.

The FDIC may terminate a depository institution's deposit insurance upon a finding that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices or has violated any applicable rule, regulation, order or condition enacted or imposed by the institution's regulatory agency. The termination of deposit insurance for one or more of our bank subsidiaries could have a material adverse effect on our earnings, depending on the collective size of the particular banks involved.

Fiscal and Monetary Policies

Our business and earnings are affected significantly by the fiscal and monetary policies of the federal government and its agencies. We are particularly affected by the policies of the FRB, which regulates the supply of money and credit in the United States. Among the instruments of monetary policy available to the FRB are (a) conducting open market operations in United States government securities, (b) changing the discount rates of borrowings of depository institutions, (c) imposing or changing reserve requirements against depository institutions' deposits, and (d) imposing or changing reserve requirements against certain borrowings by banks and their affiliates. These methods are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. The policies of the FRB may have a material effect on our business, results of operations and financial condition.

Privacy Provisions of the Gramm-Leach-Bliley Act and Restrictions on Cross-Selling

Federal banking regulators, as required under the Gramm-Leach-Bliley Act (the GLB Act), have adopted rules limiting the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties. The rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to nonaffiliated third parties. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial services companies and conveyed to outside vendors. Federal financial regulators have issued regulations under the Fair and Accurate Credit Transactions Act that have the effect of increasing the length of the waiting period, after privacy disclosures are provided to new customers, before information can be shared among different affiliated companies for the purpose of cross-selling products and services between those affiliated companies.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) implemented a broad range of corporate governance and accounting measures to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies, and to protect investors by improving the accuracy and reliability of disclosures under federal securities laws. We are subject to Sarbanes-Oxley because we are required to file periodic reports with the SEC under the Securities Exchange Act of 1934. Among other things, Sarbanes-Oxley and/or its implementing regulations established membership requirements and additional responsibilities for our audit committee, imposed restrictions on the relationship between us and our outside auditors (including restrictions on the types of non-audit services our auditors may provide to us), imposed additional responsibilities for our external financial statements on our chief executive officer and chief financial officer, expanded the disclosure requirements for our corporate insiders,

required our management to evaluate our disclosure controls and procedures and our internal control over financial reporting, and required our independent registered public accounting firm to issue a report on our internal control over financial reporting.

Patriot Act

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Patriot Act) is intended to strengthen the ability of U.S. law enforcement agencies and intelligence communities to work together to combat terrorism on a variety of fronts. The Patriot Act has significant implications for depository institutions, brokers, dealers and other businesses involved in the transfer of money. The Patriot Act required us to implement new or revised policies and procedures relating to anti-money laundering, compliance, suspicious activities, and currency transaction reporting and due diligence on customers. The Patriot Act also requires federal banking regulators to evaluate the effectiveness of an applicant in combating money laundering in determining whether to approve a proposed bank acquisition.

Future Legislation or Regulation

In light of recent conditions in the U.S. and global financial markets and the U.S. and global economy, legislators, the presidential administration and regulators have continued their increased focus on regulation of the financial services industry. Proposals that further increase regulation of the financial services industry have been and are expected to continue to be introduced in the U.S. Congress, in state legislatures and abroad. In addition, not all regulations authorized or required under the Dodd-Frank Act have been proposed or finalized by federal regulators. Further legislative changes and additional regulations may change our operating environment in substantial and unpredictable ways. Such legislation and regulations could increase our cost of doing business, affect our compensation structure, restrict or expand the activities in which we may engage or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether future legislative proposals will be enacted and, if enacted, the effect that they, or any implementing regulations, would have on our business, results of operations or financial condition. The same uncertainty exists with respect to regulations authorized or required under the Dodd-Frank Act but that have not yet been proposed or finalized.

ADDITIONAL INFORMATION

Additional information in response to this Item 1 can be found in the 2013 Annual Report to Stockholders under “Financial Review” and under “Financial Statements.” That information is incorporated into this item by reference.

ITEM 1A. RISK FACTORS

Information in response to this Item 1A can be found in this report on pages 2-7 and in the 2013 Annual Report to Stockholders under “Financial Review – Risk Factors.” That information is incorporated into this item by reference.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

	City	State
We own our corporate headquarters building in:	San Francisco	California
We own administrative facilities in:	Anchorage	Alaska
	Chandler	Arizona
	Phoenix	Arizona
	Tempe	Arizona
	El Monte	California
	Fremont	California
	Irvine	California
	San Francisco	California
	Walnut Creek	California
	Boise	Idaho
	Clive	Iowa
	Des Moines	Iowa
	West Des Moines	Iowa
	Minneapolis	Minnesota
	Shoreview	Minnesota
	St. Louis	Missouri
	Billings	Montana
	Omaha	Nebraska
	Albuquerque	New Mexico
	Summit	New Jersey
	Charlotte	North Carolina
	Portland	Oregon
	Sioux Falls	South Dakota
	Salt Lake City	Utah
	Glen Allen	Virginia
	Menomonee Falls	Wisconsin
We own operations/servicing centers in:	Birmingham	Alabama
	Homewood	Alabama
	San Leandro	California
	Springfield	Illinois
	West Des Moines	Iowa
	Minneapolis	Minnesota
	St. Louis	Missouri
	Charlotte	North Carolina
	Winston-Salem	North Carolina
	Sioux Falls	South Dakota
	San Antonio	Texas

	State	
We lease office space for various administrative departments in major locations in:	Arizona	New Jersey
	California	New York
	Colorado	North Carolina
	Delaware	North Dakota
	Florida	Oregon
	Georgia	Pennsylvania
	Illinois	South Carolina
	Iowa	South Dakota
	Kansas	Texas
	Maryland	Virginia
	Massachusetts	Washington
	Minnesota	Wisconsin
	Missouri	Puerto Rico
	Nevada	
We lease office space for various operations/ servicing centers in:	California	Oregon
	Florida	Pennsylvania
	Georgia	Virginia
	North Carolina	

	City	State
We are a joint venture partner in an office building in:	Minneapolis	Minnesota

	Country	
We lease office space for international operations in:	Argentina	Japan
	Australia	Malaysia
	Bahamas	Mexico
	Bangladesh	Netherlands
	Brazil	Philippines
	Canada	Puerto Rico
	Chile	Russia
	China	Singapore
	Colombia	South Africa
	Dominican Republic	South Korea
	Ecuador	Spain
	France	Taiwan
	Germany	Thailand
	India	Turkey
	Indonesia	United Arab Emirates
	Ireland	United Kingdom
	Israel	Vietnam
	Italy	

As of December 31, 2013, we provided banking, insurance, investments, mortgage and consumer and commercial finance from more than 9,000 domestic stores under ownership and lease agreements.

ADDITIONAL INFORMATION

Additional information in response to this Item 2 can be found in the 2013 Annual Report to Stockholders under “Financial Statements – Notes to Financial Statements – Note 7 (Premises, Equipment, Lease Commitments and Other Assets).” That information is incorporated into this item by reference.

ITEM 3. LEGAL PROCEEDINGS

Information in response to this Item 3 can be found in the 2013 Annual Report to Stockholders under "Financial Statements – Notes to Financial Statements – Note 15 (Legal Actions)." That information is incorporated into this item by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

The Company's common stock is listed on the NYSE (symbol "WFC"). The Quarterly Financial Data table of the 2013 Annual Report to Stockholders provides the quarterly prices of, and quarterly dividends paid on, the Company's common stock for the two-year period ended December 31, 2013, and is incorporated herein by reference. Prices shown represent the daily high and low, and the quarter-end sale prices of the Company's common stock as reported on the NYSE Composite Transaction Reporting System for the periods indicated. The "Stock Performance" section of the 2013 Annual Report to Stockholders provides stockholder return comparisons and is incorporated herein by reference. At January 31, 2014, there were 192,141 holders of record of the Company's common stock.

DIVIDENDS

The dividend restrictions discussions on page 3 of this report and in the 2013 Annual Report to Stockholders under "Financial Statements – Notes to Financial Statements – Note 3 (Cash, Loan and Dividend Restrictions)" are incorporated into this item by reference.

REPURCHASES OF EQUITY SECURITIES

In October 2012, our Board of Directors authorized the repurchase of 200 million shares of our common stock. The authorization covers shares repurchased to meet team member benefit plan requirements. The Company maintains a variety of retirement plans for its team members and typically is a net issuer of shares of common stock to these plans. From time to time, it also purchases shares of common stock from these plans to accommodate team member preferences. Share repurchases are subtracted from the Company's repurchase authority without offset for share issuances. Shares may be repurchased as part of employee stock option exercises, from the different benefit plans or in the open market, subject to regulatory approval.

The amount and timing of stock repurchases will be based on various factors, 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. In June 2010, our Board of Directors also authorized the repurchase of up to $1 billion of warrants to purchase our common stock. The warrants are listed on the NYSE under the symbol "WFCWS." The amount and timing of warrant repurchases will be based on various factors including market conditions. See the "Capital Management" section in the 2013 Annual Report to Stockholders for additional information about our common stock and warrant repurchases.

The following table shows Company repurchases of its common stock for each calendar month in the quarter ended December 31, 2013.

Calendar month	Total number of shares repurchased (1)	Weighted-average price paid per share	Maximum number of shares that may yet be purchased under the authorizations
October	8,026,129	$ 42.23	95,535,237
November	6,565,119	42.65	88,970,118
December (2)	15,443,151	42.63	73,526,967
Total	30,034,399		

(1) All shares were repurchased under the authorization covering up to 200 million shares of common stock approved by the Board of Directors and publ cly announced by the Company on October 23, 2012. Unless modified or revoked by the Board, this authorization does not expire.

(2) Includes 9,551,965 shares at a weighted-average pr ce paid per share of $41.88 repurchased in a private transaction.

The following table shows Company repurchases of the warrants for each calendar month in the quarter ended December 31, 2013.

Calendar month	Total number of warrants repurchased (1)	Average price paid per warrant	Maximum dollar value of warrants that may yet be purchased
October	-	$ -	451,944,402
November	-	-	451,944,402
December	-	-	451,944,402
Total	-		

(1) Warrants are purchased under the authorization covering up to $1 bill on in warrants approved by the Board of Directors (ratified and approved on June 22, 2010). Unless modified or revoked by the Board, this authorization does not expire.

ITEM 6. SELECTED FINANCIAL DATA

Information in response to this Item 6 can be found in the 2013 Annual Report to Stockholders under “Financial Review” in Table 1. That information is incorporated into this item by reference.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information in response to this Item 7 can be found in the 2013 Annual Report to Stockholders under “Financial Review.” That information is incorporated into this item by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information in response to this Item 7A can be found in the 2013 Annual Report to Stockholders under “Financial Review – Risk Management – Asset/Liability Management.” That information is incorporated into this item by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information in response to this Item 8 can be found in the 2013 Annual Report to Stockholders under “Financial Statements,” under “Notes to Financial Statements” and under “Quarterly Financial Data.” That information is incorporated into this item by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Information in response to this Item 9A can be found in the 2013 Annual Report to Stockholders under “Controls and Procedures.” That information is incorporated into this item by reference.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

EXECUTIVE OFFICERS OF THE REGISTRANT

Patricia R. Callahan (

David M. Carroll

Michael J. Heid

David A. Hoyt

Richard D. Levy

Michael J. Loughlin

Avid Modjtabai

Kevin A. Rhein (

Timothy J. Sloan

James M. Strother

John G. Stumpf [redacted]

Carrie L. Tolstedt [redacted]

There is no family relationship between any of the Company's executive officers or directors. All executive officers serve at the pleasure of the Board of Directors.

AUDIT COMMITTEE INFORMATION

The Audit and Examination Committee is a standing audit committee of the Board of Directors established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Committee has five members: John D. Baker II, Enrique Hernandez, Jr., Federico F. Peña, James H. Quigley (Chair) and Susan G. Swenson. Each member is independent, as independence for audit committee members is defined by NYSE rules. The Board of Directors has determined, in its business judgment, that each member of the Audit and Examination Committee is financially literate, as required by NYSE rules, and that each qualifies as an "audit committee financial expert" as defined by SEC regulations.

CODE OF ETHICS AND BUSINESS CONDUCT

The Company's Code of Ethics and Business Conduct for team members (including executive officers), Director Code of Ethics, the Company's corporate governance guidelines, and the charters for the Audit and Examination, Governance and Nominating, Human Resources, Corporate Responsibility, Credit, Finance, and Risk Committees are available at www.wellsfargo.com/about/corporate/corporate_governance. This information is also available in print to any stockholder upon written request to the Office of the Corporate Secretary, Wells Fargo & Company, MAC N9305-173, Wells Fargo Center, Sixth and Marquette, Minneapolis, Minnesota 55479.

ADDITIONAL INFORMATION

Additional information in response to this Item 10 can be found in the Company's 2014 Proxy Statement under "Ownership of Our Common Stock – Section 16(a) Beneficial Ownership Reporting Compliance," "Item 1 – Election of Directors – Director Nominees for Election" and "– Other Matters Relating to Directors" and "Corporate Governance – Director Nomination Process and Board Diversity." That information is incorporated into this item by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information in response to this Item 11 can be found in the Company's 2014 Proxy Statement under "Item 1– Election of Directors – Compensation Committee Interlocks and Insider Participation," under "Director Compensation," under "Corporate Governance – Risk Management and Compensation Practices," under "Information About Related Persons – Related Person Transactions," and under "Item 2 – Executive Compensation and Advisory Resolution to Approve Executive Compensation (Say on Pay)" excluding "– Advisory Resolution to Approve Executive Compensation (Say on Pay)." That information is incorporated into this item by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about our equity compensation plans in effect on December 31, 2013, separately aggregated for plans approved by stockholders and for plans not approved by stockholders. A description of the material features of each equity compensation plan not approved by stockholders follows the table. All outstanding awards relate to shares of our common stock. Information is as of December 31, 2013, unless otherwise indicated.

Equity Compensation Plan Information (1)

Plan category	(a) # of shares to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights (2)	(c) # of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	203,636,847 (3)	$ 28.78	282,698,098 (4)
Equity compensation plans not approved by security holders	21,741,793 (5)	154.38	3,119,219 (6)
Total	225,378,640	42.18	285,817,317

(1) The table above does not include information about equity compensation plans assumed in mergers that we froze at the time of the merger. Under these assumed plans a total of 1,483,828 shares of common stock were issuable upon exercise of options. The weighted average exercise price per share of our common stock of the outstanding options was $103.04. We assumed the amended and restated Wachovia Corporation 2003 Stock Incentive Plan (2003 SIP) in the Wachovia merger and in February 2009 used substantially all remaining available shares for stock opt on grants to legacy Wachovia team members. Information for the 2003 SIP is included in the table above under the plan category for equity compensation plans not approved by security holders. No awards have been granted since February 2009, and no future awards will be granted under the 2003 SIP.

(2) Does not reflect restricted share rights (RSRs), restricted share units (RSUs), or restricted share awards (RSAs) or deferred compensation benefits because they have no exercise price.

(3) For the Long-Term Incentive Compensation Plan (LTICP), consists of 124,119,009 shares subject to options, 60,048,670 shares subject to unvested RSRs, and a maximum of 14,840,431 performance shares. For the Supplemental 401(k) Plan, consists of 3,481,941 shares issuable upon distribution of benefits. For the Directors Stock Compensat on and Deferral Plan (Directors Plan), consists of 479,637 shares subject to opt ons, 281,435 shares issuable upon distribut on of vested but deferred stock awards, and 385,724 shares issuable upon distribution of deferred compensat on benef ts.

(4) We could have issued the number of shares of our common stock indicated in the following table pursuant to any of the award types listed for the plan or, if indicated for the plan, pursuant to distribut ons of deferred compensation benefits. Each share of common stock issued under the LTICP pursuant to awards other than opt ons or SARs counts as two shares.

Plan	# of shares	Award types
LTICP	281,967,433	Stock options, stock, SARs, restricted stock, RSRs, performance shares, performance units
Supplemental 401(k) Plan	155,657	Deferral distribution
Directors Plan	575,008	Stock options, deferral distribution

(5) For the 2003 SIP, consists of 14,881,119 shares subject to options and 595,324 shares subject to RSAs. For the other plans, consists of 6,265,350 shares of common stock issuable upon distribution of deferred compensation benef ts.

(6) We could have issued the number of shares of our common stock indicated in the following table pursuant to any of the award types listed for the plan or, if indicated for the plan, pursuant to distribut ons of deferred compensation benefits. No information is provided for the 2003 SIP, the Norwest Corporation Directors' Formula Stock Award Plan and the Norwest Corporat on Directors' Stock Deferral Plan because no future awards or deferrals will be made under these plans and because column (a) reflects all shares issuable under those plans upon exercise or distribut on of outstanding awards or deferred compensation benefits.

Plan	# of shares	Award types
Deferred Compensation Plan	2,830,499	Deferral distribution
Non-Qualified Deferred Compensation Plan for Independent Contractors	288,720	Deferral distribution

Material Features of Equity Compensation Plans Not Approved by Stockholders

The 2003 SIP. The amended and restated Wachovia Corporation 2003 Stock Incentive Plan (2003 SIP) was originally approved by Wachovia's shareholders in 2003 and prior to the merger had been used for equity awards to Wachovia's executive officers and other key employees. We assumed the 2003 SIP in the merger and in February 2009 used substantially all remaining available shares for stock option grants to legacy Wachovia team members. No awards have been granted since then, and no future awards will be granted under the 2003 SIP.

At December 31, 2013, only options and stock awards in the form of RSAs were outstanding under the 2003 SIP. The options generally expire on the tenth anniversary of the grant date and vest ratably over a three-year period from the grant date. The option price is payable to us in full by methods the Board's Human Resources Committee (HRC) designates, including, but not limited to, in cash or its equivalent, by tendering or withholding shares of our common stock having a fair market value at the time of exercise equal to the total option price, or by a combination of the foregoing. Unless the HRC determines otherwise or except as prohibited by applicable law, options may also be exercised by a "cashless exercise" where the participant gives irrevocable instructions to a broker to promptly deliver to us the amount of sale proceeds from the shares covered by the option exercised, together with any withholding taxes due to the Company. The proceeds from any cash payments upon option exercise are added to our general funds and used for general corporate purposes. The outstanding RSAs vest upon the achievement of the specified performance criteria. Prior to vesting, the holders of RSAs may exercise full voting rights with respect to those shares and are entitled to receive all dividends and other distributions paid with respect to those shares. Each participant's award agreement will state the extent, if any, to which the participant may receive unvested stock awards following termination of employment.

Deferred Compensation Plan. Under the Deferred Compensation Plan eligible team members may defer receipt of salary, bonuses and certain other compensation subject to the terms of the plan. Deferral elections are irrevocable once made except for limited re-deferral opportunities. We treat amounts deferred by a participant as if invested in the earnings options selected by the participant, and determine the deferred compensation benefit payable to the participant based on the performance of those earnings options. The plan offers a number of earnings options, including one based on our common stock with dividends reinvested. We generally distribute amounts allocated to the common stock option in shares of common stock. Participants have no direct interest in any of the earnings options and are general unsecured creditors of the Company with respect to their deferred compensation benefits under the plan.

Non-Qualified Deferred Compensation Plan for Independent Contractors. Under the Non-Qualified Deferred Compensation Plan for Independent Contractors participants who perform qualifying investment or other financial services for participating affiliates as independent contractors may defer all or part of their eligible compensation payable to them by the affiliate subject to the terms of the plan. Deferral elections are irrevocable once made. Amounts deferred by a participant are treated as if invested in the earnings options selected by the participant, which determine the deferred compensation benefit payable to the participant. The plan offers a number of earnings options, including one based on our common stock with dividends reinvested. We generally distribute amounts allocated to the common stock option in shares of common stock. The plan is sponsored by a wholly owned subsidiary, WF Deferred Compensation Holdings, Inc. We have guaranteed its obligations under the plan. Participants have no direct interest in any of the earnings options and are general unsecured creditors of the plan sponsor and the Company with respect to their deferred compensation benefits under the plan.

Norwest Corporation Directors' Formula Stock Award Plan. Under the Norwest Corporation Directors' Formula Stock Award Plan we awarded shares of common stock to non-employee directors. The plan allowed participants to defer receipt of all or a portion of their awards, with dividends reinvested, until a future year or years as selected by the participants subject to the terms of the plan. Participants can elect one time to defer commencement of distribution of their deferral accounts if the election is made sufficiently in advance of the original distribution commencement date and the new distribution commencement date is sufficiently beyond the original distribution commencement date. Participants have no direct interest in the shares deferred under the plan and are general unsecured creditors of the Company with respect to payment of their deferred stock awards under the plan. No future stock awards or deferrals may be made under this plan.

Norwest Corporation Directors' Stock Deferral Plan. Under the Norwest Corporation Directors' Stock Deferral Plan a participating director could defer receipt of all or part of the annual cash retainer and meeting fees payable to the director until a future year or years as selected by the director subject to the terms of the plan. A participating director could elect distribution of his or her deferral account in a lump sum in either cash or whole shares of common stock, or a combination of both. Alternatively, the director could elect to receive the distribution in up to ten annual installments of cash. A participant can elect one time to defer commencement of distribution of his or her deferral account if the election is made sufficiently in advance of the original distribution commencement date and the new distribution commencement date is sufficiently beyond the original distribution commencement date. No future deferrals may be made under this plan.

ADDITIONAL INFORMATION

Additional information in response to this Item 12 can be found in the Company's 2014 Proxy Statement under "Ownership of Our Common Stock – Directors and Executive Officers" and "– Principal Stockholders." That information is incorporated into this item by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information in response to this Item 13 can be found in the Company's 2014 Proxy Statement under "Corporate Governance – Director Independence" and under "Information About Related Persons." That information is incorporated into this item by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information in response to this Item 14 can be found in the Company's 2014 Proxy Statement under "Item 3 – Appointment of Independent Registered Public Accounting Firm for 2014 – KPMG Fees" and "– Audit and Examination Committee Pre-Approval Policies and Procedures." That information is incorporated into this item by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. FINANCIAL STATEMENTS

The Company's consolidated financial statements, including the notes thereto, and the report of the independent registered public accounting firm thereon, are set forth in the 2013 Annual Report to Stockholders, and are incorporated into this item by reference.

2. FINANCIAL STATEMENT SCHEDULES

All financial statement schedules for the Company have been included in the consolidated financial statements or the related footnotes, or are either inapplicable or not required.

3. EXHIBITS

A list of exhibits to this Form 10-K is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated into this item by reference.

Stockholders may obtain a copy of any of the following exhibits, upon payment of a reasonable fee, by writing to Wells Fargo & Company, Office of the Corporate Secretary, Wells Fargo Center, N9305-173, Sixth and Marquette, Minneapolis, Minnesota 55479.

The Company's SEC file number is 001-2979. On and before November 2, 1998, the Company filed documents with the SEC under the name Norwest Corporation. The former Wells Fargo & Company filed documents under SEC file number 001-6214. The former Wachovia Corporation filed documents under SEC file number 001-10000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 26, 2014.

WELLS FARGO & COMPANY

By: /s/ JOHN G. STUMPF
John G. Stumpf
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: [redacted]
John G. Stumpf
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
February 26, 2014

By: [redacted]
Timothy J. Sloan
Senior Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
February 26, 2014

By: [redacted]
Richard D. Levy
Executive Vice President and Controller
(Principal Accounting Officer)
February 26, 2014

The Directors of Wells Fargo & Company listed below have duly executed powers of attorney empowering James H. Quigley to sign this document on their behalf.

John D. Baker II	Enrique Hernandez, Jr.	James H. Quigley	Susan G. Swenson
Elaine L. Chao	Donald M. James	Judith M. Runstad	
Lloyd H. Dean	Cynthia H. Milligan	Stephen W. Sanger	
Susan E. Engel	Federico F. Peña	John G. Stumpf	

By: [redacted]
James H. Quigley
Director and Attorney-in-fact
February 26, 2014

EXHIBIT INDEX

Exhibit Number	Description	Location
3(a)	Restated Certificate of Incorporation, as amended and in effect on the date hereof.	Filed herewith.
3(b)	By-Laws.	Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed January 28, 2011.
4(a)	See Exhibits 3(a) and 3(b).	
4(b)	The Company agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of the Company.	
10(a)*	Long-Term Incentive Compensation Plan (as amended and restated on April 23, 2013), which includes Performance-Based Compensation Policy.	Incorporated by reference to Exhibit 10(b) to the Company's Current Report on Form 8-K filed April 26, 2013.
	Long-Term Incentive Compensation Plan.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
	Forms of Performance Share Award Agreement:	
	For grants on or after February 26, 2013;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
	For grants on February 28, 2012;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.
	For grants on February 22, 2011; and	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010.
	For grants to John G. Stumpf, David M. Carroll, David A. Hoyt, and Carrie L. Tolstedt on June 22, 2010.	Incorporated by reference to Exhibit 10(a) to the Company's Current Report on Form 8-K filed June 25, 2010.
	Form of Retention Performance Share Award Agreement for grants to John G. Stumpf, David A. Hoyt, and Carrie L. Tolstedt on December 24, 2009.	Incorporated by reference to Exhibit 10(a) to the Company's Current Report on Form 8-K filed December 31, 2009.
	Forms of Award Agreement for grants of stock awards to John G. Stumpf and David A. Hoyt.	Incorporated by reference to Exhibits 10(a), 10(b), 10(c) and 10(d) to the Company's Current Report on Form 8-K filed August 6, 2009.
	Forms of Restricted Share Rights Award Agreement:	
	For grants on or after February 26, 2013, including grants to John G. Stumpf, Timothy J. Sloan, David M. Carroll, David A. Hoyt, and Carrie L. Tolstedt;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
	For grants on February 28, 2012, including grants to John G. Stumpf, Timothy J. Sloan, David M. Carroll, David A. Hoyt, and Carrie L. Tolstedt;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.
	For grants on February 22, 2011, including grants to John G. Stumpf, David M. Carroll, David A. Hoyt, Timothy J. Sloan, and Carrie L. Tolstedt;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010.
	For grants prior to February 22, 2011, including grants to John G. Stumpf, David M. Carroll, David A. Hoyt, Timothy J. Sloan, and Carrie L. Tolstedt;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
	For grant to David M. Carroll on December 24, 2009;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December

* Management contract or compensatory plan or arrangement.

Exhibit Number	Description	Location
		31, 2009.
	For grant to John G. Stumpf on August 3, 2009; and	Incorporated by reference to Exhibit 10(e) to the Company's Current Report on Form 8-K filed August 6, 2009.
	For grants to David A. Hoyt and Carrie L. Tolstedt on February 24, 2009, as amended on November 16, 2010.	Incorporated by reference to Exhibit 10(a) to the Company's Current Report on Form 8-K filed February 27, 2009, and Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010.
	Form of Non-Qualified Stock Option Agreement, including grants to John G. Stumpf, David M. Carroll, David A. Hoyt, Timothy J. Sloan, and Carrie L. Tolstedt.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.
10(b)*	Long-Term Incentive Plan.	Incorporated by reference to Exhibit A to the former Wells Fargo's Proxy Statement filed March 14, 1994.
10(c)*	Wells Fargo Bonus Plan, as amended effective January 1, 2011.	Incorporated by reference to Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.
10(d)*	Performance-Based Compensation Policy.	Incorporated by reference to Exhibit 10(b) to the Company's Current Report on Form 8-K filed May 5, 2008.
10(e)*	Deferred Compensation Plan, as amended effective January 1, 2008.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
	Amendment to Deferred Compensation Plan, effective January 1, 2013.	Incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
	Amendment to Deferred Compensation Plan, effective January 1, 2011.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.
	Amendment to Deferred Compensation Plan, effective December 1, 2009.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
10(f)*	Directors Stock Compensation and Deferral Plan.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.
	Amendment to Directors Stock Compensation and Deferral Plan, effective April 1, 2013.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.
	Amendment to Directors Stock Compensation and Deferral Plan, effective January 1, 2013.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.
	Amendment to Directors Stock Compensation and Deferral Plan, effective January 24, 2012.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Exhibit Number	Description	Location
	Amendment to Directors Stock Compensation and Deferral Plan, effective January 25, 2011.	Incorporated by reference to Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.
	Amendment to Directors Stock Compensation and Deferral Plan, effective February 24, 2009.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
	Amendments to Directors Stock Compensation and Deferral Plan, effective September 23, 2008.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.
	Amendment to Directors Stock Compensation and Deferral Plan, effective January 22, 2008.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.
	Action of Governance and Nominating Committee Increasing Amount of Formula Stock and Option Awards Under Directors Stock Compensation and Deferral Plan, effective January 1, 2007.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2006.
	Form of Non-Qualified Stock Option Agreement for grants to directors on or before April 29, 2008.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.
10(g)*	Deferred Compensation Plan for Non-Employee Directors of the former Norwest.	Incorporated by reference to Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
	Amendment to Deferred Compensation Plan for Non-Employee Directors, effective November 1, 2000.	Filed as paragraph (4) of Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.
	Amendment to Deferred Compensation Plan for Non-Employee Directors, effective January 1, 2004.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(h)*	Directors' Stock Deferral Plan for directors of the former Norwest.	Incorporated by reference to Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
	Amendment to Directors' Stock Deferral Plan, effective November 1, 2000.	Filed as paragraph (5) of Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.
	Amendment to Directors' Stock Deferral Plan, effective January 1, 2004.	Incorporated by reference to Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(i)*	Directors' Formula Stock Award Plan for directors of the former Norwest.	Incorporated by reference to Exhibit 10(e) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
	Amendment to Directors' Formula Stock Award Plan, effective November 1, 2000.	Filed as paragraph (6) of Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.
	Amendment to Directors' Formula Stock Award Plan, effective January 1, 2004.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(j)*	Deferral Plan for Directors of the former Wells Fargo.	Incorporated by reference to Exhibit 10(b) to the former Wells Fargo's Annual Report on Form 10-K for the year ended December 31, 1997.
	Amendment to Deferral Plan, effective January 1, 2004.	Incorporated by reference to Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(k)*	Supplemental 401(k) Plan.	Incorporated by reference to Exhibit 10(c) to the Company's Current Report on Form 8-K filed May 4, 2009.

Exhibit Number	Description	Location
10(l)*	Supplemental Cash Balance Plan.	Incorporated by reference to Exhibit 10(b) to the Company's Current Report on Form 8-K filed May 4, 2009.
10(m)*	Supplemental Long-Term Disability Plan.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 1990.
	Amendment to Supplemental Long-Term Disability Plan.	Incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.
10(n)*	Description of Relocation Program.	Incorporated by reference to Exhibit 10(y) to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.
10(o)	Non-Qualified Deferred Compensation Plan for Independent Contractors.	Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.
	Amendment to Non-Qualified Deferred Compensation Plan for Independent Contractors, effective January 1, 2009.	Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
10(p)*	Description of Chairman/CEO Post-Retirement Policy.	Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(q)*	Description of Non-Employee Director Equity Compensation Program.	Filed herewith.
10(r)*	Employment Agreement, dated December 30, 2008, between the Company and David M. Carroll.	Incorporated by reference to Exhibit 10(y) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(s)*	Amended and Restated Wachovia Corporation Deferred Compensation Plan for Non-Employee Directors.	Incorporated by reference to Exhibit (10)(f) to Wachovia Corporation's Current Report on Form 8-K filed December 29, 2008.
	Amendment to Amended and Restated Wachovia Corporation Deferred Compensation Plan for Non-Employee Directors, effective June 1, 2009.	Incorporated by reference to Exhibit 10(aa) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
10(t)*	Wachovia Corporation Executive Deferred Compensation Plan.	Incorporated by reference to Exhibit (10)(d) to Wachovia Corporation's Annual Report on Form 10-K for the year ended December 31, 1997.
10(u)*	Wachovia Corporation Supplemental Executive Long-Term Disability Plan, as amended and restated.	Incorporated by reference to Exhibit (99) to Wachovia Corporation's Current Report on Form 8-K filed January 5, 2005.
10(v)*	Amended and Restated Wachovia Corporation Elective Deferral Plan (as amended and restated effective January 1, 2009).	Incorporated by reference to Exhibit (10)(a) to Wachovia Corporation's Current Report on Form 8-K filed December 29, 2008.
10(w)*	Wachovia Corporation 1998 Stock Incentive Plan, as amended.	Incorporated by reference to Exhibit (10)(j) to Wachovia Corporation's Annual Report on Form 10-K for the year ended December 31, 2001.
10(x)*	Employment Agreement between Wachovia Corporation and David M. Carroll.	Incorporated by reference to Exhibit (10)(m) to Wachovia Corporation's Annual Report on Form 10-K for the year ended December 31, 2004.
	Amendment No. 1 to Employment Agreement between Wachovia Corporation and David M. Carroll.	Incorporated by reference to Exhibit (10)(a) to Wachovia Corporation's Current Report on Form 8-K filed December 22, 2005.
	Amendment No. 2 to Employment Agreement between Wachovia Corporation and David M. Carroll.	Incorporated by reference to Exhibit (10)(h) to Wachovia Corporation's Current Report on Form 8-K filed December 29, 2008.
10(y)*	Wachovia Corporation 2001 Stock Incentive Plan.	Incorporated by reference to Exhibit (10)(v) to Wachovia Corporation's Annual Report on Form 10-K for the year

Exhibit Number	Description	Location
		ended December 31, 2001.
10(z)*	Wachovia Corporation Savings Restoration Plan.	Incorporated by reference to Exhibit (10)(gg) to Wachovia Corporation's Annual Report on Form 10-K for the year ended December 31, 2002.
10(aa)*	Amendment 2007-1 to Wachovia Corporation Savings Restoration Plan.	Incorporated by reference to Exhibit (10)(b) to Wachovia Corporation's Current Report on Form 8-K filed December 20, 2007.
	Amendment 2008-1 to Wachovia Corporation Savings Restoration Plan.	Incorporated by reference to Exhibit (10)(c) to Wachovia Corporation's Current Report on Form 8-K filed December 29, 2008.
10(bb)*	Amended and Restated Wachovia Corporation Savings Restoration Plan.	Incorporated by reference to Exhibit (10)(b) to Wachovia Corporation's Current Report on Form 8-K filed December 29, 2008.
10(cc)*	Form of stock award agreement for Executive Officers of Wachovia Corporation, including David M. Carroll.	Incorporated by reference to Exhibit (10)(ss) to Wachovia Corporation's Annual Report on Form 10-K for the year ended December 31, 2004.
10(dd)*	Amended and Restated Wachovia Corporation 2003 Stock Incentive Plan.	Incorporated by reference to Appendix E to Wachovia Corporation's Registration Statement on Form S-4 (Reg. No. 333-134656) filed on July 24, 2006.
	Amendment to Amended and Restated Wachovia Corporation 2003 Stock Incentive Plan, effective February 24, 2009.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
12(a)	Computation of Ratios of Earnings to Fixed Charges:	Filed herewith.

	Year ended December 31,				
	2013	2012	2011	2010	2009
Including interest on deposits	**7.91**	6.08	4.32	3.21	2.68
Excluding interest on deposits	**10.68**	8.40	5.92	4.32	3.64

12(b)	Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends:	Filed herewith.

	Year ended December 31,				
	2013	2012	2011	2010	2009
Including interest on deposits	**5.99**	4.90	3.67	2.84	1.69
Excluding interest on deposits	**7.36**	6.21	4.69	3.61	1.90

Exhibit Number	Description	Location
13	2013 Annual Report to Stockholders.	Filed herewith.
21	Subsidiaries of the Company.	Filed herewith.
23	Consent of Independent Registered Public Accounting Firm.	Filed herewith.
24	Powers of Attorney.	Filed herewith.
31(a)	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31(b)	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32(a)	Certification of Periodic Financial Report by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.	Furnished herewith.
32(b)	Certification of Periodic Financial Report by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.	Furnished herewith.
99	Description of Replacement Capital Covenants of Wells Fargo and Wachovia.	Filed herewith.
101.INS	XBRL Instance Document.	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document.	Filed herewith.

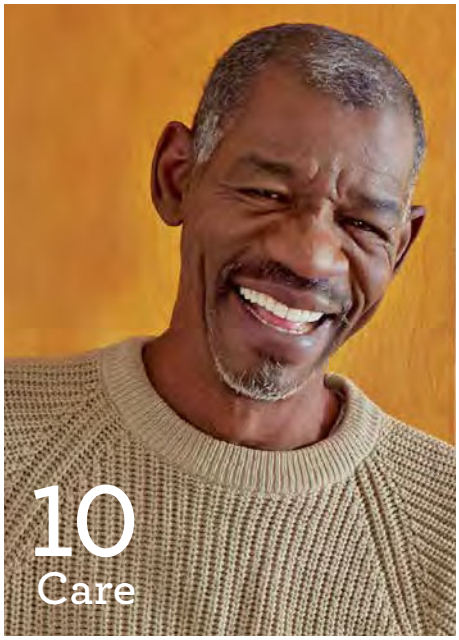
WELLS FARGO

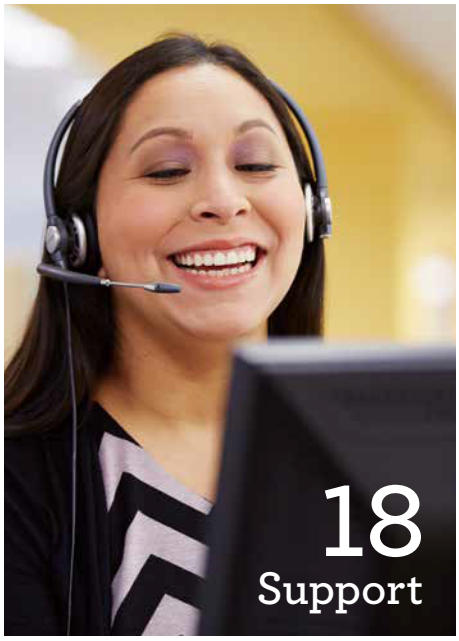
Culture counts.

An unwavering focus on the customer.

Culture counts.

Relationships. Teamwork. Values. At Wells Fargo, we are about building lifelong relationships one customer at a time. We work hard for each and every customer because we care about their financial success and want to be with them every step of the way. We have been around for a long time and we will be there for our customers for many years to come. And we know that who we are is as important as what we do. Because at Wells Fargo, culture counts.





On the cover: **Frank Guzman with Wells Fargo's Trena Small** | Pearland, Texas

Trust

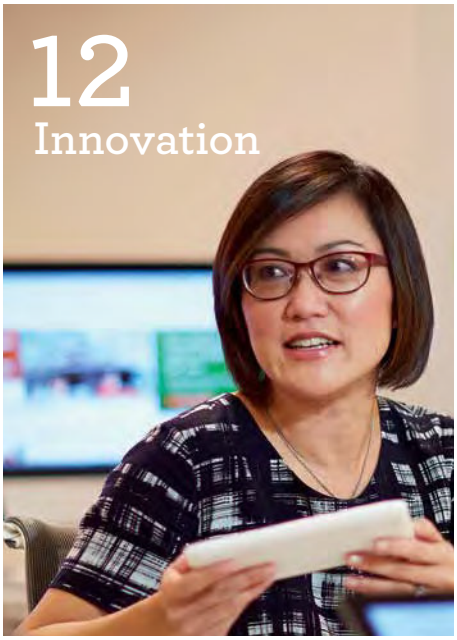
After several failed attempts, long-time trucker Frank Guzman resolved to start his own hauling business last year—this time fueled by financing and guidance from Wells Fargo. And that has made all the difference.

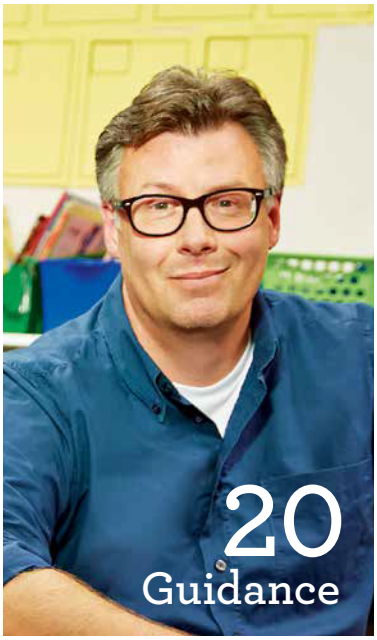
"I've worked and driven for many companies in my life," he said. "But it's clear that for me, being an owner-operator is more rewarding."

Frank secured a Wells Fargo *Equipment Express*® loan to help buy his rig. He also received guidance from small business bankers on managing his startup company's finances. The Houston-area entrepreneur then landed a client in the energy sector.

"It's the team approach that makes all of this work," said Frank, whose fiancée, Chrisy Guillory, is his business partner and financial officer. Frank credits Wells Fargo for helping him with financing and money-management advice. "Wells Fargo has been there to help every step along the way," he said.

"All of this started when he came in one day and spoke with our business lending specialist," said Trena Small, manager of the Wells Fargo store in Pearland, Texas, where Frank banks. "We helped him create a business plan—something that helps a lot of customers grow their business. And it has helped him tremendously."





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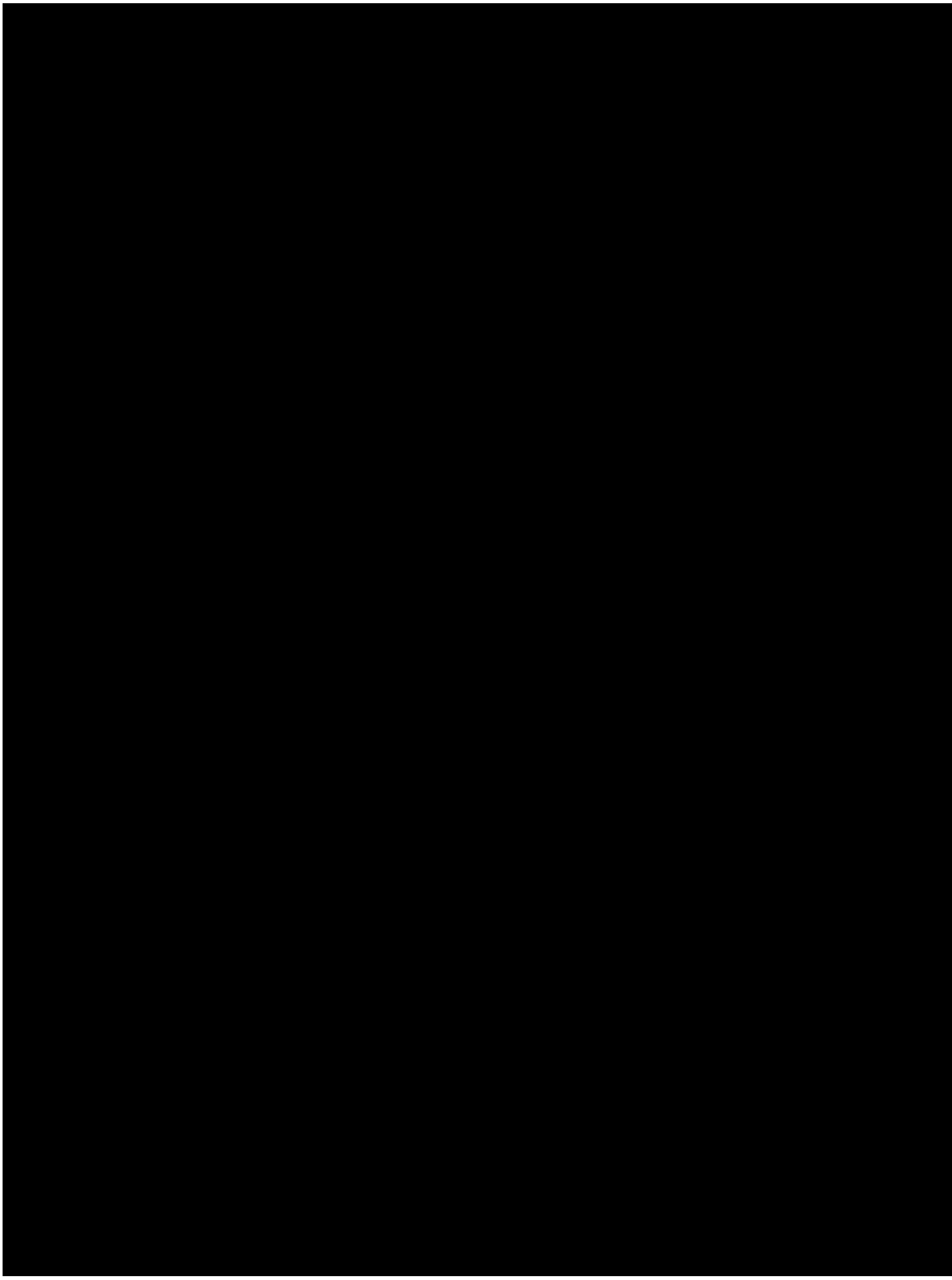


To Our Owners,

I have always believed that culture is the most important part of a company's success. It is the heart of any organization and a significant contributor to long-term performance and stability.

This is certainly true for Wells Fargo. Since 1852, culture has been a focus of ours, beginning with how we served the Gold Rush-era customers who trusted us to transport their money and valuables on our stagecoaches. In those early days, we held a belief that still holds true today: "Our merchandise is courtesy, willingness, and human ability."

Today, I sum up Wells Fargo's culture with this word: "Relationships." It captures the passion we all share for serving our key stakeholders — customers, communities, investors, and team members. To earn their trust, we strive to do the right thing and act under the highest ethical standards where honesty, trust, and integrity matter.

Cultures take years to establish and mature, a lesson I learned while growing up on a family farm in a small town in central Minnesota. Those years taught me that the best harvests come only after years of thoughtful planning, planting, and nurturing. It's no different at Wells Fargo. The culture our people enjoy today is the result of those who served before us — through a civil war, two world wars, the Great Depression, and a Great Recession that remains fresh in our memories. Through every boom and bust, our people looked ahead, with a vision of the Wells Fargo they wanted to leave for their successors.

No document better captures that spirit than *The Vision & Values of Wells Fargo*, a booklet we first published 20 years ago that outlines our values, strategies, and goals. (You can read our *Vision & Values* on wellsfargo.com under "About Wells Fargo.")

While we periodically have updated that document, the vision it first shared years ago remains unchanged: "We want to satisfy all our customers' financial needs and help them succeed financially."

The *reason* our team members go to work each day is to help customers — we serve 70 million customers and one in three U.S. households across our more than 90 businesses. The *result* is that Wells Fargo makes money, not the other way around. Or, as our *Vision & Values* puts it, "We'll never put the stagecoach ahead of the horses." This is why we believe culture and performance go hand in hand.

Financial results

In 2014, Wells Fargo generated record earnings for a sixth consecutive year, remaining the most profitable bank in the United States. We also ended 2014 as the world's most valuable bank by market capitalization.

Our 2014 net income was $23.1 billion, up 5 percent from 2013. Diluted earnings per common share also rose 5 percent to $4.10. Our 2014 revenue of $84.3 billion was a balanced mix of net interest income and noninterest income, reflecting the strength of our diversified business model.

We generated this growth through a focus on customers, as more of them entrusted us with their deposits and rewarded us with opportunities to serve more of their financial needs. In 2014, our total deposits reached a record $1.2 trillion, up 8 percent from the prior year, driven by both consumer and commercial growth. Meanwhile, total loans finished 2014 at $862.6 billion, up 5 percent from 2013. Loan growth occurred across multiple portfolios, including commercial loans, residential mortgages, credit cards, and automobile lending, helping increase our net interest income by 2 percent from 2013. Our noninterest income continued to be diversified and strong, including growth in trust and investment fees, card fees, and mortgage servicing.

Our results also reflected our commitment to protect the interests of our stakeholders. For example, in 2014 the credit quality of our loans was the best I can recall in my 33 years at the company. Credit losses fell to $2.9 billion, a 35 percent improvement over $4.5 billion in 2013. Net charge-offs as a percentage of average loans remained near historic lows—0.35 percent in 2014, compared with 0.56 percent in 2013.

Wells Fargo is one of the most valuable companies in the world

By market value as of Dec. 31, 2014 (in billions)

Apple	$ 647
ExxonMobil	391
Microsoft	383
Berkshire Hathaway	371
Google	358
PetroChina (China)	305
Johnson & Johnson	293
Wells Fargo	**283**
Walmart	277
ICBC (China)	271

U.S. companies except where stated
Source: Bloomberg

Our capital also grew, remaining well above regulatory minimum levels. At the end of 2014, our Common Equity Tier 1 capital was $137.1 billion, resulting in a Common Equity Tier 1 capital ratio of 11.04 percent under Basel III (General Approach). Under Basel III (Advanced Approach, fully phased-in), our 2014 estimated Common Equity Tier 1 capital ratio was 10.43 percent.[1]

In 2014, our shareholders continued to see strong returns. Full-year return on assets was 1.45 percent, and full-year return on equity was 13.41 percent, well within our target performance ranges. We returned $12.5 billion to our shareholders through dividends and net share repurchases. We increased the quarterly dividend rate by 17 percent to 35 cents per share, and we purchased 87 million shares of our common stock on a net basis. During the year, shareholders also saw the price of our common stock rise 21 percent.

Because we believe culture influences performance, Wells Fargo counts among its 2014 accomplishments some notable recognition: "Most Respected Bank" by *Barron's* magazine, "Most Admired" among the world's largest banks by *Fortune* magazine, "Best U.S. Bank" by *The Banker* magazine, and "Most Valuable Bank Brand" by Brand Finance,® a global brand valuation company. However, just as we think about profits, the accolades would ring hollow if we didn't believe they were the result of doing what's right for our customers.

Customers

Our passion for helping customers motivates our team members. It gratifies us when we hear how our banking and financial services improve lives and transform businesses. For even as we increasingly serve tens of millions of customers through digital and mobile means, our business is still about people helping people.

Some call this a "Main Street" focus. We also call it helping individuals and businesses in the "real economy." From checking accounts and debit cards to savings products to treasury management services, we help customers manage their daily financial lives. We help families buy that first home or new car. We provide funding to businesses, small and large, to expand and hire. We help our customers plan and save for retirement. So convinced are we that this is Wells Fargo's core purpose that in 2014 we began sharing stories of how we serve customers and communities through "Wells Fargo Stories," a new online journal located at wellsfargo.com/stories.

One story that especially touched us involved Sam and Kerri Taylor of Ocean Springs, Mississippi. Before the recession, the family built a dream home. But when illness caused Kerri to cut back on her work, the family's income fell, and financial challenges followed.

Fortunately, we were able to modify the Taylors' mortgage—one of more than 1 million mortgage modifications we have completed since 2009—to help them avoid foreclosure. Sadly, there are times when families simply can't afford to remain in their current home, but our mortgage servicing team works extremely hard to help our customers find solutions to sustain homeownership. Over the past six years, Wells Fargo has been able to work with families like the Taylors to forgive more than $8.4 billion of mortgage principal.

"All I can say is WOW," Sam Taylor told us. "Angela [Ludwig, a Wells Fargo Home Mortgage specialist] not only helped us get approved for the modification and keep our home, she displayed the most professional and courteous attitude I've ever seen."

We also hear "wows" from our business customers. In 2014, Wells Fargo extended $18 billion in new loan commitments to small businesses. Additionally, for the 12th consecutive year, we were the nation's largest small business lender in dollars, based on Community Reinvestment Act government data (2002–2013; 2014 data will be released later in 2015). Last year, we also launched Wells Fargo Works for Small Business,℠ a broad initiative to deliver resources, guidance, and services to small businesses, including a goal to extend $100 billion in new loans by the end of 2018.

We're proud to lend to entrepreneurs like David Dorrough of Boise, Idaho. Our relationship with David began not long after he became frustrated with the quality of commercially available stud finders when installing bookshelves at his home. David put his electrical engineering skills to work to create a more accurate

1 *For more information regarding our regulatory capital and related ratios, please see the "Financial Review—Capital Management" section in this Report.*

stud finder, and Franklin Sensors was born. Working out of his home and paying out-of-pocket to build inventory were financially difficult for David's small startup company. Enter Wells Fargo banker Flip Kleffner, who helped David with a Small Business Administration revolving line of credit. Five years later, David's company employs 45 people in his community and sells its products in the U.S. and overseas.

Sometimes the small businesses we serve become larger companies. Consider Vermeer Corporation, a 66-year-old agricultural and industrial equipment company based in Iowa that started with a single product. Wells Fargo Commercial Banking Relationship Manager Mark Conway has worked with Vermeer for 25 years, helping this family-owned business as it has grown into a global business that now makes 150 models of various products and employs 3,000 people (see page 16).

Our Wholesale Banking business helps companies like Vermeer with their global needs — we operate in 36 countries — through services such as foreign exchange, treasury management, asset-based lending, and investment banking. We have grown our Wholesale Banking business as our customers' needs have increased. We are the No. 1 lender to middle-market companies, the largest commercial real estate lender, and one of the top providers of syndicated loans.

Our passion for helping customers motivates our team members. It gratifies us when we hear how our banking and financial services improve lives and transform businesses.

Team members

Our biggest competitive advantage is our team. This is why we refer to our people as "team members," not "employees." We believe our 265,000 team members are resources to be invested in, not expenses to be managed. We offer competitive salaries and benefits to ensure we attract and retain the best talent. For eligible team members, this includes affordable healthcare options, 401(k) matching contributions, tuition reimbursements, matches for education-related charitable donations, adoption reimbursements, work-life balance programs, scholarship programs for team members' children, and a discretionary profit sharing plan. We also train and develop our talent. Last year, Wells Fargo team members completed more than 7.5 million training courses. On the stagecoach, we build careers.

Each year we survey our team members to understand what engages them at work. The more engaged our team members are, the more connected they are to our culture and our vision and values. In 2014, overall team member engagement measured 4.22 out of a possible 5, topping the prior year's record of 4.16. Wells Fargo is a "Gallup Great Workplace Award" winner, a distinction that the Gallup organization, which conducts our survey, reserves for the world's most engaged and productive companies.

Our people also value teamwork. They expect to work together across our businesses — as "One Wells Fargo" — as we help customers achieve financial success. Or, to quote our *Vision & Values*: "Our relationships with our customers are only as strong as our relationships with each other."

This is why I like to say that our culture is about plural pronouns — we, us, and ours — instead of I, me, and mine. The star of the team *is* the team, because how the work gets done is just as important as getting the work done.

Team members like Keith Shealy set the example. A Wells Fargo financial advisor in South Carolina, Keith recently advised a customer who owns a 60-year-old family business. Keith understood the customer had commercial banking needs, so he enlisted the help of Mike Farmer, a banker from our Wholesale Banking business. Keith also tapped Wendy Brewer in Wealth Management for help because the customer wanted guidance in succession planning for his family and company co-owners.

Without such teamwork, our customer might have had to deal with multiple financial services companies for his personal and commercial needs. That would have been unfortunate for him and a missed opportunity for us. Indeed, it's only through such teamwork that we can hope to live up to a key goal expressed in our *Vision & Values*: "We want to be the first provider our customers think of when they need their next financial product."

Communities

In addition to serving customers, our team members serve the communities where they live and work. In 2014, Wells Fargo team members contributed $97.7 million of their own money to schools, charities, religious organizations, and other nonprofits. That's up nearly 10 percent from 2013 and marks the 12th consecutive year-over-year increase in team member donations. United Way Worldwide has recognized Wells Fargo for having the nation's No. 1 United Way campaign for six consecutive years (2009 – 2014), an accomplishment I am especially proud of because Wells Fargo ranked 29th on the 2014 Fortune 500 list of America's largest corporations.

Team members also volunteer their time — 1.74 million hours in 2014 — for activities such as tutoring students, serving food to the homeless, building homes with Habitat for Humanity, and serving on nonprofit boards.

Our Performance

$ in millions, except per share amounts	2014	2013	% Change
FOR THE YEAR			
Wells Fargo net income	$ 23,057	21,878	5
Wells Fargo net income applicable to common stock	21,821	20,889	4
Diluted earnings per common share	4.10	3.89	5
Profitability ratios:			
Wells Fargo net income to average total assets (ROA) [1]	1.45%	1.51	(4)
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity (ROE)	13.41	13.87	(3)
Efficiency ratio [2]	58.1	58.3	–
Total revenue	$ 84,347	83,780	1
Pre-tax pre-provision profit [3]	35,310	34,938	1
Dividends declared per common share	1.35	1.15	17
Average common shares outstanding	5,237.2	5,287.3	(1)
Diluted average common shares outstanding	5,324.4	5,371.2	(1)
Average loans [1]	$ 834,432	802,670	4
Average assets [1]	1,593,349	1,445,983	10
Average core deposits [4]	1,003,631	942,120	7
Average retail core deposits [5]	701,829	669,657	5
Net interest margin [1]	3.11%	3.40	(9)
AT YEAR-END			
Investment securities	$ 312,925	264,353	18
Loans [1]	862,551	822,286	5
Allowance for loan losses	12,319	14,502	(15)
Goodwill	25,705	25,637	–
Assets [1]	1,687,155	1,523,502	11
Core deposits [4]	1,054,348	980,063	8
Wells Fargo stockholders' equity	184,394	170,142	8
Total equity	185,262	171,008	8
Tier 1 capital [6]	154,666	140,735	10
Total capital [6]	192,940	176,177	10
Capital ratios:			
Total equity to assets [1]	10.98%	11.22	(2)
Risk-based capital: [6]			
Tier 1 capital	12.45	12.33	1
Total capital	15.53	15.43	1
Tier 1 leverage [6]	9.45	9.60	(2)
Common Equity Tier 1 [7]	11.04	10.82	2
Common shares outstanding	5,170.3	5,257.2	(2)
Book value per common share	$ 32.19	29.48	9
Team members (active, full-time equivalent)	264,500	264,900	–

1 Financial information for 2013 was revised to reflect our determination that certain factoring arrangements did not qualify as loans. See Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report for more information.

2 The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).

3 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.

4 Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits (Eurodollar sweep balances).

5 Retail core deposits are total core deposits excluding Wholesale Banking core deposits and retail mortgage escrow deposits.

6 See Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

7 See the "Financial Review – Capital Management" section in this Report for additional information.

Our team members understand their efforts can add up in big ways, which is why we say the spirit of our philanthropy and volunteerism is summed up best by a "Small is Huge" mindset that believes no opportunity is too small to make a difference in an individual's or community's future.

Wells Fargo also strives to be a responsible corporate citizen. In 2014, Wells Fargo contributed more than $281 million, up 2 percent from 2013, to 17,100 community nonprofits. These organizations help our neighbors most in need and contribute to the revitalization and growth of the economy. I am proud that of all U.S. companies, we were the top corporate philanthropist in cash donations in 2012 and ranked second in 2013, according to *The Chronicle of Philanthropy* (rankings for 2014 will be released later in 2015).

We also strive to be responsive to economic, social, and environmental challenges. This includes helping underserved consumers who wish to enter or re-enter the banking system. We offer them products and services such as low-cost checking and remittance services, secured credit cards, and loans. Our Hands on Banking® program provides a wide array of free, easy-to-access financial education resources — from how-to guidance on budgeting and car buying, to saving and paying for college, to investing. We now offer *Hands on Banking* courses designed for military members, seniors, small business owners, and youth. Since 2003, we've reached nearly a half-million people, distributing *Hands on Banking* CDs to schools and organizations all over the world.

Earlier I mentioned the work we do to help people keep their homes. We also help low- to moderate-income households buy homes in many ways, but I am especially proud of our *LIFT* programs. These programs provide education and down payment assistance to potential homebuyers in communities that the last recession hit hard. Since 2012, we have committed $230 million to our *LIFT* programs, helping more than 8,500 people and families buy homes in 32 communities. In 2014, we also donated $6 million to 54 local nonprofits through the Wells Fargo Housing Foundation Priority Markets Program, which helps stabilize and revitalize distressed neighborhoods. And, as part of our support for those who serve our country, we have donated more than 200 mortgage-free homes to veterans over the past two years.

Additionally, we are making progress in our environmental efforts to contribute to a more sustainable future. Since 2012, Wells Fargo has deployed more than $37 billion to support environmental opportunities, such as clean technology, renewable energy, "greener" buildings, sustainable agriculture, and alternative transportation. In 2014, we expanded this focus with the Wells Fargo Innovation Incubator (IN2), a five-year, $10 million grant to help fund startup companies with innovative environmental technologies.

To learn more about our community efforts, I invite you to read our Corporate Social Responsibility Report at wellsfargo.com under "About Wells Fargo."

Staying grounded, moving ahead

As a company sets its sights on the future, the right culture is essential. It keeps its team members connected to the company's reason for being. At Wells Fargo, we strike that balance by focusing on six strategic priorities we believe we must master each day we board the stagecoach. These priorities receive our attention because they allow us to devote talent and resources to efforts focused on our future, initiatives that we believe are vital to continuing the success we've enjoyed in the post-financial crisis era.

Our six day-to-day strategic priorities are:

- **Putting customers first.** Our business is built around an unwavering focus on customers. Our people provide products and services to meet customer needs through multiple, convenient ways that add up to high-quality, caring relationships and guidance.
- **Growing revenue.** Revenue is the grade our customers give us each day when they reward us with their business. When we serve customers well, the money we earn is the result. We generate revenue from more than 90 businesses, which provide diverse sources of income through economic cycles.
- **Managing expenses.** We focus on operating efficiently by thoughtfully managing our resources and exercising discipline to invest in the areas that matter most to our customers and stakeholders. In 2014, our efficiency ratio (how much expense we incur for every dollar of revenue we earn) was 58.1 percent for the full year, within our target range of 55 to 59 percent, and industry-leading among our large bank peers.
- **Living our vision and values.** We seek to bring our vision and values to life in all that we do, demonstrating who we are through our actions.
- **Connecting with communities and stakeholders.** We believe there's a connection between our success and the success of our key stakeholders — customers, communities, investors, and team members. These are relationships we nurture each day.
- **Managing risk.** Strong risk management has been a cornerstone of our long-term success, so we continue to invest significantly in this area.

With these priorities well understood, we are able to devote additional talents and resources to four areas that we believe are critical to Wells Fargo's future: creating exceptional customer experiences, digitizing the enterprise, making diversity and inclusion part of our DNA, and leading the way in risk and operational excellence.

Creating exceptional customer experiences

I am often asked which of our competitors impresses me the most. My answer: the companies—regardless of industry—that put their customers first and are passionate about having a personal connection with them. They are companies that are redefining customer experiences and raising expectations for everyone, including banks. They have inspired us to accelerate our efforts to ensure Wells Fargo is a financial services provider of choice. This means being a company that connects with customers emotionally, technologically, conveniently, and through each stage of their financial lives.

We're also using technology to enhance our store experience while preserving valued personal service.

Every minute, we process more than 20,000 customer transactions, such as account openings or online bill payments. We believe each of these moments—and the many moments our customers will experience in the future—should be positive memories, the kind that keep customers coming back to do business with us, time and again.

Guiding our work in this area is what our brand stands for: "Together we'll go far." That means working together with our customers to help them fulfill their visions of financial success—through relationships and guidance that make a difference in our customers' lives, from people who are willing to go the extra mile to deliver that success. This requires a mindset on the part of our team members that places an emphasis on teamwork, positive attitude, and the demonstration of care in all that we do—whether we serve customers directly or support the people who do. *We all work for the customer.*

Success here also means accepting that customer feedback is a gift. If we accept the gift, we're certain to improve. For instance, feedback from customers led us to make several enhancements in 2014 to our credit card products, including launching two new credit cards—Propel 365 and Propel World—on the American Express network and expanding flexibility in our credit card rewards program. Based on feedback from business customers, we added a feature on Wells Fargo CEO Mobile® (our mobile service for business customers) that enables commercial card customers to easily photograph their receipts and upload them for out-of-pocket-expense reimbursement.

Digitizing the enterprise

The *CEO Mobile* enhancement reflects our focus on "digitizing the enterprise," our way of calling out how data and technology are shaping the customer experiences we deliver.

Digital is playing a larger role in all of our channels, from our award-winning website and mobile banking experience to newer services at our bank locations, ATMs, and call centers. For example, we were one of the first banks to offer Apple Pay™ as a convenient mobile-payment option. We anticipate more payment options to come for our mobile customers, because these more than 14 million active users represent our fastest-growing digital market segment.

We're also using technology to enhance our store experience while preserving valued personal service. We do this because customers still choose to bank with us at a physical location; in fact, 75 percent of deposit customers visited a bank location within the past six months. Many of our customers use three or more of our service channels. This gives us a great opportunity to connect our digital and physical services, providing customers a true omni-channel experience.

Customers researching new products can easily make an appointment to visit a banker directly from our website or mobile app. We are beginning to offer customers the option to receive and acknowledge new deposit account terms and conditions on their mobile phones, instead of receiving lengthy paper disclosures. And instead of paper receipts for teller or ATM transactions, our customers can opt for email or text.

And we continue to reduce the use of paper in other ways. For example, in 2014 we made substantial progress eliminating paper-transaction processing in our bank locations. Now, more than 4,500 bank locations have fully digitized processing of deposits, withdrawals, payments, and other teller transactions. For most transactions, customers make their selections on a touch screen interface, without filling out a paper slip. Tellers use high-speed scanners to process check deposits, eliminating the need for downstream paper processing. Electronic transactions, which we plan to fully implement in 2015, are faster, provide customers quicker access to their deposits, and reduce transportation and processing costs. A win-win for all.

We are also experimenting by connecting our full-service teller and self-service ATM experiences. In select pilot locations, customers can begin their transaction at an ATM, but if they need more assistance or if a transaction requires approval, a store team member is alerted on a wireless tablet and provides in-person assistance to complete the transaction. This assisted-service option allows us to deliver the best digital experience without compromising on personal service.

Additionally, in 2014 we launched the Wells Fargo Startup Accelerator, which invests in new companies that are developing banking technologies in areas such as payments, deposits, and fraud detection. The accelerator's equity investments range from $50,000 to $500,000, identified through a

We believe that to continue our success and meet the heightened expectations of our key stakeholders, we must excel in all types of risk management ... Better risk management also will result in better customer experiences.

semiannual application process. Our hope is that the most promising technologies we invest in will one day reach Wells Fargo customers.

Making diversity and inclusion part of our DNA

As a nation, we are becoming more diverse, so much so that the U.S. Census Bureau projects that by 2043 we will be a nation without an ethnic or racial majority. This is why it is critical that our team members reflect the diversity in our communities, so we can better understand and serve the needs of our customers.

Internally, we nurture our diverse and inclusive culture in many ways. I personally chair our Diversity and Inclusion Council and have seen firsthand the advantages of having a culture that respects and values team members for who they are and the creativity and innovation that come from multiple perspectives and experiences.

Our multicultural focus starts at the top. It is no coincidence that we have one of the most diverse boards of directors in the industry: Of our 15 directors, 10 are women and/or people of color. I also hold each of my direct reports accountable through a "diversity scorecard" that I review with them to track our progress.

We offer comprehensive diversity and inclusion education for team members and sponsor 10 Team Member Networks that provide professional and leadership development, mentoring, and community involvement opportunities.

Signs of progress include the fact that six of our top female leaders were named to *American Banker's* 2014 list of "Most Powerful Women." We also received recognition as a Best Place to Work for LGBT Equality, earning a perfect score of 100 from the Human Rights Campaign—the 12th consecutive year we have received that honor. Additionally, we were recognized as the 8th Top Company for Veterans by *DiversityInc*, the 9th Best Company for Diversity by *Hispanic Business*, and the 18th Best Company for Latinas by *LATINA Style*.

Leading the way in risk and operational excellence

Wells Fargo has always been strong in risk management, particularly credit risk. Our goal is to build on our strengths and set the global standard for risk management excellence among all financial institutions. We want to incorporate robust risk management practices and principles into every aspect of our culture.

We believe that to continue our success and meet the heightened expectations of our key stakeholders, we must excel in all types of risk management, including credit, interest rate, market, liquidity, operational, and reputational risk. This also includes cybersecurity, in which we are making significant investments to protect our customers' information and assets and to safeguard our infrastructure and systems.

This doesn't mean that we won't take risks; in fact, as a bank we are in the business of managing risks. But we will attempt to do so prudently, only taking risks that we fully understand and avoiding shortcuts for profits at the expense of our culture.

We manage risk in three ways: Our business lines have primary responsibility for risk and act as our "first line of defense." Our enterprise Corporate Risk team provides an independent review of our risks as a "second line of defense." And our independent Corporate Audit team has the final say as a "third line of defense."

Most important, though, is that team members understand they have a responsibility to raise their hands when they see activities that could put our company at risk or are inconsistent with our culture. This shared responsibility is reflected even in how we pay our people. We take great care to align our incentives with our risk management objectives.

A new board member

On Jan. 1, 2015, we welcomed Elizabeth A. "Betsy" Duke to our board of directors. Betsy is a former member of the Board of Governors of the Federal Reserve System and has more than 30 years of banking and risk management experience. She brings exceptional industry knowledge and a strong combination of leadership and risk management experience to our company. Betsy serves on the board's Risk Committee.

I want to close by thanking our 265,000 team members for our success in 2014. They bring our culture to life. And if there is one job I must do for them and our customers, it is to be the keeper of our company's culture. That work doesn't end with this letter, nor should it. 2015 will be another year to nurture and invest in the customer-focused culture that drives our success and our future.

At Wells Fargo, culture counts!

John G. Stumpf
Chairman, President and Chief Executive Officer
Wells Fargo & Company
February 1, 2015

Care

Veteran Isaac Walters received a $15,000 NeighborhoodLIFT® grant, qualified for a mortgage, and bought his first home in November 2014.

Once struggling financially, Isaac Walters never gave up the hope he'd one day have his own home.

"It was my lifelong dream," said the Vietnam War veteran.

In 2014, Isaac approached Home Mortgage Consultant Josh Hoffmeister in Indianapolis, where he learned about Wells Fargo's ***NeighborhoodLIFT*** program, a collaborative effort between Wells Fargo and NeighborWorks® America that offers down payment assistance and homebuyer education.

To date, ***NeighborhoodLIFT*** and other Wells Fargo ***LIFT*** programs have created more than 8,500 homeowners.

Isaac received a $15,000 ***NeighborhoodLIFT*** grant, qualified for a mortgage through a federal Veterans Affairs program, and bought his first home in November 2014.

"He's had a tough time," Josh said, "but he has pulled himself out of it. What he has been able to do is amazing."

Isaac said, "From the day I moved into my home, I haven't stopped smiling."

Isaac Walters | Indianapolis, Indiana

Innovation

The Digital Innovation Lab fosters innovation and ways to enhance customer experiences. Conducting pilots and gathering feedback are key components of Wells Fargo's approach.

Mobile banking. Real-time account alerts. Making an appointment online with a banker. Wells Fargo developed all of these digital solutions by emphasizing a test-and-learn approach to innovation.

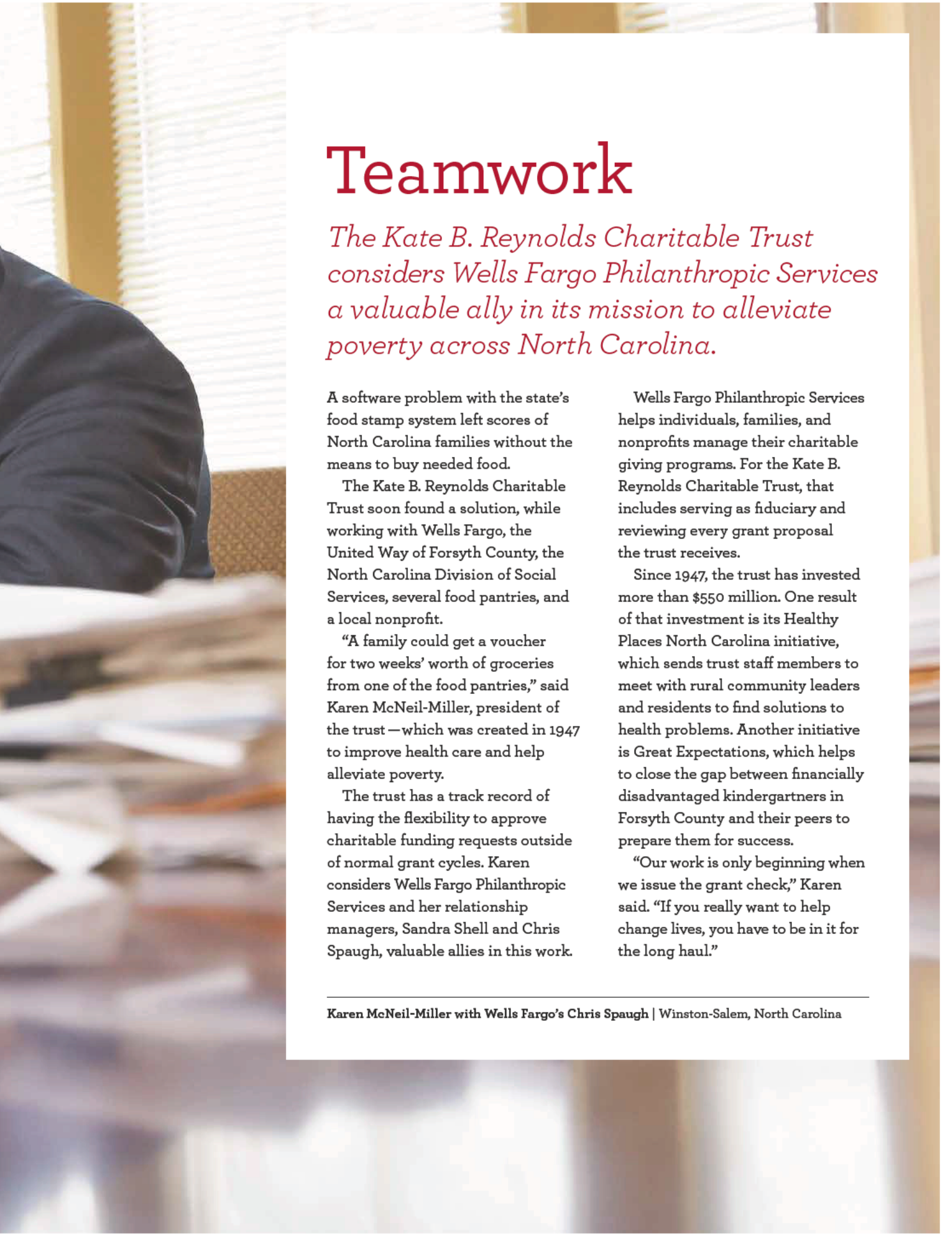
"We're developing digital solutions to simplify customers' financial lives and help them succeed financially," said Miranda Hill, a digital product manager. "Technology should enable and enhance the relationships we're building with customers."

One manifestation of that approach is the Digital Innovation Lab, where Wells Fargo tests new technologies to understand how they can improve customers' financial lives—*before* introducing these concepts to customers.

From enabling customers to check balances with a smart watch or log on to a mobile session using their voice, the Digital Innovation Lab develops ways to enhance customer experiences. Building demos, launching pilots, and gathering feedback are key components of this approach.

Not all of the concepts get adopted, but Miranda said this strategy ensures that when we roll a product or technology into production, "We do so in an informed way."

Wells Fargo's Miranda Hill | San Francisco, California



Teamwork

The Kate B. Reynolds Charitable Trust considers Wells Fargo Philanthropic Services a valuable ally in its mission to alleviate poverty across North Carolina.

A software problem with the state's food stamp system left scores of North Carolina families without the means to buy needed food.

The Kate B. Reynolds Charitable Trust soon found a solution, while working with Wells Fargo, the United Way of Forsyth County, the North Carolina Division of Social Services, several food pantries, and a local nonprofit.

"A family could get a voucher for two weeks' worth of groceries from one of the food pantries," said Karen McNeil-Miller, president of the trust—which was created in 1947 to improve health care and help alleviate poverty.

The trust has a track record of having the flexibility to approve charitable funding requests outside of normal grant cycles. Karen considers Wells Fargo Philanthropic Services and her relationship managers, Sandra Shell and Chris Spaugh, valuable allies in this work.

Wells Fargo Philanthropic Services helps individuals, families, and nonprofits manage their charitable giving programs. For the Kate B. Reynolds Charitable Trust, that includes serving as fiduciary and reviewing every grant proposal the trust receives.

Since 1947, the trust has invested more than $550 million. One result of that investment is its Healthy Places North Carolina initiative, which sends trust staff members to meet with rural community leaders and residents to find solutions to health problems. Another initiative is Great Expectations, which helps to close the gap between financially disadvantaged kindergartners in Forsyth County and their peers to prepare them for success.

"Our work is only beginning when we issue the grant check," Karen said. "If you really want to help change lives, you have to be in it for the long haul."

Karen McNeil-Miller with Wells Fargo's Chris Spaugh | Winston-Salem, North Carolina

Relationships

A focus on long-term relationships has helped take Vermeer Corporation from a single employee to 3,000.

In 1948, Gary Vermeer started a company with just one product idea, one employee, and one building he'd built himself. Today Vermeer Corporation is a global manufacturer of agricultural and industrial equipment that makes 150 models of various products, employs 3,000 people, and operates out of a 1.5 million-square-foot facility in Pella, Iowa, its headquarters.

"We develop products focused on improving infrastructure, managing natural resources, and assisting working farms and ranches," said Mary Andringa, Gary's daughter and the company's CEO. "Focusing on niche products is part of the culture my father established."

Wells Fargo has been working with Vermeer since 1950, and for the past 25 years, Mark Conway has served as the Commercial Banking relationship manager for Vermeer.

"Mark is one of the most frequent visitors to our headquarters," said Mary, "where everyone knows him by name." Mark said Vermeer and Wells Fargo line up culturally "because we both value long-term relationships and trust."

The trust Vermeer has in Wells Fargo was apparent when Vermeer began expanding internationally. CFO Steve Van Dusseldorp explained, "We needed help understanding foreign exchange, and Wells Fargo was there—not only with products and services but also with education and forecasting tools."

And when Vermeer needed to move its China facility from one location to another, a line of credit from Wells Fargo helped the company maintain working capital throughout the transition.

Steve said, "Wells Fargo helps us steward our assets and has a strong understanding of our business and cash management strategies—all of which has helped us in our company's success. Even in today's digital world, relationships *are* still important, and it's clear that Wells Fargo values relationships."

Wells Fargo's Mark Conway with Mary Andringa | Pella, Iowa

Support

Wells Fargo's Military Banking call center focuses solely on helping members of the military with their unique financial needs.

Monica Gomez, a customer service representative at Wells Fargo's Military Banking call center, can relate to the challenges that military service members face when stationed overseas. "I've been in their shoes," said the U.S. Navy veteran. "What they're going through hits home for me."

The San Antonio call center is focused solely on helping service members with their unique financial needs, from preparing for deployment to getting help with credit card debt and mortgage payments while on active duty. Every customer service representative has military ties. Many are veterans like Monica. Others are married to military members or have a parent or grandparent who served.

"Our backgrounds help us make a genuine connection with our customers," said Monica. "They know we understand the stress they and their families are under. And we're going to do everything we can to help them while they're working hard to serve our country."

Wells Fargo's Monica Gomez | *San Antonio, Texas*

Guidance

Teacher Richard Leistiko embarked on a financial transformation that helped him pay off debt, improve his credit score, and build up an emergency fund.

Richard Leistiko is a man on a mission—choosing to leave his home state of Montana to seek out teaching assignments across the U.S., where he can guide students and help them succeed.

That journey has taken him to Nome, Alaska, and now to Oakland, California, where he teaches kindergarten at a charter school. During his travels, Richard also decided it was time for him to begin a financial journey.

Student loan debt led him to Wells Fargo's banking store in Nome one day to talk to Personal Banker Drew McCann.

"I had just seen a Wells Fargo commercial that conveyed the message that the company was willing to help people financially even if they had limited assets," Richard said. "I decided to see if they could help me."

Drew helped Richard develop a budget and created a plan for paying bills and managing daily expenses. They also set up monthly check-ins to monitor progress—habits Richard has continued with Personal Banker Brett Northrup in Oakland.

Over the next 18 months, the financial actions Richard took helped him pay off debt, improve his credit score, and build up an emergency fund.

"Seeing where my money was coming in and going out has made a world of difference," Richard said, "and the monthly check-ins keep me committed to my budget and on track to reach my goals."

Said Brett, "Drew and I just provided the information and direction Richard needed to move forward and succeed financially. But he's done all the hard work. We couldn't be prouder of him."

Richard Leistiko | Oakland, California

Commitment

Foraged Feast provided more than 125,000 pounds of food to food banks and similar groups in 2014.

As an avid gardener, Maisie Roberts has always had an appreciation for good food. Believing that everyone should have access to affordable, fresh produce, she co-founded Foraged Feast, a nonprofit that works to make such universal access a reality.

Maisie, a Business Banking relationship manager in Denver, spends countless hours working to feed those in need by collecting locally grown food that would otherwise go to waste and delivering it to food service organizations in her community.

"Food banks have difficulty providing fresh produce to their clients, and farmers often have excess food after the farmers' markets close," said Maisie. "By connecting food banks and service organizations to farmers, we can provide fresh food that would otherwise go unused to those who are hungry."

Kayla Birdsong, head of food distribution at GrowHaus, a nonprofit food distributor, said, "Foraged Feast has helped us feed an additional 50 families each week."

With the donations from local farmers and farmers' markets, Maisie and volunteers at Foraged Feast provided more than 125,000 pounds of food to organizations like GrowHaus in 2014.

Through Wells Fargo's Volunteer Leave program, which provides paid leave to team members who are passionate about volunteering, Maisie spent three months last summer working full time to improve the nonprofit's food delivery options, harvest fresh produce, and—using her financial and business expertise—help the nonprofit grow. She also was awarded a $5,000 grant from Wells Fargo to support Foraged Feast's efforts.

Wells Fargo's Maisie Roberts | Denver, Colorado

Community

Wells Fargo provided a $75,000 grant to Boston University to support energy-efficiency research in low-income-housing communities.

A team of professors at Boston University is striving to improve energy efficiency and reduce energy costs in low-income-housing communities through a research project with the Madison Park Development Corporation in Roxbury, Massachusetts.

The team has worked closely with residents of Madison Park Village, a low-income community, to explore how economic, environmental, engineering, and sociological concerns affect energy use.

"To solve problems, you have to understand how people live and the challenges they experience," said Robert Kaufmann, a professor in the earth and environment department.

Wells Fargo provided a $75,000 research grant to the university through its Clean Technology and Innovation program. It's part of Wells Fargo's $100 million commitment to community grants for grassroots environmental initiatives.

Marta Marello, the project manager, said, "It's rare that our team is able to see how our research directly impacts a community. But with this project we're developing a roadmap to improve efficiency, cut costs, and even find solutions to heating and air conditioning problems."

Robert Kaufmann, Madison Park Development Corporation's Jean Pinādo, Wells Fargo's Jim Quirk, and Marta Marello | Boston, Massachusetts

Corporate Social Responsibility Highlights

Helping our communities is part of our culture. We understand and embrace our responsibility to help create more resilient and sustainable communities, and we have a clear focus on our social, economic, and environmental priorities. Here are a few highlights of our progress.

Team member volunteerism

6.4 million hours

volunteered since 2011, exceeding our four-year goal by 7 percent

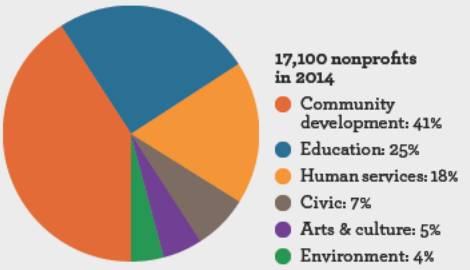
Homeownership

$230 million

committed to Wells Fargo *LIFT* programs since 2012, helping more than 8,500 people and families buy homes in 32 communities

Philanthropy

Donated $281.2 million in 2014 and surpassed our $1 billion goal two years early



Supplier diversity

$1 billion

spent with diverse suppliers in 2014, achieving our goal of spending 10 percent of our annual procurement budget with diverse businesses

Military veterans, service members

$49 million

in financial education, jobs assistance, and home donations since November 2012, surpassing our $35 million goal one year early

Team member giving

$97.7 million

in donations pledged in 2014, up nearly 10 percent from 2013

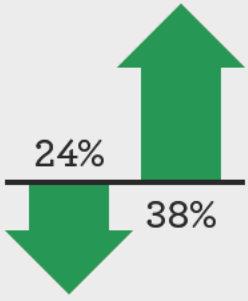
Green buildings

18%

of total square footage in leased and owned buildings is LEED certified, more than halfway to our 35 percent goal

Operational efficiency

24 percent reduction in absolute greenhouse gas emissions since 2008 and 38 percent increase in water efficiency since 2012



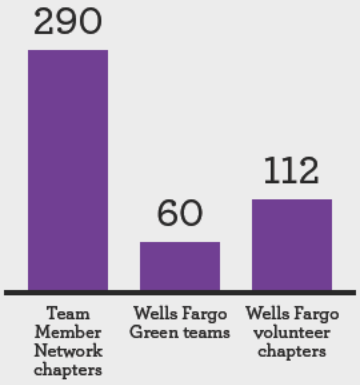
Environmental financing

$37 billion

in loans and investments since 2012, surpassing our 2020 goal of $30 billion

Team member engagement

Participation in community and diversity networks during 2014



Community development

$17 billion

in loans and investments since 2012, exceeding our $15 billion goal two years early

Small business lending

$18 billion

in new loan commitments to small businesses across the U.S. in 2014

To learn more

Read our 2014 Corporate Social Responsibility Interim Report
wellsfargo.com/about/csr/reports/

Board of Directors*

John D. Baker II *1, 2, 3*
Executive Chairman
FRP Holdings, Inc.
Jacksonville, Florida
(Real estate management)

Elaine L. Chao *3, 4*
Former U.S. Secretary of Labor
Washington, D.C.
(U.S. government)

John S. Chen *6*
Executive Chairman, CEO
BlackBerry Limited
Waterloo, Ontario, Canada
(Wireless communications)

Lloyd H. Dean *2, 5, 6, 7*
President, CEO
Dignity Health
San Francisco, California
(Healthcare)

Elizabeth A. Duke *7*
Executive-in-Residence
Old Dominion University
Norfolk, Virginia
(Higher education)

Susan E. Engel *3, 4, 6*
Retired Chief Executive Officer
Portero, Inc.
New York, New York
(Online luxury retailer)

Enrique Hernandez Jr. *1, 2, 4, 7*
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(Security services)

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Chairman
Vulcan Materials Company
Birmingham, Alabama
(Construction materials)

Cynthia H. Milligan *2, 3, 5, 7*
Dean Emeritus
College of Business Administration
University of Nebraska –
Lincoln, Nebraska
(Higher education)

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Senior Advisor
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Denver, Colorado
(Private equity)

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CEO Emeritus
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New York, New York
(Audit, tax, financial advisory)

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Of Counsel
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Seattle, Washington
(Law firm)

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Retired Chairman
General Mills, Inc.
Minneapolis, Minnesota
(Packaged foods)

John G. Stumpf
Chairman, President, CEO
Wells Fargo & Company

Susan G. Swenson *1, 5*
Retired President, CEO
Sage Software – North America
Irvine, California
(Business software and services supply)

* As of February 1, 2015. On February 24, 2015, Suzanne M. Vautrinot, President of Kilovolt, Inc. and a retired Major General and Commander in the United States Air Force, was elected to the Board and appointed to its Audit and Examination Committee.

Standing Committees *1. Audit and Examination 2. Corporate Responsibility 3. Credit 4. Finance 5. Governance and Nominating 6. Human Resources 7. Risk* ** *Lead Director*

Executive Officers, Corporate Staff

Wells Fargo Operating Committee pictured (left to right): Michael J. Heid, Carrie L. Tolstedt, John R. Shrewsberry, Avid Modjtabai, Kevin A. Rhein, Timothy J. Sloan, John G. Stumpf, James M. Strother, Patricia R. Callahan, David M. Julian, David M. Carroll, Michael J. Loughlin, and Hope A. Hardison

John G. Stumpf
*Chairman, President and CEO **

Paul R. Ackerman
Treasurer

Anthony R. Augliera
Corporate Secretary

J. Rich Baich
Chief Information Security Officer

Karl E. Byers
Chief Enterprise Risk Officer

Patricia R. Callahan
*Chief Administrative Officer **

Jon R. Campbell
Government and Community Relations

David M. Carroll
*Wealth, Brokerage and Retirement **

Christine A. Deakin
Corporate Strategy

Derek A. Flowers
Chief Credit Officer

Hope A. Hardison
*Human Resources **

Michael J. Heid
*Home Lending **

Bruce E. Helsel
Corporate Development

Richard C. Henderson
Corporate Properties

Yvette R. Hollingsworth
Chief Compliance Officer

David M. Julian
Chief Auditor

Richard D. Levy
*Controller **

Michael J. Loughlin
*Chief Risk Officer **

Avid Modjtabai
*Consumer Lending **

Jamie Moldafsky
Chief Marketing Officer

Kevin D. Oden
Chief Market Risk Officer

Kevin A. Rhein
*Chief Information Officer **

Joseph J. Rice
Chief Operational Risk Officer

James R. Richards
Bank Secrecy Act Officer and Head of Financial Crimes

Charles D. Roberson
Enterprise Efficiency & Global Services

James H. Rowe
Investor Relations

Eric D. Shand
Chief Loan Examiner

John R. Shrewsberry
*Chief Financial Officer **

Timothy J. Sloan
*Wholesale Banking **

James M. Strother
*General Counsel **

Oscar Suris
Corporate Communications

A. Charles Thomas
Chief Data Officer

Carrie L. Tolstedt
*Community Banking **

* *"Executive officers" according to Securities and Exchange Commission rules*

Senior Business Leaders

COMMUNITY BANKING

Group Head

Carrie L. Tolstedt

Business Banking Group

Hugh C. Long

- David L. Pope, Business Banking Sales and Service
- Debra B. Rossi, Merchant Services
- Donna J. Serres, SBA Lending

Deposit Products Group

Kenneth A. Zimmerman

- Daniel I. Ayala, Global Remittance Services
- Edward M. Kadletz, Debit and Prepaid Products

Wells Fargo Virtual Channels

James P. Smith

Regional Banking

Regional Presidents

Gerrit van Huisstede, Western Mountain

- Kirk V. Clausen, Nevada
- Pamela M. Conboy, Arizona/Idaho
  - Don M. Melendez, Idaho
- Joseph C. Everhart, Alaska
- Deborah (Dee) E. O'Donnell, Utah
- Patrick G. Yalung, Washington
- Dean Rennell, Business Banking

Michelle Y. Lee, Eastern

- Scott Coble, Florida
  - Joe A. Atkinson, South Florida
  - David Guzman, Greater Tampa Bay
  - Derek L. Jones, Greater Gulf Coast
  - Kelly A. Smith, North Florida
- Darryl Harmon, Southeast
  - Leigh Vincent Collier, Mid-South
  - Michael S. Donnelly, Atlanta
  - Chadwick A. (Chad) Gregory, Greater Georgia
- Pete Jones, Mid-Atlantic
  - Andrew M. Bertamini, Maryland
  - Ravi Chandra, Western Virginia
  - Michael L. Golden, Greater Washington, D.C.
  - Glen M. Kelley, Greater Virginia
  - Gregory S. Redden, Pennsylvania/Delaware
  - Gregory S. White, Greater Pennsylvania
- Forrest R. (Rick) Redden III, Carolinas
  - Kendall K. Alley, Carolinas West
  - Jack O. Clayton, Triangle/Eastern North Carolina
  - Kathy J. Heffley, South Carolina
- Larisa F. Perry, Northeast
  - Frederick A. Bertoldo, Northern New Jersey
  - Joseph F. Kirk, New York and Connecticut
  - Brenda K. Ross-Dulan, Southern New Jersey
- Lucia Gibbons, Business Banking

John K. Sotoodeh, Southwest

- John T. Gavin, Dallas-Fort Worth
- Glenn V. Godkin, Houston
- Lisa J. Riley, New Mexico/Western Border
- Jeffrey Schumacher, Central Texas
- Kenneth A. Telg, Greater Texas
- Don Kendrick, Business Banking

Lisa J. Stevens, Pacific Midwest

- Ben F. Alvarado, Southern California
  - Celia C. Lanning, Greater San Diego
- Tracy Curtis, Oregon
- David DiCristofaro, Greater Los Angeles
  - Marla M. Clemow, Los Angeles Metro
- James W. Foley, Bay Area
  - Robert F. Ceglio, Mount Diablo
  - Wendy L. Haller, Peninsula
  - Gregory L. Morgan, North Bay
  - Jeff S. Rademann, Santa Clara Valley
  - Micky S. Randhawa, East Bay
- David A. Galasso, Northern and Central California
  - Reza Razzaghipour, Pacific Coast
- David R. Kvamme, Great Lakes
  - Mary E. Bell, Indiana, Ohio
  - Sang Kim, Wisconsin, Michigan
  - Joe Ravens, Minnesota
- Frank Newman III, Rocky Mountain
  - Joy N. Ott, Montana, Wyoming
- Donald J. Pearson, Great Plains
  - Kirk L. Kellner, Kansas, Missouri, Nebraska
  - Daniel P. Murphy, North Dakota, South Dakota
- Marc Bernstein, Enterprise Small Business Segment
  - Todd Reimringer, Business Payroll Services
- Don A. Fracchia, Business Banking

CONSUMER LENDING

Group Head

Avid Modjtabai

Consumer Credit Solutions

Shelley S. Freeman

- Dan L. Abbott, Retail Services
- Beverly J. Anderson, Consumer Financial Services
- John P. Rasmussen, Education Financial Services

Dealer Services

Dawn Martin Harp

- Jerry Bowen, Commercial Dealer Services
- William Katafias, Indirect Auto Finance

Home Lending

Michael J. Heid

- Bradley W. Blackwell, Portfolio Lending
- Franklin R. Codel, Mortgage Production
- Michael J. DeVito, Home Lending Servicing
- Peter R. Diliberti, Capital Markets

WEALTH, BROKERAGE AND RETIREMENT

Group Head

David M. Carroll

- Darrell Cronk, Wells Fargo Investment Institute
- Mary T. Mack, Wells Fargo Advisors
- John M. Papadopulos, Retirement
- James P. Steiner, Abbot Downing
- Jay S. Welker, Wealth Management

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Group Head

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Michael J. Niedermeyer

- Wayne S. Badorf, Intermediary Distribution
- Kirk Hartman, Wells Capital Management
- Amru A. Kahn, Global Institutional Sales
- Andrew Owen, Affiliated Managers Division
- Karla M. Rabusch, Wells Fargo Funds Management, LLC

Commercial Banking

Perry G. Pelos

- John C. Adams, Western Region
- MaryLou Barreiro, Specialty Industry Banking
- Stan F. Gibson, Carolinas Division
- Dave R. Golden, Mountain Division
- Paul D. Kalsbeek, Southern Region
- John P. Manning, Eastern Region
- Laura S. Oberst, Central Region

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- William M. Cotter, Northeast Region
- Christopher J. Jordan, Hospitality Finance and Senior Housing
- Michael F. Marino, Southern California Region
- David M. Martin, New York Metro Region
- Robin W. Michel, Southwest Region and Homebuilder Banking
- Rex E. Rudy, REIT Finance
- William A. Vernon, Midwest, Southeast, International Region and Real Estate Merchant Banking
- Cynthia Wilusz Lovell, Northwest Region

Corporate Banking Group

J. Michael Johnson

- J. Nicholas Cole, Wells Fargo Restaurant Finance; Gaming Division
- James D. Heinz, U.S. Corporate Banking; Healthcare Group
- Kyle G. Hranicky, Energy Group; Power & Utilities Group
- John R. Hukari, Equity Funds Group
- Brian J. Van Elslander, Financial Sponsors Group
- Daniel P. Weiler, Financial Institutions Group

Insurance Group

Laura L. Schupbach

- Kevin M. Brogan, Property and Casualty National Practice and Safehold Special Risk
- Michael P. Day, Rural Community Insurance Services, Inc.
- Jack S. (Sam) Elliott Jr., West Region, Insurance Brokerage and Consulting
- Peter A. Gilbertson, North Region, Insurance Brokerage and Consulting
- Kevin T. Kenny, Insurance Brokerage and Consulting, Growth & Business Development
- Tom C. Longhta, South Region, Insurance Brokerage and Consulting
- Laurie B. Nordquist, Personal and Small Business Insurance
- Tim Prichard, Employee Benefits National Practice

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Richard J. Yorke

- Peter P. Connolly, Global Transaction Banking
- James C. Johnston, EMEA Regional President
- Christopher G. Lewis, International Trade Services
- John V. Rindlaub, Asia Pacific Regional President
- Sanjiv S. Sanghvi, Global Banking Group
- Charles H. Silverman, Global Financial Institutions

Principal Investments

George D. Wick

- Ross M. Berger, Corporate Credit
- Rosy Le Cohen, Municipal Bonds
- Arthur Evans, Municipal Bonds
- Philip A. Hopkins, Renewable Energy
- Jeff T. Nikora, Alternative Investment Management
- John Walbridge, Structured Products

Specialized Lending, Servicing and Trust

J. Edward Blakey

- Julie Caperton, Asset Backed Finance
- Lesley A. Eckstein, Community Lending and Investment
- Alan Kronovet, Commercial Mortgage Servicing
- William J. Mayer, Wells Fargo Equipment Finance
- Douglas J. Mazer, Real Estate Capital Markets
- Alan Wiener, Multi-family Housing

Wells Fargo Capital Finance

Henry K. Jordan

- Scott R. Diehl, Industries Group
- Jim Dore, Commercial and Retail Finance
- Guy K. Fuchs, Corporate Finance

Wells Fargo Securities

Jonathan G. Weiss

- Walter E. Dolhare, Markets Division
- Robert A. Engel, Investment Banking and Capital Markets
- Benjamin V. Lambert, Eastdil Secured, LLC
- Roy H. March, Eastdil Secured, LLC
- Diane Schumaker-Krieg, Research and Economics
- Phil D. Smith, Government and Institutional Banking

Wholesale Risk

David J. Weber

Wholesale Services

Stephen M. Ellis

- Daniel C. Peltz, Treasury Management Group

Wells Fargo & Company
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This Annual 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" and "Risk Factors" sections, and in the "Regulation and Supervision" section of our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Form 10-K).

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

Financial Review[1]

Overview

Wells Fargo & Company is a nationwide, diversified, community-based financial services company with $1.7 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 8,700 locations, 12,500 ATMs, the internet (wellsfargo.com) and mobile banking, and we have offices in 36 countries to support our customers who conduct business in the global economy. With approximately 265,000 active, full-time equivalent team members, we serve one in three households in the United States and ranked No. 29 on *Fortune's* 2014 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 December 31, 2014.

We use our *Vision and Values* to guide us toward growth and success. 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. Important to our strategy to achieve this vision is to increase the number of our products our customers use and to offer them all of the financial products that fulfill their financial needs. We aspire to create deep and enduring relationships with our customers by discovering their needs and delivering the most relevant products, services, advice, and guidance.

We have six primary values, which are based on our vision and provide the foundation for everything we do. First, we value and support our people as a competitive advantage and strive to attract, develop, retain and motivate the most talented people we can find. Second, we strive for the highest ethical standards with our team members, our customers, our communities and our shareholders. Third, with respect to our customers, we strive to base our decisions and actions on what is right for them in everything we do. Fourth, for team members we strive to build and sustain a diverse and inclusive culture - one where they feel valued and respected for who they are as well as for the skills and experiences they bring to our company. Fifth, we also look to each of our team members to be leaders in establishing, sharing and communicating our vision. Sixth, we strive to make risk management a competitive advantage by working hard to ensure that appropriate controls are in place to reduce risks to our customers, maintain and increase our competitive market position, and protect Wells Fargo's long-term safety, soundness and reputation.

Financial Performance

We completed another outstanding year of financial results in 2014 and remained America's most profitable bank. We generated record earnings, produced strong loan and deposit growth, grew the number of customers we serve, improved credit quality, enhanced our strong risk management practices, strengthened our capital and liquidity levels and rewarded our shareholders by increasing our dividend and buying back more shares. Wells Fargo net income was $23.1 billion in 2014, an increase of 5% compared with 2013, with record diluted earnings per share (EPS) of $4.10, also up 5% from the prior year. Our achievements during 2014 demonstrated the benefit of our diversified business model and our continued focus on the real economy.

Noteworthy items included:

- revenue of $84.3 billion, up 1% from 2013;
- pre-tax pre-provision profit (PTPP) of $35.3 billion, up 1%;
- our loans increased $40.3 billion, up 5%, even with the planned runoff in our non-strategic/liquidating portfolios, and our core loan portfolio grew by $60.3 billion, up 8%;
- our deposit franchise continued to generate strong customer deposit growth, with total deposits up $89.1 billion, or 8%;
- our credit performance continued to be strong with total net charge-offs down $1.6 billion, or 35%, from a year ago and our net charge-off ratio declined to 35 basis points of average loans;
- we continued to maintain solid customer relationships across the Company, with retail banking household cross-sell of 6.17 products per household (November 2014); Wholesale Banking cross-sell of 7.2 products per relationship (September 2014); and Wealth, Brokerage and Retirement cross-sell of 10.49 products per retail banking household (November 2014);
- we maintained strong capital levels as our estimated Common Equity Tier I ratio under Basel III (Advanced Approach, fully phased-in) was 10.43%; and
- our common stock price increased 21% and we returned $12.5 billion in capital to our shareholders through an increased common stock dividend and additional net share repurchases (up 74% from 2013).

[1] Financial information for certain periods prior to 2014 was revised to reflect our determination that certain factoring arrangements did not qualify as loans. See Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report for more information.

Balance Sheet and Liquidity

Our balance sheet grew 11% in 2014 to $1.7 trillion, as we increased our liquidity position, improved the quality of our assets and held more capital. We grew deposits by 8% in 2014 while reducing our deposit costs. We also grew our loans on a year-over-year basis for the 14th consecutive quarter (for the past 11 quarters year-over-year loan growth has been 3% or greater) despite the planned runoff from our non-strategic/liquidating portfolios. Our non-strategic/liquidating loan portfolios decreased $20.1 billion during the year (now less than 8% of total loans) and our core loan portfolios increased $60.3 billion from the prior year. Our federal funds sold, securities purchased under resale agreements and other short-term investments (collectively referred to as federal funds sold and other short-term investments elsewhere in this Report) increased by $44.6 billion, or 21%, during the year on continued strong growth in interest-earning deposits, and we grew our investment securities portfolio by $48.6 billion in 2014. While we believe our liquidity position continued to remain strong with increased regulatory expectations, we have added to our position over the past year. We issued $24.0 billion of liquidity-related long-term debt as well as additional liquidity-related short-term funding in 2014.

Deposit growth remained strong with period-end deposits up $89.1 billion from 2013. This increase reflected solid growth across both our commercial and consumer businesses. We grew our primary consumer checking customers by 5.2% and primary small business and business banking checking customers by 5.4% from a year ago (November 2014 compared with November 2013). Our ability to grow primary customers is important to our results because these customers have more interactions with us, have higher cross-sell and are more than twice as profitable as non-primary customers.

Credit Quality

Credit quality continued to improve in 2014, with solid performance in several of our commercial and consumer loan portfolios as losses remained near historically low levels, reflecting our long-term risk focus and the benefit from the improving housing market. Net charge-offs of $2.9 billion were 0.35% of average loans, down 21 basis points from a year ago. Net losses in our commercial portfolio were only $44 million, or 1 basis point of average loans. Net consumer losses declined to 65 basis points in 2014 from 98 basis points in 2013. Our commercial real estate portfolios were in a net recovery position for each quarter of 2014 and 2013, reflecting our conservative risk discipline and improved market conditions. Losses on our consumer real estate portfolios declined $1.4 billion, or 55%, from a year ago. The consumer loss levels reflected the benefit of the improving economy and our continued focus on originating high quality loans. Approximately 60% of the consumer first mortgage portfolio was originated after 2008, when new underwriting standards were implemented.

Reflecting these improvements in our loan portfolios, our provision for credit losses in 2014 was $1.4 billion compared with $2.3 billion a year ago. This provision reflected a release of $1.6 billion from the allowance for credit losses, compared with a release of $2.2 billion a year ago. Future allowance levels may increase or decrease based on a variety of factors, including loan growth, portfolio performance and general economic conditions.

In addition to lower net charge-offs and provision expense, nonperforming assets (NPAs) also improved and were down $4.1 billion, or 21%, from 2013. Nonaccrual loans declined $2.8 billion from the prior year while foreclosed assets were down $1.3 billion from 2013.

Capital

We continued to strengthen our capital levels in 2014 even as we returned more capital to our shareholders, increasing total equity to $185.3 billion at December 31, 2014, up $14.3 billion from the prior year. In 2014, our common shares outstanding declined by 86.8 million shares as we continued to reduce our common share count through the repurchase of 183.1 million common shares during the year. Also, we entered into a $750 million forward repurchase contract with an unrelated third party in October 2014 that settled in January 2015 for 14.3 million shares. In addition, we entered into another $750 million forward repurchase contract with an unrelated third party in January 2015 that is expected to settle in second quarter 2015 for approximately 14.3 million shares. We expect our share count to continue to decline in 2015 as a result of anticipated net share repurchases.

We believe an important measure of our capital strength is the estimated Common Equity Tier 1 ratio under Basel III, using the Advanced Approach, fully phased-in, which increased to 10.43% in 2014 from 9.76% a year ago.

Our regulatory capital ratios under Basel III (General Approach) remained strong with a total risk-based capital ratio of 15.53%, Tier 1 risk-based capital ratio of 12.45% and Tier 1 leverage ratio of 9.45% at December 31, 2014, compared with 15.43%, 12.33% and 9.60%, respectively, at December 31, 2013. See the “Capital Management” section in this Report for more information regarding our capital, including the calculation of common equity for regulatory purposes.

Table 1: Six-Year Summary of Selected Financial Data

(in millions, except per share amounts)	2014	2013	2012	2011	2010	2009	% Change 2014/ 2013	Five-year compound growth rate
Income statement								
Net interest income	**$ 43,527**	42,800	43,230	42,763	44,757	46,324	**2%**	**(1)**
Noninterest income	**40,820**	40,980	42,856	38,185	40,453	42,362	**—**	**(1)**
Revenue	**84,347**	83,780	86,086	80,948	85,210	88,686	**1**	**(1)**
Provision for credit losses	**1,395**	2,309	7,217	7,899	15,753	21,668	**(40)**	**(42)**
Noninterest expense	**49,037**	48,842	50,398	49,393	50,456	49,020	**—**	**—**
Net income before noncontrolling interests	**23,608**	22,224	19,368	16,211	12,663	12,667	**6**	**13**
Less: Net income from noncontrolling interests	**551**	346	471	342	301	392	**59**	**7**
Wells Fargo net income	**23,057**	21,878	18,897	15,869	12,362	12,275	**5**	**13**
Earnings per common share	**4.17**	3.95	3.40	2.85	2.23	1.76	**6**	**19**
Diluted earnings per common share	**4.10**	3.89	3.36	2.82	2.21	1.75	**5**	**19**
Dividends declared per common share	**1.35**	1.15	0.88	0.48	0.20	0.49	**17**	**22**
Balance sheet (at year end)								
Investment securities	**$ 312,925**	264,353	235,199	222,613	172,654	172,710	**18%**	**13**
Loans	**862,551**	822,286	798,351	769,631	757,267	782,770	**5**	**2**
Allowance for loan losses	**12,319**	14,502	17,060	19,372	23,022	24,516	**(15)**	**(13)**
Goodwill	**25,705**	25,637	25,637	25,115	24,770	24,812	**—**	**1**
Assets	**1,687,155**	1,523,502	1,421,746	1,313,867	1,258,128	1,243,646	**11**	**6**
Core deposits (1)	**1,054,348**	980,063	945,749	872,629	798,192	780,737	**8**	**6**
Long-term debt	**183,943**	152,998	127,379	125,354	156,983	203,861	**20**	**(2)**
Wells Fargo stockholders' equity	**184,394**	170,142	157,554	140,241	126,408	111,786	**8**	**11**
Noncontrolling interests	**868**	866	1,357	1,446	1,481	2,573	**—**	**(20)**
Total equity	**185,262**	171,008	158,911	141,687	127,889	114,359	**8**	**10**

(1) Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits (Eurodollar sweep balances).

Table 2: Ratios and Per Common Share Data

	Year ended December 31,		
	2014	2013	2012
Profitability ratios			
Wells Fargo net income to average assets (ROA)	**1.45%**	1.51	1.41
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity (ROE)	**13.41**	13.87	12.95
Efficiency ratio (1)	**58.1**	58.3	58.5
Capital ratios			
At year end:			
Wells Fargo common stockholders' equity to assets	**9.86**	10.17	10.24
Total equity to assets	**10.98**	11.22	11.18
Risk-based capital (2)			
Tier 1 capital	**12.45**	12.33	11.75
Total capital	**15.53**	15.43	14.63
Tier 1 leverage (2)	**9.45**	9.60	9.47
Common Equity Tier 1 (3)	**11.04**	10.82	10.12
Average balances:			
Average Wells Fargo common stockholders' equity to average assets	**10.22**	10.41	10.36
Average total equity to average assets	**11.32**	11.41	11.27
Per common share data			
Dividend payout (4)	**32.9**	29.6	26.2
Book value	**$ 32.19**	29.48	27.64
Market price (5)			
High	**55.95**	45.64	36.60
Low	**44.17**	34.43	27.94
Year end	**54.82**	45.40	34.18

(1) The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).
(2) See Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.
(3) See the "Capital Management" section in this Report for additional information.
(4) Dividends declared per common share as a percentage of diluted earnings per common share.
(5) Based on daily prices reported on the New York Stock Exchange Composite Transaction Reporting System.

Earnings Performance

Wells Fargo net income for 2014 was $23.1 billion ($4.10 diluted earnings per common share), compared with $21.9 billion ($3.89 diluted per share) for 2013 and $18.9 billion ($3.36 diluted per share) for 2012. Our 2014 earnings reflected strong execution of our business strategy as well as growth in many of our businesses. Our financial performance in 2014 benefited from a $914 million reduction in our provision for credit losses, reflecting strong underlying credit performance. We also generated diversified sources of fee income across many of our businesses and grew loans and deposits.

Revenue, the sum of net interest income and noninterest income, was $84.3 billion in 2014, compared with $83.8 billion in 2013 and $86.1 billion in 2012. The increase in revenue for 2014 compared with 2013 was predominantly due to an increase in net interest income, reflecting increases in income from trading assets and investment securities. Our diversified sources of revenue generated by our businesses continued to be balanced between net interest income and noninterest income. In 2014, net interest income of $43.5 billion represented 52% of revenue, compared with $42.8 billion (51%) in 2013 and $43.2 billion (50%) in 2012.

Noninterest income was $40.8 billion in 2014, representing 48% of revenue, compared with $41.0 billion (49%) in 2013 and $42.9 billion (50%) in 2012. The decrease in 2014 was driven predominantly by a 27% decline in mortgage banking income due to decreased net gains on mortgage loan origination/sales activities, partially offset by higher trust and investment fee income. Mortgage loan originations were $175 billion in 2014, down from $351 billion a year ago.

Noninterest expense was $49.0 billion in 2014, compared with $48.8 billion in 2013 and $50.4 billion in 2012. The increase in noninterest expense in 2014, compared with 2013, reflected higher salaries expense and other expenses, including operating losses and outside professional services. Noninterest expense as a percentage of revenue (efficiency ratio) was 58.1% in 2014, 58.3% in 2013 and 58.5% in 2012, reflecting our expense management efforts.

Table 3 presents the components of revenue and noninterest expense as a percentage of revenue for year-over-year results.

Table 3: Net Interest Income, Noninterest Income and Noninterest Expense as a Percentage of Revenue

	Year ended December 31,					
(in millions)	**2014**	**% of revenue**	2013	% of revenue	2012	% of revenue
Interest income						
Trading assets	**$ 1,712**	**2%**	$ 1,406	2%	$ 1,380	2%
Investment securities	**9,253**	**11**	8,841	11	8,757	10
Mortgages held for sale (MHFS)	**767**	**1**	1,290	2	1,825	2
Loans held for sale (LHFS)	**78**	**—**	13	—	41	—
Loans	**35,715**	**42**	35,618	43	36,517	42
Other interest income	**932**	**1**	724	1	587	1
Total interest income	**48,457**	**57**	47,892	57	49,107	57
Interest expense						
Deposits	**1,096**	**1**	1,337	2	1,727	2
Short-term borrowings	**62**	**—**	71	—	94	—
Long-term debt	**2,488**	**3**	2,585	3	3,110	4
Other interest expense	**382**	**—**	307	—	245	—
Total interest expense	**4,028**	**4**	4,300	5	5,176	6
Net interest income (on a taxable-equivalent basis)	**44,429**	**53**	43,592	52	43,931	51
Taxable-equivalent adjustment	**(902)**	**(1)**	(792)	(1)	(701)	(1)
Net interest income (A)	**43,527**	**52**	42,800	51	43,230	50
Noninterest income						
Service charges on deposit accounts	**5,050**	**6**	5,023	6	4,683	5
Trust and investment fees (1)	**14,280**	**17**	13,430	16	11,890	14
Card fees	**3,431**	**4**	3,191	4	2,838	3
Other fees (1)	**4,349**	**5**	4,340	5	4,519	5
Mortgage banking (1)	**6,381**	**8**	8,774	10	11,638	14
Insurance	**1,655**	**2**	1,814	2	1,850	2
Net gains from trading activities	**1,161**	**1**	1,623	2	1,707	2
Net gains (losses) on debt securities	**593**	**1**	(29)	—	(128)	—
Net gains from equity investments	**2,380**	**3**	1,472	2	1,485	2
Lease income	**526**	**1**	663	1	567	1
Other	**1,014**	**1**	679	1	1,807	2
Total noninterest income (B)	**40,820**	**48**	40,980	49	42,856	50
Noninterest expense						
Salaries	**15,375**	**18**	15,152	18	14,689	17
Commission and incentive compensation	**9,970**	**12**	9,951	12	9,504	11
Employee benefits	**4,597**	**5**	5,033	6	4,611	5
Equipment	**1,973**	**2**	1,984	2	2,068	2
Net occupancy	**2,925**	**3**	2,895	3	2,857	3
Core deposit and other intangibles	**1,370**	**2**	1,504	2	1,674	2
FDIC and other deposit assessments	**928**	**1**	961	1	1,356	2
Other (2)	**11,899**	**14**	11,362	14	13,639	16
Total noninterest expense	**49,037**	**58**	48,842	58	50,398	59
Revenue (A) + (B)	**$ 84,347**		$ 83,780		$ 86,086	

(1) See Table 7 – Noninterest Income in this Report for additional detail.
(2) See Table 8 – Noninterest Expense in this Report for additional detail.

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 for 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 5 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 assets portfolio and the cost of funding those assets. In addition, some variable 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 growth has been challenged during the prolonged low interest rate environment as higher yielding loans and securities runoff have been replaced with lower yielding assets. The pace of this repricing has slowed in recent quarters.

Net interest income on a taxable-equivalent basis was $44.4 billion in 2014, compared with $43.6 billion in 2013, and $43.9 billion in 2012. The net interest margin was 3.11% in 2014, down 29 basis points from 3.40% in 2013, which was down 36 basis points from 3.76% in 2012. The increase in net interest income for 2014, compared with 2013, was largely driven by securities purchases, higher trading balances, and reduced funding costs due to disciplined deposit pricing and lower long-term debt yields. Strong growth in commercial, retained real estate and automobile loans also contributed to higher net interest income as originations replaced runoff in the non-strategic/liquidating portfolios. The improvement in net interest income was partially offset by the impact of lower mortgages held for sale (MHFS) balances. The decline in net interest margin in 2014, compared with a year ago, was primarily driven by higher funding balances, including actions taken in response to increased regulatory liquidity expectations, which raised long-term debt and term deposits in addition to customer-driven deposit growth. This growth in funding increased cash and federal funds sold and other short-term investments and was dilutive to net interest margin although essentially neutral to net interest income.

Table 4 presents the components of earning assets and funding sources as a percentage of earning assets to provide a more meaningful analysis of year-over-year changes that influenced net interest income.

Average earning assets increased $147.3 billion in 2014 from a year ago, as average investment securities increased $30.6 billion and average federal funds sold and other short-term investments increased $86.4 billion for the same period, respectively. In addition, average loans increased $31.8 billion in 2014, compared with a year ago. The increases in average investment securities, average federal funds sold and other short-term investments and average loans were partially offset by a $16.3 billion decline in average MHFS.

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 $1.0 trillion in 2014, compared with $942.1 billion in 2013, and funded 120% of average loans compared with 117% a year ago. Average core deposits decreased to 70% of average earning assets in 2014, compared with 73% 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 96% of our average core deposits are in checking and savings deposits, one of the highest industry percentages.

Table 5 presents the individual components of net interest income and the net interest margin. The effect on interest income and costs of earning asset and funding mix changes described above, combined with rate changes during 2014, are analyzed in Table 6.

Table 4: Average Earning Assets and Funding Sources as a Percentage of Average Earnings Assets

	Year ended December 31,			
	2014		2013	
(in millions)	Average balance	% of earning assets	Average balance	% of earning assets
Earning assets				
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 241,282**	**17%**	$ 154,902	12%
Trading assets	**55,140**	**4**	44,745	3
Investment securities:				
Available-for-sale securities:				
Securities of U.S. Treasury and federal agencies	**10,400**	**1**	6,750	1
Securities of U.S. states and political subdivisions	**43,138**	**3**	39,922	3
Mortgage-backed securities:				
Federal agencies	**114,076**	**8**	107,148	8
Residential and commercial	**26,475**	**2**	30,717	2
Total mortgage-backed securities	**140,551**	**10**	137,865	11
Other debt and equity securities	**47,488**	**3**	55,002	4
Total available-for-sale securities	**241,577**	**17**	239,539	19
Held-to-maturity securities	**29,319**	**2**	717	—
Mortgages held for sale (1)	**19,018**	**1**	35,273	3
Loans held for sale (1)	**4,226**	**—**	163	—
Loans:				
Commercial:				
Commercial and industrial - U.S.	**204,819**	**14**	185,813	14
Commercial and industrial - Non U.S.	**42,661**	**3**	40,987	3
Real estate mortgage	**112,710**	**8**	107,316	8
Real estate construction	**17,676**	**1**	16,537	1
Lease financing	**12,257**	**1**	12,373	1
Total commercial	**390,123**	**27**	363,026	28
Consumer:				
Real estate 1-4 family first mortgage	**261,620**	**18**	254,012	20
Real estate 1-4 family junior lien mortgage	**62,510**	**4**	70,264	5
Credit card	**27,491**	**2**	24,757	2
Automobile	**53,854**	**4**	48,476	4
Other revolving credit and installment	**38,834**	**3**	42,135	3
Total consumer	**444,309**	**31**	439,644	34
Total loans (1)	**834,432**	**58**	802,670	63
Other	**4,673**	**—**	4,354	—
Total earning assets	**$ 1,429,667**	**100%**	$ 1,282,363	100%
Funding sources				
Deposits:				
Interest-bearing checking	**$ 39,729**	**3%**	$ 35,570	3%
Market rate and other savings	**585,854**	**41**	550,394	43
Savings certificates	**38,111**	**3**	49,510	4
Other time deposits	**51,434**	**4**	28,090	2
Deposits in foreign offices	**95,889**	**7**	76,894	6
Total interest-bearing deposits	**811,017**	**57**	740,458	58
Short-term borrowings	**60,111**	**4**	54,716	4
Long-term debt	**167,420**	**12**	134,937	11
Other liabilities	**14,401**	**1**	12,471	1
Total interest-bearing liabilities	**1,052,949**	**74**	942,582	74
Portion of noninterest-bearing funding sources	**376,718**	**26**	339,781	26
Total funding sources	**$ 1,429,667**	**100%**	$ 1,282,363	100%
Noninterest-earning assets				
Cash and due from banks	**$ 16,361**		16,272	
Goodwill	**25,687**		25,637	
Other	**121,634**		121,711	
Total noninterest-earning assets	**$ 163,682**		163,620	
Noninterest-bearing funding sources				
Deposits	**$ 303,127**		280,229	
Other liabilities	**56,985**		58,178	
Total equity	**180,288**		164,994	
Noninterest-bearing funding sources used to fund earning assets	**(376,718)**		(339,781)	
Net noninterest-bearing funding sources	**$ 163,682**		163,620	
Total assets	**$ 1,593,349**		1,445,983	

(1) Nonaccrual loans are included in their respective loan categories.

Table 5: Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis) (1)(2)

(in millions)	2014 Average balance	2014 Yields/ rates	2014 Interest income/ expense	2013 Average balance	2013 Yields/ rates	2013 Interest income/ expense
Earning assets						
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 241,282**	**0.28%**	**$ 673**	154,902	0.32%	$ 489
Trading assets	**55,140**	**3.10**	**1,712**	44,745	3.14	1,406
Investment securities (3):						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**10,400**	**1.64**	**171**	6,750	1.66	112
Securities of U.S. states and political subdivisions	**43,138**	**4.29**	**1,852**	39,922	4.38	1,748
Mortgage-backed securities:						
Federal agencies	**114,076**	**2.84**	**3,235**	107,148	2.83	3,031
Residential and commercial	**26,475**	**6.03**	**1,597**	30,717	6.47	1,988
Total mortgage-backed securities	**140,551**	**3.44**	**4,832**	137,865	3.64	5,019
Other debt and equity securities	**47,488**	**3.66**	**1,741**	55,002	3.53	1,940
Total available-for-sale securities	**241,577**	**3.56**	**8,596**	239,539	3.68	8,819
Held-to-maturity securities:						
Securities of U.S. Treasury and federal agencies	**17,239**	**2.23**	**385**	—	—	—
Securities of U.S. states and political subdivisions	**246**	**4.93**	**12**	—	—	—
Federal agency mortgage-backed securities	**5,921**	**2.55**	**151**	701	3.09	22
Other debt securities	**5,913**	**1.85**	**109**	16	1.99	—
Held-to-maturity securities	**29,319**	**2.24**	**657**	717	3.06	22
Total investment securities	**270,896**	**3.42**	**9,253**	240,256	3.68	8,841
Mortgages held for sale (4)	**19,018**	**4.03**	**767**	35,273	3.66	1,290
Loans held for sale (4)	**4,226**	**1.85**	**78**	163	7.95	13
Loans:						
Commercial:						
Commercial and industrial - U.S.	**204,819**	**3.35**	**6,869**	185,813	3.66	6,807
Commercial and industrial - non U.S.	**42,661**	**2.03**	**867**	40,987	2.03	832
Real estate mortgage	**112,710**	**3.64**	**4,100**	107,316	3.94	4,233
Real estate construction	**17,676**	**4.21**	**744**	16,537	4.76	787
Lease financing	**12,257**	**5.63**	**690**	12,373	6.10	755
Total commercial	**390,123**	**3.40**	**13,270**	363,026	3.70	13,414
Consumer:						
Real estate 1-4 family first mortgage	**261,620**	**4.19**	**10,961**	254,012	4.22	10,717
Real estate 1-4 family junior lien mortgage	**62,510**	**4.30**	**2,686**	70,264	4.29	3,014
Credit card	**27,491**	**11.98**	**3,294**	24,757	12.46	3,084
Automobile	**53,854**	**6.27**	**3,377**	48,476	6.94	3,365
Other revolving credit and installment	**38,834**	**5.48**	**2,127**	42,135	4.80	2,024
Total consumer	**444,309**	**5.05**	**22,445**	439,644	5.05	22,204
Total loans (4)	**834,432**	**4.28**	**35,715**	802,670	4.44	35,618
Other	**4,673**	**5.54**	**259**	4,354	5.39	235
Total earning assets	**$ 1,429,667**	**3.39%**	**$ 48,457**	1,282,363	3.73%	$ 47,892
Funding sources						
Deposits:						
Interest-bearing checking	**$ 39,729**	**0.07%**	**$ 26**	35,570	0.06%	$ 22
Market rate and other savings	**585,854**	**0.07**	**403**	550,394	0.08	450
Savings certificates	**38,111**	**0.85**	**323**	49,510	1.13	559
Other time deposits	**51,434**	**0.40**	**207**	28,090	0.69	194
Deposits in foreign offices	**95,889**	**0.14**	**137**	76,894	0.15	112
Total interest-bearing deposits	**811,017**	**0.14**	**1,096**	740,458	0.18	1,337
Short-term borrowings	**60,111**	**0.10**	**62**	54,716	0.13	71
Long-term debt	**167,420**	**1.49**	**2,488**	134,937	1.92	2,585
Other liabilities	**14,401**	**2.65**	**382**	12,471	2.46	307
Total interest-bearing liabilities	**1,052,949**	**0.38**	**4,028**	942,582	0.46	4,300
Portion of noninterest-bearing funding sources	**376,718**	**—**	**—**	339,781	—	—
Total funding sources	**$ 1,429,667**	**0.28**	**4,028**	1,282,363	0.33	4,300
Net interest margin and net interest income on a taxable-equivalent basis (5)		**3.11%**	**$ 44,429**		3.40%	$ 43,592
Noninterest-earning assets						
Cash and due from banks	**$ 16,361**			16,272		
Goodwill	**25,687**			25,637		
Other	**121,634**			121,711		
Total noninterest-earning assets	**$ 163,682**			163,620		
Noninterest-bearing funding sources						
Deposits	**$ 303,127**			280,229		
Other liabilities	**56,985**			58,178		
Total equity	**180,288**			164,994		
Noninterest-bearing funding sources used to fund earning assets	**(376,718)**			(339,781)		
Net noninterest-bearing funding sources	**$ 163,682**			163,620		
Total assets	**$ 1,593,349**			1,445,983		

(1) Our average prime rate was 3.25% for 2014, 2013, 2012, 2011, and 2010, respectively. The average three-month London Interbank Offered Rate (LIBOR) was 0.23%, 0.27%, 0.43%, 0.34%, and 0.34% for the same years, respectively.
(2) Yield/rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.

	2012			2011			2010	
Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense
$ 84,081	0.45%	$ 378	87,186	0.40%	$ 345	62,961	0.36%	$ 230
41,950	3.29	1,380	39,737	3.68	1,463	29,920	3.75	1,121
3,604	1.31	47	5,503	1.25	69	1,870	3.24	61
34,875	4.48	1,561	24,035	5.09	1,223	16,089	6.09	980
92,887	3.12	2,893	74,665	4.36	3,257	71,953	5.14	3,697
33,545	6.75	2,264	31,902	8.20	2,617	31,815	10.67	3,396
126,432	4.08	5,157	106,567	5.51	5,874	103,768	6.84	7,093
49,245	4.04	1,992	38,625	5.03	1,941	32,611	6.45	2,102
214,156	4.09	8,757	174,730	5.21	9,107	154,338	6.63	10,236
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
214,156	4.09	8,757	174,730	5.21	9,107	154,338	6.63	10,236
48,955	3.73	1,825	37,232	4.42	1,644	36,716	4.73	1,736
661	6.22	41	1,104	5.25	58	3,773	2.67	101
173,913	4.01	6,981	157,608	4.37	6,894	149,576	4.80	7,186
38,838	2.34	910	35,042	2.13	745	27,176	2.53	688
105,492	4.19	4,416	102,320	4.07	4,167	98,558	3.90	3,839
18,047	4.97	897	21,672	4.88	1,057	31,306	3.36	1,052
13,067	7.18	939	13,223	7.52	994	13,735	9.16	1,258
349,357	4 05	14,143	329,865	4.20	13,857	320,351	4.38	14,023
235,011	4 55	10,704	227,676	4.90	11,156	236,673	5.21	12,321
80,887	4 28	3,460	90,755	4.33	3,930	101,598	4.45	4,525
22,809	12 68	2,892	21,556	13.04	2,811	22,542	13.38	3,017
44,986	7 54	3,390	43,834	8.14	3,568	43,986	8.88	3,905
42,174	4 57	1,928	43,458	4.56	1,980	45,451	4.44	2,017
425,867	5 25	22,374	427,279	5.49	23,445	450,250	5.73	25,785
775,224	4.71	36,517	757,144	4.93	37,302	770,601	5.17	39,808
4,438	4.70	209	4,929	4.12	203	5,849	3.56	207
$ 1,169,465	4 20%	$ 49,107	1,102,062	4.55%	$ 50,122	1,064,158	5.02%	$ 53,439
$ 30,564	0 06%	$ 19	47,705	0.08%	$ 40	60,941	0.12%	$ 72
505,310	0.12	592	464,450	0.18	836	416,877	0.26	1,088
59,484	1 31	782	69,711	1.43	995	87,133	1.43	1,247
13,363	1 68	225	13,126	2.04	268	14,654	2.07	302
67,920	0.16	109	61,566	0.22	136	55,097	0.22	123
676,641	0.26	1,727	656,558	0.35	2,275	634,702	0.45	2,832
51,196	0.18	94	51,781	0.18	94	46,824	0.22	106
127,547	2.44	3,110	141,079	2.82	3,978	185,426	2.64	4,888
10,032	2.44	245	10,955	2.88	316	6,863	3.31	227
865,416	0.60	5,176	860,373	0.77	6,663	873,815	0.92	8,053
304,049	—	—	241,689	—	—	190,343	—	—
$ 1,169,465	0.44	5,176	1,102,062	0.61	6,663	1,064,158	0.76	8,053
	3.76%	$ 43,931		3.94%	$ 43,459		4.26%	$ 45,386
$ 16,303			17,388			17,618		
25,417			24,904			24,824		
130,450			125,911			120,338		
$ 172,170			168,203			162,780		
$ 263,863			215,242			183,008		
61,214			57,399			47,877		
151,142			137,251			122,238		
(304,049)			(241,689)			(190,343)		
$ 172,170			168,203			162,780		
$ 1,341,635			1,270,265			1,226,938		

(3) 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 $902 million, $792 million, $701 million, $696 million and $629 million for 2014, 2013, 2012, 2011 and 2010, respectively, primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate utilized was 35% for the periods presented.

Table 6 allocates the changes in net interest income on a taxable-equivalent basis to changes in either average balances or average rates for both interest-earning assets and interest-bearing liabilities. Because of the numerous simultaneous volume and rate changes during any period, it is not possible to precisely allocate such changes between volume and rate. For this table, changes that are not solely due to either volume or rate are allocated to these categories on a pro-rata basis based on the absolute value of the change due to average volume and average rate.

Table 6: Analysis of Changes of Net Interest Income

	Year ended December 31,					
	2014 over 2013			2013 over 2012		
(in millions)	Volume	Rate	Total	Volume	Rate	Total
Increase (decrease) in interest income:						
Federal funds sold, securities purchased under resale agreements and other short-term investments	$ **252**	**(68)**	**184**	245	(134)	111
Trading assets	**324**	**(18)**	**306**	90	(64)	26
Investment securities:						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**60**	**(1)**	**59**	49	16	65
Securities of U.S. states and political subdivisions	**140**	**(36)**	**104**	223	(36)	187
Mortgage-backed securities:						
Federal agencies	**193**	**11**	**204**	421	(283)	138
Residential and commercial	**(262)**	**(129)**	**(391)**	(185)	(91)	(276)
Total mortgage-backed securities	**(69)**	**(118)**	**(187)**	236	(374)	(138)
Other debt and equity securities	**(270)**	**71**	**(199)**	217	(269)	(52)
Total available-for-sale securities	**(139)**	**(84)**	**(223)**	725	(663)	62
Held-to-maturity securities	**643**	**(8)**	**635**	22	—	22
Mortgages held for sale	**(643)**	**120**	**(523)**	(502)	(33)	(535)
Loans held for sale	**82**	**(17)**	**65**	(37)	9	(28)
Loans:						
Commercial:						
Commercial and industrial - U.S.	**664**	**(602)**	**62**	459	(633)	(174)
Commercial and industrial - non U.S.	**35**	**—**	**35**	48	(126)	(78)
Real estate mortgage	**203**	**(336)**	**(133)**	77	(260)	(183)
Real estate construction	**52**	**(95)**	**(43)**	(73)	(37)	(110)
Lease financing	**(7)**	**(58)**	**(65)**	(48)	(136)	(184)
Total commercial	**947**	**(1,091)**	**(144)**	463	(1,192)	(729)
Consumer:						
Real estate 1-4 family first mortgage	**320**	**(76)**	**244**	825	(812)	13
Real estate 1-4 family junior lien mortgage	**(335)**	**7**	**(328)**	(454)	8	(446)
Credit card	**332**	**(122)**	**210**	243	(51)	192
Automobile	**354**	**(342)**	**12**	254	(279)	(25)
Other revolving credit and installment	**(167)**	**270**	**103**	(2)	98	96
Total consumer	**504**	**(263)**	**241**	866	(1,036)	(170)
Total loans	**1,451**	**(1,354)**	**97**	1,329	(2,228)	(899)
Other	**17**	**7**	**24**	(4)	30	26
Total increase (decrease) in interest income	**1,987**	**(1,422)**	**565**	1,868	(3,083)	(1,215)
Increase (decrease) in interest expense:						
Deposits:						
Interest-bearing checking	**2**	**2**	**4**	3	—	3
Market rate and other savings	**21**	**(68)**	**(47)**	55	(197)	(142)
Savings certificates	**(114)**	**(122)**	**(236)**	(123)	(100)	(223)
Other time deposits	**117**	**(104)**	**13**	152	(183)	(31)
Deposits in foreign offices	**32**	**(7)**	**25**	11	(8)	3
Total interest-bearing deposits	**58**	**(299)**	**(241)**	98	(488)	(390)
Short-term borrowings	**7**	**(16)**	**(9)**	6	(29)	(23)
Long-term debt	**551**	**(648)**	**(97)**	171	(696)	(525)
Other liabilities	**50**	**25**	**75**	61	1	62
Total increase (decrease) in interest expense	**666**	**(938)**	**(272)**	336	(1,212)	(876)
Increase (decrease) in net interest income on a taxable-equivalent basis	$ **1,321**	**(484)**	**837**	1,532	(1,871)	(339)

Noninterest Income

Table 7: Noninterest Income

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Service charges on deposit accounts	**$ 5,050**	5,023	4,683
Trust and investment fees:			
Brokerage advisory, commissions and other fees	**9,183**	8,395	7,524
Trust and investment management	**3,387**	3,289	3,080
Investment banking	**1,710**	1,746	1,286
Total trust and investment fees	**14,280**	13,430	11,890
Card fees	**3,431**	3,191	2,838
Other fees:			
Charges and fees on loans	**1,316**	1,540	1,746
Merchant processing fees	**726**	669	583
Cash network fees	**507**	493	470
Commercial real estate brokerage commissions	**469**	338	307
Letters of credit fees	**390**	410	441
All other fees	**941**	890	972
Total other fees	**4,349**	4,340	4,519
Mortgage banking:			
Servicing income, net	**3,337**	1,920	1,378
Net gains on mortgage loan origination/sales activities	**3,044**	6,854	10,260
Total mortgage banking	**6,381**	8,774	11,638
Insurance	**1,655**	1,814	1,850
Net gains from trading activities	**1,161**	1,623	1,707
Net gains (losses) on debt securities	**593**	(29)	(128)
Net gains from equity investments	**2,380**	1,472	1,485
Lease income	**526**	663	567
Life insurance investment income	**558**	566	757
All other	**456**	113	1,050
Total	**$ 40,820**	40,980	42,856

Noninterest income of $40.8 billion represented 48% of revenue for 2014 compared with $41.0 billion, or 49%, for 2013 and $42.9 billion, or 50%, for 2012. The decrease in noninterest income in 2014 was primarily due to a decline in mortgage banking, partially offset by growth in many of our other businesses including debit card, corporate banking, principal investments, asset-backed finance, equipment finance, international, venture capital, wealth management and retail brokerage. Excluding mortgage banking, noninterest income increased $2.2 billion from a year ago.

Service charges on deposit accounts increased $27 million from 2013 due to account growth, new commercial product sales and commercial product re-pricing, partially offset by changes we implemented in early October 2014 designed to provide customers with more real time information to manage their deposit accounts and avoid overdrafts. Service charges on deposit accounts in 2013 increased $340 million, or 7%, from 2012 due to primary consumer checking customer growth, product changes and customer adoption of overdraft services.

Brokerage advisory, commissions and other fees are received for providing services to full-service and discount brokerage customers. Income from these brokerage-related activities include asset-based fees, which are based on the market value of the customer's assets, and transactional commissions based on the number and size of transactions executed at the customer's direction. These fees increased to $9.2 billion in 2014, from $8.4 billion and $7.5 billion in 2013 and 2012, respectively. The increase in brokerage income was predominantly due to higher asset-based fees as a result of higher market values and growth in assets under management, partially offset by a decrease in brokerage transaction revenue. Retail brokerage client assets totaled $1.42 trillion at December 31, 2014, up 4% from $1.36 trillion at December 31, 2013, which was up 12% from $1.22 trillion at December 31, 2012.

We earn trust and investment management fees from managing and administering assets, including mutual funds, corporate trust, personal trust, employee benefit trust and agency assets. 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 $3.4 billion in 2014 from $3.3 billion in 2013 and $3.1 billion in 2012, primarily due to growth in assets under management reflecting higher market values. At December 31, 2014, these assets totaled $2.5 trillion, an increase from $2.4 trillion and $2.2 trillion at December 31, 2013 and 2012, respectively.

We earn investment banking fees from underwriting debt and equity securities, arranging loan syndications, and performing other related advisory services. Investment banking fees remained unchanged at $1.7 billion in 2014 compared with 2013 as higher advisory services results were offset by lower loan syndication and origination fees. Investment banking fees increased $460 million in 2013 compared with 2012, primarily due to increased loan syndication volume and equity originations.

Card fees were $3.4 billion in 2014, compared with $3.2 billion in 2013 and $2.8 billion in 2012. Card fees increased in 2014 and 2013 primarily due to account growth and increased purchase activity.

Other fees of $4.3 billion in 2014 were unchanged compared with 2013 as a decline in charges and fees on loans was offset by an increase in commercial real estate brokerage commissions. Other fees in 2013 declined $179 million compared with 2012 due to a decline in charges and fees on loans. Charges and fees on loans decreased to $1.3 billion in 2014 compared with $1.5 billion and $1.7 billion in 2013 and 2012, respectively, primarily due to the phase out of the direct deposit advance product during the first half of 2014. Commercial real estate brokerage commissions increased to $469 million in 2014 compared with $338 million in 2013 and $307 million in 2012, driven by increased sales and other property-related activities including financing and advisory services.

Mortgage banking income, consisting of net servicing income and net gains on loan origination/sales activities, totaled $6.4 billion in 2014, compared with $8.8 billion in 2013 and $11.6 billion in 2012.

In addition to servicing fees, 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 of $3.3 billion for 2014 included a $1.4 billion net MSR valuation gain ($2.1 billion decrease in the fair value of the MSRs offset by a $3.5 billion hedge gain). Net servicing income of $1.9 billion for 2013 included a $489 million net MSR valuation gain ($3.4 billion increase in the fair value of the MSRs offset by a $2.9 billion hedge loss), and net servicing income of $1.4 billion for 2012 included a $681 million net MSR valuation gain ($2.9 billion decrease in the fair value of MSRs offset by a $3.6 billion hedge gain). The lower net MSR valuation gain in 2013, compared with 2014, was attributable to MSR valuation adjustments associated with higher prepayments and increases in servicing and foreclosure costs.

Our portfolio of loans serviced for others was $1.86 trillion at December 31, 2014, $1.90 trillion at December 31, 2013, and $1.91 trillion at December 31, 2012. At December 31, 2014, the ratio of MSRs to related loans serviced for others was 0.75%,

compared with 0.88% at December 31, 2013 and 0.67% at December 31, 2012. See the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section in this Report for additional information regarding our MSRs risks and hedging approach.

Net gains on mortgage loan origination/sale activities were $3.0 billion in 2014, compared with $6.9 billion in 2013 and $10.3 billion in 2012. The decrease from 2013 and 2012 was primarily driven by lower origination volume and margins. Mortgage loan originations were $175 billion in 2014, of which 68% were for home purchases, compared with $351 billion and 47%, respectively, for 2013 and $524 billion and 35%, respectively, for 2012. Mortgage applications were $262 billion in 2014, compared with $438 billion in 2013 and $736 billion in 2012. The 1-4 family first mortgage unclosed pipeline was $26 billion at December 31, 2014, compared with $25 billion at December 31, 2013 and $81 billion at December 31, 2012. For additional information about our mortgage banking activities and results, see the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section and Note 9 (Mortgage Banking Activities) and Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Net gains on mortgage loan origination/sales activities include adjustments 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. For 2014, we released a net $140 million from the repurchase liability, compared with a provision of $428 million for 2013 and $1.9 billion for 2012. For additional information about mortgage loan repurchases, see the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section and Note 9 (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 $1.2 billion in 2014, $1.6 billion in 2013 and $1.7 billion in 2012. The year-over-year decrease in 2014 was driven by lower trading from customer accommodation activity within our capital markets business and lower deferred compensation gains (offset in employee benefits expense), and the decrease in 2013 from 2012 was largely driven by lower results in customer accommodation activity. Net gains from trading activities do not include interest and dividend income and expense on trading securities. Those amounts are reported within interest income from trading assets and other interest expense from trading liabilities. Interest and fees related to proprietary trading are reported in their corresponding income statement line items. Proprietary trading activities are not significant to our client-focused business model. For additional information about proprietary and other trading, see the "Risk Management – Asset/Liability Management – Market Risk – Trading Activities" section in this Report.

Net gains on debt and equity securities totaled $3.0 billion for 2014 and $1.4 billion for both 2013 and 2012, after other-than-temporary impairment (OTTI) write-downs of $322 million, $344 million and $416 million, respectively, for the same periods. The increase in net gains on debt and equity securities reflected the benefit of strong public and private equity markets.

All other income was $456 million for 2014 compared with $113 million in 2013 and $1.1 billion in 2012. All other income includes ineffectiveness recognized on derivatives that qualify for hedge accounting, losses on low-income housing tax credit investments, foreign currency adjustments and income from investments accounted for under the equity method, any of which can cause decreases and net losses in other income. Higher other income for 2014 compared with a year ago primarily reflected larger ineffectiveness gains on derivatives that qualify for hedge accounting, a gain on sale of government-guaranteed student loans in fourth quarter 2014, and a gain on sale of 40 insurance offices in second quarter 2014. These were partially offset by lower income from equity method investments.

Noninterest Expense

Table 8: Noninterest Expense

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Salaries	**$ 15,375**	15,152	14,689
Commission and incentive compensation	**9,970**	9,951	9,504
Employee benefits	**4,597**	5,033	4,611
Equipment	**1,973**	1,984	2,068
Net occupancy	**2,925**	2,895	2,857
Core deposit and other intangibles	**1,370**	1,504	1,674
FDIC and other deposit assessments	**928**	961	1,356
Outside professional services	**2,689**	2,519	2,729
Operating losses	**1,249**	821	2,235
Outside data processing	**1,034**	983	910
Contract services	**975**	935	1,011
Travel and entertainment	**904**	885	839
Postage, stationery and supplies	**733**	756	799
Advertising and promotion	**653**	610	578
Foreclosed assets	**583**	605	1,061
Telecommunications	**453**	482	500
Insurance	**422**	437	453
Operating leases	**220**	204	109
All other	**1,984**	2,125	2,415
Total	**$ 49,037**	48,842	50,398

Noninterest expense was $49.0 billion in 2014, up slightly from $48.8 billion in 2013, which was down 3% from $50.4 billion in 2012. The increase in 2014 was driven predominantly by higher operating losses ($1.2 billion, up from $821 million in 2013) and higher outside professional services ($2.7 billion, up from $2.5 billion in 2013), partially offset by lower personnel expenses ($29.9 billion, down from $30.1 billion in 2013). The decrease in 2013 from 2012 was driven by lower operating losses, lower foreclosed assets expense and lower FDIC and other deposit assessments, as well as the completion of Wachovia merger integration activities in first quarter 2012.

Personnel expenses, which include salaries, commissions, incentive compensation and employee benefits, were down $194 million, or 1%, in 2014 compared with 2013, due to lower deferred compensation plan expense (offset in trading revenue) and other employee benefit costs, and reduced staffing and lower volume-related compensation in our mortgage business. These decreases were partially offset by higher revenue-based compensation, annual salary increases, and increased staffing for risk management and our non-mortgage businesses. For 2013, these expenses were up 5% compared with 2012, due to annual salary increases and related salary taxes, higher revenue-based compensation, and higher employee benefit costs.

Outside professional services were up 7% in 2014 compared with 2013 due to continued investments by our businesses in their service delivery systems and in our risk management infrastructure to meet increased regulatory and compliance requirements as well as evolving cybersecurity risk.

Operating losses were up $428 million, or 52%, in 2014 compared with 2013, predominantly due to higher litigation accruals.

All other expenses of $2.0 billion in 2014 were down slightly from $2.1 billion in 2013, which were down from $2.4 billion in 2012. The decrease in 2013 compared with 2012 was primarily due to a $250 million charitable contribution to Wells Fargo Foundation in 2012.

Our full year 2014 efficiency ratio improved slightly to 58.1% compared with 58.3% in 2013. The Company expects to operate within its targeted efficiency ratio range of 55% - 59% for full year 2015.

Income Tax Expense

The 2014 annual effective tax rate was 30.9% compared with 32.2% in 2013 and 32.5% in 2012. The effective tax rate for 2014 included a net reduction in the reserve for uncertain tax positions primarily due to the resolution of prior period matters with state taxing authorities. The effective tax rate for 2013 included a net reduction in the reserve for uncertain tax positions primarily due to settlements with authorities regarding certain cross border transactions and tax benefits recognized from the realization for tax purposes of a previously written down investment. The 2012 effective tax rate included a tax benefit resulting from the surrender of previously written-down Wachovia life insurance investments. See Note 21 (Income Taxes) to Financial Statements in this Report for information regarding tax matters related to undistributed foreign earnings.

Operating Segments

We are organized for management reporting purposes into three operating segments: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement (WBR). 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 addition to measuring financial performance, each of our operating segments monitors cross-sell metrics to measure the extent they are satisfying our customers' financial needs. The following discussion presents our methodology for measuring cross-sell for each of our operating segments, and along with Tables 9, 9a, 9b and 9c, presents our results by operating segment. For additional financial information and the underlying management accounting process, see Note 24 (Operating Segments) to Financial Statements in this Report.

Table 9: Operating Segment Results – Highlights

					Year ended December 31,
(in millions, except average balances which are in billions)	Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Other (1)	Consolidated Company
2014					
Revenue	**$ 50,862**	**23,482**	**14,218**	**(4,215)**	**84,347**
Provision (reversal of provision) for credit losses	**1,681**	**(266)**	**(50)**	**30**	**1,395**
Net income (loss)	**14,180**	**7,584**	**2,083**	**(790)**	**23,057**
Average loans	**$ 503.2**	**313.4**	**52.1**	**(34.3)**	**834.4**
Average core deposits	**642.3**	**274.0**	**154.9**	**(67.6)**	**1,003.6**
2013					
Revenue	$ 50,339	24,064	13,203	(3,826)	83,780
Provision (reversal of provision) for credit losses	2,755	(445)	(16)	15	2,309
Net income (loss)	12,732	8,133	1,712	(699)	21,878
Average loans	$ 499.3	287.7	46.1	(30.4)	802.7
Average core deposits	620.1	237.2	150.1	(65.3)	942.1
2012					
Revenue	$ 53,405	24,092	12,160	(3,571)	86,086
Provision (reversal of provision) for credit losses	6,835	286	125	(29)	7,217
Net income (loss)	10,492	7,774	1,328	(697)	18,897
Average loans	$ 487.1	273.8	42.7	(28.4)	775.2
Average core deposits	591.2	227.0	137.5	(61.8)	893.9

(1) Includes items not assigned to a specific business segment and elimination of certain items that are included in more than one business segment, substantially all of which represents products and services for wealth management customers provided in Community Banking stores.

Cross-sell Our cross-sell strategy is to increase the number of products our customers use by offering them all of the financial products that satisfy their financial needs. We track our cross-sell activities based on whether the customer is a retail banking household or has a wholesale banking relationship. A retail banking household is a household that uses at least one of the following retail products - a demand deposit account, savings account, savings certificate, individual retirement account (IRA) certificate of deposit, IRA savings account, personal line of credit, personal loan, home equity line of credit or home equity loan. A household is determined based on aggregating all accounts with the same address. For our wholesale banking relationships, we aggregate all related entities under common ownership or control.

We report cross-sell metrics for our Community Banking and WBR operating segments based on the average number of retail products used per retail banking household. For Community Banking the cross-sell metric represents the relationship of all retail products used by customers in retail banking households. For WBR the cross-sell metric represents the relationship of all retail products used by customers in retail banking households who are also WBR customers.

Products included in our retail banking household cross-sell metrics must be retail products and have the potential for revenue generation and long-term viability. Products and services that generally do not meet these criteria - such as ATM cards, online banking and direct deposit - are not included. In addition, multiple holdings by a brokerage customer within an investment category, such as common stock, mutual funds or bonds, are counted as a single product. We may periodically update the products included in our cross-sell metrics to account for changes in our product offerings.

For our Wholesale Banking operating segment cross-sell represents the average number of Wholesale Banking (non-retail) products used per Wholesale Banking customer relationship. What we include as products in the cross-sell metric comes from a defined set of revenue generating products within the following product families: credit, treasury management, deposits, risk management, foreign exchange, capital markets and advisory, investments, insurance, trade financing, and trust and servicing. The number of customer relationships is based on tax identification numbers adjusted to combine those entities under common ownership or another structure indicative of a single relationship and includes only relationships that produced revenue for the period of measurement.

Operating Segment Results

The following discussion provides a description of each of our operating segments, including cross-sell metrics and financial results.

COMMUNITY BANKING offers a complete line of diversified financial products and services for consumers and small businesses including checking and savings accounts, credit and debit cards, and auto, student, and small business lending. These products also 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. The Community Banking segment also includes the results of our Corporate Treasury activities net of allocations in support of the other operating segments and results of investments in our affiliated venture capital partnerships. Our retail banking household cross-sell was 6.17 products per household in November 2014, up from 6.16 in November 2013 and 6.05 in November 2012. The November 2014 cross-sell ratio included the acquisition of an existing private label and co-branded credit card loan portfolio in connection with a new program agreement with Dillard's, Inc. (Dillard's), a major retail department store. We believe there is more opportunity for cross-sell as we continue to earn more business from our customers. Our goal is eight products per household, which is approximately one-half of our estimate of potential demand for an average U.S. household. In November 2014, one of every four of our retail banking households had eight or more of our products. Table 9a provides additional financial information for Community Banking.

Table 9a - Community Banking

	Year ended December 31,		
(in millions, except average balances which are in billions)	**2014**	2013	2012
Net interest income	**$ 29,709**	28,839	29,045
Noninterest income:			
Service charges on deposit accounts	**3,386**	3,463	3,298
Trust and investment fees:			
Brokerage advisory, commissions and other fees	**1,796**	1,603	1,401
Trust and investment management	**817**	755	699
Investment banking (1)	**(80)**	(77)	(41)
Total trust and investment fees	**2,533**	2,281	2,059
Card fees	**3,167**	2,958	2,638
Other fees	**2,296**	2,342	2,294
Mortgage banking	**6,011**	8,335	11,235
Insurance	**127**	130	147
Net gains from trading activities	**134**	244	133
Net gains (losses) on debt securities	**253**	(77)	(120)
Net gains from equity investments (2)	**1,731**	1,033	875
Other income of the segment	**1,515**	791	1,801
Total noninterest income	**21,153**	21,500	24,360
Total revenue	**50,862**	50,339	53,405
Provision for credit losses	**1,681**	2,755	6,835
Noninterest expense:			
Personnel expense	**17,077**	17,693	17,195
Equipment	**1,740**	1,733	1,759
Net occupancy	**2,181**	2,133	2,093
Core deposit and other intangibles	**629**	697	781
FDIC and other deposit assessments	**584**	621	907
Outside professional services	**1,124**	1,117	1,311
Operating losses	**1,065**	698	2,029
Other expense of the segment	**3,726**	4,031	4,765
Total noninterest expense	**28,126**	28,723	30,840
Income before income tax expense and noncontrolling interests	**21,055**	18,861	15,730
Income tax expense	**6,350**	5,799	4,774
Net income from noncontrolling interests (3)	**525**	330	464
Net income	**$ 14,180**	12,732	10,492
Average loans	**$ 503.2**	499.3	487.1
Average core deposits	**642.3**	620.1	591.2

(1) Represents syndication and underwriting fees paid to Wells Fargo Securities which are offset in our Wholesale Banking segment.
(2) Predominantly represents gains resulting from venture capital investments.
(3) Reflects results attributable to noncontrolling interests primarily associated with the Company's consolidated merchant services joint venture and venture capital investments.

Community Banking reported net income of $14.2 billion in 2014, up $1.4 billion, or 11%, from $12.7 billion in 2013, which was up 21% from $10.5 billion in 2012. Revenue was $50.9 billion in 2014, an increase of $523 million, or 1%, compared with $50.3 billion in 2013, which was down 6% compared with $53.4 billion in 2012. The increase in revenue for 2014 was primarily driven by higher net interest income, gains on sale of equity investments and debt securities, higher trust and investment fees, and higher card fees, partially offset by lower mortgage banking revenue, the phase out of the direct deposit advance product during the first half of 2014, and lower deferred compensation plan investment gains (offset in employee benefits expense). Higher other income for 2014 compared with a year ago reflected larger ineffectiveness gains on derivatives that qualify for hedge accounting and a gain on sale of government guaranteed student loans in fourth quarter 2014. The decrease in 2013 was a result of lower mortgage banking revenue, partially offset by higher trust and investment fees, and revenue from debit, credit and merchant card volumes. Lower other segment income for 2013 compared with 2012 was due to larger ineffectiveness losses on derivatives that qualify for hedge accounting and interest-related valuation changes on certain mortgage-related assets carried at fair value. Average core deposits increased $22.2 billion in 2014, or 4%, from 2013, which increased $28.9 billion, or 5%, from 2012. Noninterest expense decreased $597 million in 2014, or 2%, from 2013, which declined $2.1 billion, or 7%, from 2012. The decrease in noninterest expense for 2014 largely reflected lower mortgage volume-related expenses and deferred compensation expense (offset in revenue), partially offset by higher operating losses. The decrease in noninterest expense for 2013 reflected lower FDIC and other deposit insurance assessments primarily due to lower FDIC assessment rates. The provision for credit losses of $1.7 billion in 2014 was 39% lower than 2013, which was $2.8 billion, or 60%, lower than 2012, due to improved performance of the consumer real estate portfolio in both 2014 and 2013.

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 cross-sell was 7.2 products per relationship in September 2014, up from 7.1 in September 2013 and 6.8 in September 2012. Table 9b provides additional financial information for Wholesale Banking.

Table 9b - Wholesale Banking

(in millions, except average balances which are in billions)		2014	Year ended December 31, 2013	2012
Net interest income	**$**	**11,955**	12,298	12,648
Noninterest income:				
Service charges on deposit accounts		**1,663**	1,559	1,383
Trust and investment fees:				
Brokerage advisory, commissions and other fees		**333**	270	235
Trust and investment management		**1,824**	1,789	1,672
Investment banking		**1,803**	1,839	1,341
Total trust and investment fees		**3,960**	3,898	3,248
Card fees		**262**	231	200
Other fees		**2,048**	1,993	2,219
Mortgage banking		**370**	426	407
Insurance		**1,352**	1,559	1,585
Net gains from trading activities		**872**	1,211	1,426
Net gains (losses) on debt securities		**335**	45	(13)
Net gains from equity investments		**636**	425	511
Other income of the segment		**29**	419	478
Total noninterest income		**11,527**	11,766	11,444
Total revenue		**23,482**	24,064	24,092
Provision (reversal of provision) for credit losses		**(266)**	(445)	286
Noninterest expense:				
Personnel expense		**7,093**	6,763	6,315
Equipment		**186**	194	268
Net occupancy		**442**	454	441
Core deposit and other intangibles		**391**	425	473
FDIC and other deposit assessments		**269**	259	313
Outside professional services		**1,107**	1,023	953
Operating losses		**98**	43	193
Other expense of the segment		**3,389**	3,217	3,126
Total noninterest expense		**12,975**	12,378	12,082
Income before income tax expense and noncontrolling interest		**10,773**	12,131	11,724
Income tax expense		**3,165**	3,984	3,943
Net income from noncontrolling interest		**24**	14	7
Net income	**$**	**7,584**	8,133	7,774
Average loans	**$**	**313.4**	287.7	273.8
Average core deposits		**274.0**	237.2	227.0

Wholesale Banking reported net income of $7.6 billion in 2014, down $549 million, or 7%, from $8.1 billion in 2013, which was up 5% from $7.8 billion in 2012. The year over year decrease in net income during 2014 was the result of lower revenues, increased noninterest expense and higher provision for credit losses. The year over year increase in net income during 2013 was the result of improvement in provision for credit losses and stable revenue performance partially offset by increased noninterest expense. Revenue in 2014 of $23.5 billion decreased $582 million, or 2%, from $24.1 billion in 2013, as growth in asset backed finance, asset management, commercial real estate brokerage, corporate banking, equipment finance, international, principal investing and treasury management was more than offset by lower PCI resolution income as well as lower crop insurance fee income. Revenue in 2013 of $24.1 billion was flat from 2012, as business growth from asset backed finance, asset management, capital markets and commercial real estate was offset by lower PCI resolution income.

Net interest income of $12.0 billion in 2014 decreased $343 million, or 3%, from 2013, which was down 3% from 2012. The decrease in 2014 and 2013 was due to lower PCI resolutions and net interest margin compression due to declining loan yields and fees that was partially offset by increased interest income primarily from strong loan growth. Average loans of $313.4 billion in 2014 increased $25.7 billion, or 9%, from $287.7 billion in 2013, which was up 5% from $273.8 billion in 2012. The loan growth in 2014 and 2013 was broad based across many Wholesale Banking businesses. Average core deposits of $274.0 billion in 2014 increased $36.8 billion, or 16%, from 2013 which was up 4%, from 2012, reflecting continued strong customer liquidity for both years.

Noninterest income of $11.5 billion in 2014 decreased $239 million, or 2%, from 2013 as business growth in asset backed finance, asset management, commercial real estate brokerage, corporate banking, equipment finance, international, principal investing and treasury management was more than offset by lower customer accommodation related gains on

trading assets, lower insurance income related to a decline in crop insurance fee income and the 2014 divestiture of 40 insurance offices, and lower other income. The reduction in other income was caused by the financial results of low-income housing tax credits and other nonmarketable investments which are accounted for under the equity accounting method, partially offset by a gain on the divestiture of the 40 insurance offices. Noninterest income of $11.8 billion in 2013 increased $322 million, or 3%, from 2012 due to strong growth in asset backed finance, asset management, capital markets, commercial banking, commercial real estate and corporate banking. Noninterest expense in 2014 increased $597 million, or 5%, compared with 2013, which was up 2%, or $296 million, from 2012. The increase in both 2014 and 2013 was due to higher personnel expenses and higher non-personnel expenses related to growth initiatives and compliance and regulatory requirements. The provision for credit losses increased $179 million from 2013 due primarily to strong commercial loan growth in 2014. The provision for credit losses in 2013 decreased $731 million from 2012, due to lower loan losses.

WEALTH, BROKERAGE AND RETIREMENT provides a full range of financial advisory services to clients using a planning approach to meet each client's financial needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions, including financial planning, private banking, credit, investment management and fiduciary services. Abbot Downing, a Wells Fargo business, provides comprehensive wealth management services to ultra-high net worth families and individuals as well as endowments and foundations. Brokerage serves customers' advisory, brokerage and 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 and reinsurance services for the life insurance industry. Wealth, Brokerage and Retirement cross-sell was 10.49 products per retail banking household in November 2014, up from 10.42 in November 2013 and 10.27 in November 2012. Table 9c provides additional financial information for Wealth, Brokerage and Retirement.

Table 9c - Wealth, Brokerage and Retirement

	Year ended December 31,		
(in millions, except average balances which are in billions)	**2014**	2013	2012
Net interest income	**$ 3,179**	2,888	2,768
Noninterest income:			
Service charges on deposit accounts	**18**	17	18
Trust and investment fees:			
Brokerage advisory, commissions and other fees	**8,855**	8,133	7,299
Trust and investment management	**1,595**	1,532	1,435
Investment banking (1)	**(13)**	(16)	(14)
Total trust and investment fees	**10,437**	9,649	8,720
Card fees	**4**	4	1
Other fees	**16**	19	18
Mortgage banking	**1**	(24)	(38)
Insurance	**176**	125	118
Net gains from trading activities	**155**	171	151
Net gains on debt securities	**5**	3	5
Net gains from equity investments	**13**	14	99
Other income of the segment	**214**	337	300
Total noninterest income	**11,039**	10,315	9,392
Total revenue	**14,218**	13,203	12,160
Provision (reversal of provision) for credit losses	**(50)**	(16)	125
Noninterest expense:			
Personnel expense	**7,320**	7,093	6,544
Equipment	**51**	63	47
Net occupancy	**412**	399	404
Core deposit and other intangibles	**350**	382	420
FDIC and other deposit assessments	**127**	136	236
Outside professional services	**491**	412	388
Operating losses	**93**	90	29
Other expense of the segment	**2,063**	1,880	1,825
Total noninterest expense	**10,907**	10,455	9,893
Income before income tax expense and noncontrolling interest	**3,361**	2,764	2,142
Income tax expense	**1,276**	1,050	814
Net income from noncontrolling interest	**2**	2	—
Net income	**$ 2,083**	1,712	1,328
Average loans	**$ 52.1**	46.1	42.7
Average core deposits	**154.9**	150.1	137.5

(1) Represents syndication and underwriting fees paid to Wells Fargo Securities which are offset in our Wholesale Banking segment.

Wealth, Brokerage and Retirement reported net income of $2.1 billion in 2014, up $371 million, or 22%, from 2013, which was up 29% from $1.3 billion in 2012. Net income growth in 2014 was driven by significant growth in noninterest income and net interest income. Growth in net income for 2013 was driven by higher noninterest income and lower provision for credit losses due to improved credit quality. Revenue of $14.2 billion in 2014 increased $1.0 billion from 2013, which was up 9% from $12.2 billion in 2012. The increase in revenue for both 2014 and 2013 was due to increases in both net interest income and noninterest income. Net interest income increased 10% in 2014 due to growth in investment portfolios and loan balances. Net interest income increased 4% in 2013 due to growth in loan balances and low-cost core deposits, partially offset by lower interest rates on the loan and investment portfolios.

Average loan balances of $52.1 billion in 2014 increased 13% from $46.1 billion in 2013, which was up 8% from $42.7 billion in 2012. Average core deposits in 2014 of $154.9 billion increased 3% from $150.1 billion in 2013, which was up 9% from $137.5 billion in 2012. Noninterest income increased 7% in 2014 from 2013, largely due to strong growth in asset-based fees from growth in assets under management primarily from net inflows and improved market performance, partially offset by lower brokerage transaction revenue. Noninterest income increased 10% in 2013 from 2012, largely due to strong growth in asset-based fees from improved market performance and growth in assets under management, partially offset by reduced securities gains in the brokerage business. Noninterest expense of $10.9 billion for 2014 was up 4% from $10.5 billion in 2013, which was up 6% from $9.9 billion in 2012. The increase in 2014 was predominantly due to increased broker commissions and higher non-personnel expenses. The increase in 2013 was predominantly due to higher personnel expenses, primarily reflecting increased broker commissions. The provision for credit losses improved for both 2014 and 2013, driven by lower net charge-offs and continued improvement in credit quality.

Balance Sheet Analysis

At December 31, 2014, our assets totaled $1.7 trillion, up $163.7 billion from December 31, 2013. The predominant areas of asset growth were in federal funds sold and other short-term investments, which increased $44.6 billion, investment securities, which increased $48.6 billion, loans, which increased $40.3 billion ($50.0 billion excluding the transfer of $9.7 billion of government guaranteed student loans to loans held for sale at June 30, 2014), and trading assets, which increased $15.4 billion. Deposit growth of $89.1 billion, an increase in long-term debt of $30.9 billion, total equity growth of $14.3 billion and an increase in short-term borrowings of $9.6 billion from December 31, 2013, were the predominant sources that funded our asset growth for 2014. Equity growth benefited from $14.7 billion in earnings net of dividends paid. The strength of our business model produced record earnings and continued internal capital generation as reflected in our capital ratios at December 31, 2014. Tier 1 capital as a percentage of total risk-weighted assets increased to 12.45%, total capital increased to 15.53%, Tier 1 leverage decreased to 9.45%, and Common Equity Tier 1 (General Approach) increased to 11.04% at December 31, 2014, compared with 12.33%, 15.43%, 9.60%, and 10.82%, respectively, at December 31, 2013.

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 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

Investment Securities

Table 10: Investment Securities – Summary

	December 31, 2014			December 31, 2013		
(in millions)	**Amortized Cost**	**Net unrealized gain**	**Fair value**	Amortized Cost	Net unrealized gain (loss)	Fair value
Available-for-sale securities:						
Debt securities	**$ 247,747**	**6,019**	**253,766**	246,048	2,574	248,622
Marketable equity securities	**1,906**	**1,770**	**3,676**	2,039	1,346	3,385
Total available-for-sale securities	**249,653**	**7,789**	**257,442**	248,087	3,920	252,007
Held-to-maturity debt securities	**55,483**	**876**	**56,359**	12,346	(99)	12,247
Total investment securities (1)	**$ 305,136**	**8,665**	**313,801**	260,433	3,821	264,254

(1) Available-for-sale securities are carried on the balance sheet at fair value. Held-to-maturity securities are carried on the balance sheet at amortized cost.

Table 10 presents a summary of our investment securities portfolio, which increased $48.6 billion from December 31, 2013, predominantly due to purchases of U.S. Treasury securities. The total net unrealized gains on available-for-sale securities were $7.8 billion at December 31, 2014, up from net unrealized gains of $3.9 billion at December 31, 2013, due primarily to a decrease in long-term interest rates.

The size and composition of the investment securities 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 U.S. Treasury and

federal agency debt, agency mortgage-backed securities (MBS), privately issued residential and commercial MBS, securities issued by U.S. states and political subdivisions, corporate debt securities, and highly rated collateralized loan obligations. Due to its highly liquid nature, the available-for-sale portfolio can be used to meet funding needs that arise in the normal course of business or due to market stress. Changes in our interest rate risk profile may occur due to changes in overall economic or market conditions, which could influence loan origination demand, prepayment speeds, or deposit balances and mix. In response, the available-for-sale securities portfolio can be rebalanced to meet the Company's interest rate risk management objectives. In addition to meeting liquidity and interest rate risk management objectives, the available-for-sale securities portfolio may provide yield enhancement over other short-term assets. See the "Risk Management - Asset/Liability Management" section in this Report for more information on liquidity and interest rate risk. The held-to-maturity securities portfolio consists of high quality U.S. Treasury debt, securities issued by U.S. states and political subdivisions, agency MBS, asset-backed securities (ABS) primarily collateralized by auto loans and leases, and collateralized loan obligations, where our intent is to hold these securities to maturity and collect the contractual cash flows. The held-to-maturity portfolio may also provide yield enhancement over short-term assets.

We analyze securities for other-than-temporary impairment (OTTI) quarterly or more often if a potential loss-triggering event occurs. Of the $322 million in OTTI write-downs recognized in earnings in 2014, $49 million related to debt securities and $3 million related to marketable equity securities, which are each included in available-for-sale securities. Another $270 million in OTTI write-downs was related to nonmarketable equity investments, which are included in other assets. For a discussion of our OTTI accounting policies and underlying considerations and analysis see Note 1 (Summary of Significant Accounting Policies) and Note 5 (Investment Securities) to Financial Statements in this Report.

At December 31, 2014, investment securities included $46.9 billion of municipal bonds, of which 91.7% 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 substantially all 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.

The weighted-average expected maturity of debt securities available-for-sale was 6.2 years at December 31, 2014. Because 54% 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 portfolio are shown in Table 11.

Table 11: Mortgage-Backed Securities

(in billions)	Fair value	Net unrealized gain (loss)	Expected remaining maturity (in years)
At December 31, 2014			
Actual	136.4	4.1	4.4
Assuming a 200 basis point:			
Increase in interest rates	124.8	(7.5)	6.5
Decrease in interest rates	140.4	8.1	2.5

The weighted-average expected maturity of debt securities held-to-maturity was 6.5 years at December 31, 2014. See Note 5 (Investment Securities) to Financial Statements in this Report for a summary of investment securities by security type.

Loan Portfolio

Total loans were $862.6 billion at December 31, 2014, up 5% from December 31, 2013. Table 12 provides a summary of total outstanding loans by non-strategic/liquidating and core loan portfolios. The decrease in the non-strategic/liquidating portfolios was $20.1 billion, while loans in the core portfolio grew $60.3 billion from December 31, 2013. Our core loan growth during 2014 included:

- a $38.6 billion increase in commercial loans, reflecting broad-based growth in our portfolios, including $6.5 billion from the financing related to the sale of government guaranteed student loans out of loans held for sale in fourth quarter 2014. For additional information on the government guaranteed student loan sale, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in this Report; and
- a $21.7 billion increase in consumer loans, predominantly from growth in the nonconforming mortgage, automobile, credit card and other revolving credit and installment loan portfolios, partially offset by a decrease in the real estate 1-4 family junior lien mortgage portfolio and the transfer of the government guaranteed student loan portfolio to loans held for sale at the end of second quarter 2014. The increase in consumer loans also included the acquisition of an existing private label and co-branded credit card loan portfolio in fourth quarter 2014 in connection with the new Dillard's program agreement.

Additional information on the non-strategic and liquidating loan portfolios is included in Table 17 in the "Risk Management – Credit Risk Management" section in this Report.

Table 12: Loan Portfolios

	December 31, 2014			December 31, 2013		
(in millions)	**Core**	**Liquidating**	**Total**	Core	Liquidating	Total
Commercial	**$ 413,701**	**1,125**	**414,826**	375,077	2,013	377,090
Consumer	**388,062**	**59,663**	**447,725**	366,343	78,853	445,196
Total loans	**801,763**	**60,788**	**862,551**	741,420	80,866	822,286
Change from prior year	**$ 60,343**	**(20,078)**	**40,265**	37,631	(13,696)	23,935

A discussion of average loan balances and a comparative detail of average loan balances is included in Table 5 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 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 13 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 13: Maturities for Selected Commercial Loan Categories

	December 31, 2014				December 31, 2013			
(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	**$ 76,216**	**172,801**	**22,778**	**271,795**	71,921	140,430	23,007	235,358
Real estate mortgage	**17,485**	**61,092**	**33,419**	**111,996**	20,028	62,965	29,434	112,427
Real estate construction	**6,079**	**11,312**	**1,337**	**18,728**	6,207	9,282	1,445	16,934
Total selected loans	**$ 99,780**	**245,205**	**57,534**	**402,519**	98,156	212,677	53,886	364,719
Distribution of loans to changes in interest rates:								
Loans at fixed interest rates	**$ 15,574**	**25,429**	**20,002**	**61,005**	14,802	23,846	14,690	53,338
Loans at floating/variable interest rates	**84,206**	**219,776**	**37,532**	**341,514**	83,354	188,831	39,196	311,381
Total selected loans	**$ 99,780**	**245,205**	**57,534**	**402,519**	98,156	212,677	53,886	364,719

Deposits

Deposits totaled $1.2 trillion at December 31, 2014, compared with $1.1 trillion at December 31, 2013. Table 14 provides additional information regarding deposits. Deposit growth of $89.1 billion from December 31, 2013 reflected continued customer-driven growth as well as liquidity-related issuances of term deposits. Information regarding the impact of deposits on net interest income and a comparison of average deposit balances is provided in "Earnings Performance – Net Interest Income" and Table 5 earlier in this Report. Total core deposits were $1.1 trillion at December 31, 2014, up $74.3 billion from $980.1 billion at December 31, 2013.

Table 14: Deposits

($ in millions)	Dec 31, 2014	% of total deposits	Dec 31, 2013	% of total deposits	% Change
Noninterest-bearing	**$ 321,962**	**27%**	$ 288,116	27%	12
Interest-bearing checking	**41,713**	**4**	37,346	3	12
Market rate and other savings	**585,530**	**50**	556,763	52	5
Savings certificates	**35,354**	**3**	41,567	4	(15)
Foreign deposits (1)	**69,789**	**6**	56,271	5	24
Core deposits	**1,054,348**	**90**	980,063	91	8
Other time and savings deposits	**76,322**	**7**	64,477	6	18
Other foreign deposits	**37,640**	**3**	34,637	3	9
Total deposits	**$1,168,310**	**100%**	$ 1,079,177	100%	8

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

Equity

Total equity was $185.3 billion at December 31, 2014 compared with $171.0 billion at December 31, 2013. The increase was predominantly driven by a $14.7 billion increase in retained earnings from earnings net of dividends paid and a $2.1 billion increase in cumulative other comprehensive income (OCI). The increase in OCI was substantially due to a $3.9 billion ($2.4 billion after tax) increase in net unrealized gains on our investment securities portfolio resulting from a decrease in long-term interest rates. See Note 5 (Investment Securities) to Financial Statements in this Report for additional information.

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in financial transactions that are not recorded on the balance sheet, or may be recorded on the balance sheet in amounts that are different from the full contract or notional amount of the transaction. Our off-balance sheet arrangements include commitments to lend, transactions with unconsolidated entities, guarantees, derivatives, and other commitments. These transactions are designed to (1) meet the financial needs of customers, (2) manage our credit, market or liquidity risks, and/or (3) diversify our funding sources.

Commitments to Lend and Purchase Securities

We enter into commitments to lend funds to customers, which are usually at a stated interest rate, if funded, and for specific purposes and time periods. When we make commitments, we are exposed to credit risk. However, the maximum credit risk for these commitments will generally be lower than the contractual amount because a significant portion of these commitments are not expected to be fully used or will expire without being used by the customer. For more information on lending commitments, see Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report. We also enter into commitments to purchase securities under resale agreements. For more information on these commitments, see Note 4 (Federal Funds Sold, Securities Purchased under Resale Agreements and Other Short-Term Investments) to Financial Statements in this Report.

Transactions with Unconsolidated Entities

We routinely enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Generally, SPEs are formed in connection with securitization transactions. For more information on securitizations, including sales proceeds and cash flows from securitizations, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in this Report.

Guarantees and Certain Contingent Arrangements

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, written put options, recourse obligations for loans and mortgages sold, and other types of arrangements.

For more information on guarantees and certain contingent arrangements, see Note 14 (Guarantees, Pledged Assets and Collateral) to Financial Statements in this Report.

Derivatives

We primarily use derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. Derivatives are recorded on the balance sheet at fair value and volumes can be measured in terms of the notional amount, which is generally not exchanged, but is used only as the basis on which interest and other payments are determined. The notional amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments.

For more information on derivatives, see Note 16 (Derivatives) to Financial Statements in this Report.

Contractual Cash Obligations

In addition to the contractual commitments and arrangements previously described, which, depending on the nature of the obligation, may or may not require use of our resources, we enter into other contractual obligations that may require future cash payments in the ordinary course of business, including debt issuances for the funding of operations and leases for premises and equipment.

Table 15 summarizes these contractual obligations as of December 31, 2014, excluding the projected cash payments for obligations for short-term borrowing arrangements and pension and postretirement benefit plans. More information on those obligations is in Note 12 (Short-Term Borrowings) and Note 20 (Employee Benefits and Other Expenses) to Financial Statements in this Report.

Table 15: Contractual Cash Obligations

(in millions)	Note(s) to Financial Statements	Less than 1 year	1-3 years	3-5 years	More than 5 years	Indeterminate maturity	Total
Contractual payments by period:							
Deposits (1)	11	$ 103,409	13,275	4,411	3,785	1,043,430	1,168,310
Long-term debt (2)	7, 13	16,606	50,790	52,219	64,328	—	183,943
Interest (3)		2,455	3,568	2,394	10,063	—	18,480
Operating leases	7	1,148	1,937	1,449	2,521	—	7,055
Unrecognized tax obligations	21	50	—	—	—	2,932	2,982
Commitments to purchase debt and equity securities (4)		1,300	2	—	—	—	1,302
Purchase and other obligations (5)		493	461	83	10	—	1,047
Total contractual obligations		$ 125,461	70,033	60,556	80,707	1,046,362	1,383,119

(1) Includes interest-bearing and noninterest-bearing checking, and market rate and other savings accounts.
(2) Balances are presented net of unamortized debt discounts and premiums and purchase accounting adjustments.
(3) Represents the future interest obligations related to interest-bearing time deposits and long-term debt in the normal course of business including a net reduction of $27 billion related to hedges used to manage interest rate risk. These interest obligations assume no early debt redemption. We estimated variable interest rate payments using December 31, 2014, rates, which we held constant until maturity. We have excluded interest related to structured notes where our payment obligation is contingent on the performance of certain benchmarks.
(4) Includes unfunded commitments to purchase debt and equity investments, excluding trade date payables, of $1.1 billion and $197 million, respectively. Our unfunded equity commitments include certain investments subject to the Volcker Rule, which we expect to divest in the near future. For additional information regarding the Volcker Rule, see the "Regulatory Reform" section in this Report. We have presented our contractual obligations on equity investments above in the maturing in less than one year category as there are no specified contribution dates in the agreements. These obligations may be requested at any time by the investment manager.
(5) Represents agreements to purchase goods or services.

We are subject to the income tax laws of the U.S., its states and municipalities, and those of the foreign jurisdictions in which we operate. We have various unrecognized tax obligations related to these operations that may require future cash tax payments to various taxing authorities. Because of their uncertain nature, the expected timing and amounts of these payments generally are not reasonably estimable or determinable. We attempt to estimate the amount payable in the next 12 months based on the status of our tax examinations and settlement discussions. See Note 21 (Income Taxes) to Financial Statements in this Report for more information.

Transactions with Related Parties

The Related Party Disclosures topic of the Accounting Standards Codification (ASC) requires disclosure of material related party transactions, other than compensation arrangements, expense allowances and other similar items in the ordinary course of business. We had no related party transactions required to be reported for the years ended December 31, 2014, 2013 and 2012.

Financial institutions must manage a variety of business risks that can significantly affect their financial performance. Among the key risks that we must manage are operational risks, credit risks, and asset/liability management risks, which include interest rate, market, and liquidity and funding risks. Our risk culture is strongly rooted in our *Vision and Values*, and in order to succeed in our mission of satisfying all our customers' financial needs and helping them succeed financially, our business practices and operating model must support prudent risk management practices.

Risk Management Framework and Culture

The key elements of our risk management framework and culture include the following:

- **We strongly believe in managing risk as close to the source as possible**. We manage risk through three lines of defense, and the first line of defense is our team members in our lines of business who are responsible for identifying, assessing, monitoring, managing, mitigating, and owning the risks in their businesses. All of our team members have accountability for risk management.
- **We recognize the importance of strong oversight**. Our Corporate Risk group, led by our Chief Risk Officer who reports to the Board's Risk Committee, as well as other corporate functions such as the Law Department, Corporate Controllers, and the Human Resources Department serve as the second line of defense and provide company-wide leadership, oversight, an enterprise view, and appropriate challenge to help ensure effective and consistent understanding and management of all risks by our lines of business. Wells Fargo Audit Services, led by our Chief Auditor who reports to the Board's Audit and Examination Committee, serves as the third line of defense and through its audit, assurance, and advisory work evaluates and helps improve the effectiveness of the governance, risk management, and control processes across the enterprise.
- **We have a significant bias for conservatism**. We strive to maintain a conservative financial position measured by satisfactory asset quality, capital levels, funding sources, and diversity of revenues. Our risk is distributed by geography, product type, industry segment, and asset class, and while we want to grow the Company, we will attempt to do so in a way that supports our long-term goals and does not compromise our ability to manage risk.
- **We have a long-term customer focus**. Our focus is on knowing our customers and meeting our customers' long-term financial needs by offering products and value-added services that are appropriate for their needs and circumstances. In addition, our team members are committed to operational excellence, and we recognize that our infrastructure, systems, processes, and compliance programs must support the financial success of our customers through a superior customer service experience.
- **We must understand and follow our risk appetite**. Our risk management framework is based on understanding and following our overall enterprise statement of risk appetite, which describes the nature and level of risks that we are willing to take to achieve our strategic and business objectives. This statement provides the philosophical underpinnings that guide business and risk leaders as they manage risk on a day-to-day basis. Our CEO and Operating Committee, which consists of our Chief Risk Officer and other senior executives, develop our enterprise statement of risk appetite in the context of our risk management framework and culture described above. The Board approves our statement of risk appetite annually, and the Board's Risk Committee reviews and approves any proposed changes to the statement to help ensure that it remains consistent with our risk profile.

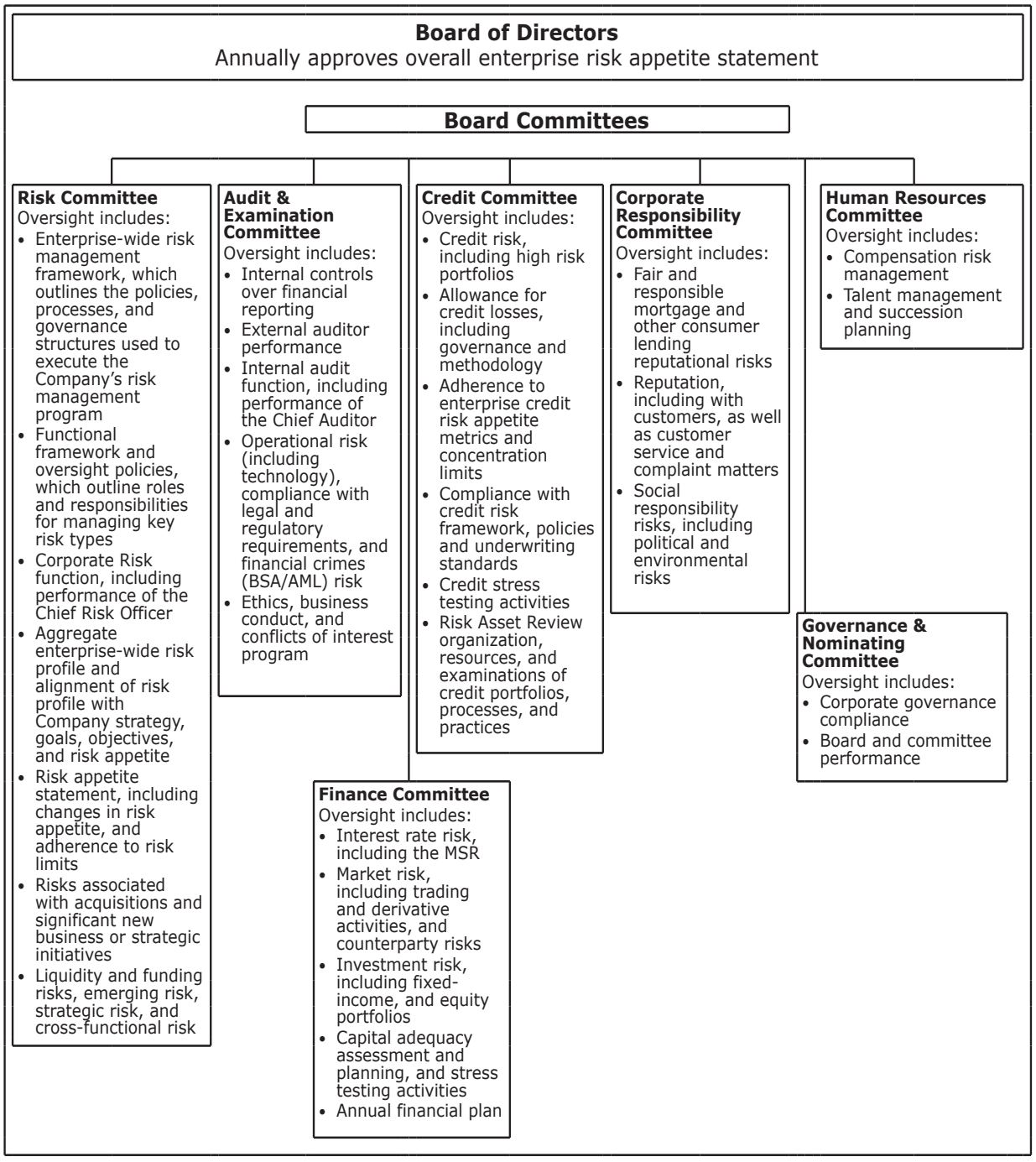
As part of our review of our risk appetite, we maintain metrics along with associated objectives to measure and monitor the amount of risk that the Company is prepared to take. Actual results of these metrics are reported to the Enterprise Risk Management Committee on a quarterly basis as well as to the Risk Committee of the Board. Our operating segments also have business-specific risk appetite statements based on the enterprise statement of risk appetite. The metrics included in the operating segment statements are harmonized with the enterprise level metrics to ensure consistency where appropriate. Business lines also maintain metrics and qualitative statements that are unique to their line of business. This allows for monitoring of risk and definition of risk appetite deeper within the organization.

Our risk culture seeks to promote proactive risk management and puts the customer first by implementing an ongoing program of training, performance management, and regular communication. Our risk culture also depends on the "tone at the top" set by our Board, CEO, and Operating Committee members. The Board and the Operating Committee are the starting point for establishing and reinforcing our risk culture and have overall and ultimate responsibility to provide oversight for the three lines of defense and the risks we take. The Board and the Operating Committee carry out their oversight through governance committees with specific risk management responsibilities described below.

Board Oversight of Risk

The Board allocates its oversight responsibilities across its seven standing committees, all of which report to the full Board. Each Board committee has defined authorities and responsibilities for considering a specific set of risk issues, as outlined in each of their charters and as summarized on the following chart, and works closely with management to understand and oversee the Company's key risk exposures. Allocating risk responsibilities among each Board level committee increases the overall amount of attention devoted to risk management. The Risk Committee serves as a focal point for enterprise-wide risk issues, overseeing all key risks facing the Company, and supports and assists the other six Board level committees as they consider their specific risk issues. To ensure that the Risk Committee does not duplicate the risk oversight efforts of other Board committees, the Risk Committee includes the Chairs of each of the Board's other standing committees to provide a comprehensive perspective on risk across the Company and across all individual risk types. In addition to providing a forum for risk issues at the Board level, the Risk Committee plays an active role in approving and overseeing the Company's enterprise-wide risk management framework established by management to manage risk, and the functional framework and oversight policies established by

management for each key risk type. The Risk Committee also reviews and approves the enterprise statement of risk appetite and the enterprise-wide limit structure, and actively monitors the risk profile relative to the approved risk appetite.



Management Oversight of Risk

In addition to the Board level committees that consider risk issues, the Company has established several management-level governance committees (governance committees) to support Wells Fargo leaders in carrying out their responsibilities to manage risk on a daily basis. Each governance committee has a defined set of authorities and responsibilities specific to a single risk type or set of risk types. Accordingly, risk governance committees are responsible for making decisions on risk issues in line with each committee's authorities, or escalating issues up the committee structure for further consideration.

The Enterprise Risk Management Committee, chaired by the Wells Fargo Chief Risk Officer, oversees the management of all types of risk across the Company. The Enterprise Risk Management Committee reports into and escalates matters directly to the Board's Risk Committee, and as such serves as the focal point for risk governance and monitoring at the management level. The Enterprise Risk Management Committee is responsible for monitoring and evaluating the Company's risk profile relative to its risk appetite across risk types, businesses, and activities; providing active oversight of risk mitigation and the adequacy of risk management resources, skills, and capabilities across the enterprise; reporting periodically to senior management and the Board on the most significant current and emerging risks, risk management issues, initiatives, and concerns; and addressing key risk issues which are escalated to it by its members or its reporting committees.

A number of governance committees that are responsible for issues specific to an individual risk type report into the Enterprise Risk Management Committee, including the Market Risk Committee, the Corporate Model Risk Committee, the Counterparty Credit Risk Committee, the Operational Risk Management Committee, the Regulatory Compliance Risk Management Committee, the BSA/AML (Financial Crimes) Risk Committee, the International Oversight Committee, and the Legal Entity Governance Committee. Certain of these governance committees have dual escalation and/or informational reporting paths to the Board level committee primarily responsible for the oversight of the specific risk type.

The Market Risk Committee is responsible for addressing key market risk management issues related to the Company's trading, hedging, market-making, and investment activities. The Corporate Model Risk Committee assists in evaluating and managing the Company's exposure to model risk and conducts oversight of the model risk management processes. The Counterparty Credit Risk Committee provides broad oversight of Wells Fargo's counterparty risk-taking activities and issuer concentration risk. The Operational Risk Management Committee's primary responsibility is to understand operational risk issues and concerns and work with management across the Company to ensure risks are managed effectively. The mandates of the Regulatory Compliance Risk Management Committee and the BSA/AML (Financial Crimes) Risk Committee are to provide forums through which material regulatory compliance and BSA/AML risks of the Company, respectively, are appropriately identified, communicated, escalated, and managed within the Company's corresponding risk management frameworks.

The International Oversight Committee provides broad oversight of the Company's foreign risk exposure to ensure it is consistent with the overall risk appetite of the Company. The Legal Entity Governance Committee provides executive leadership and oversight of the legal entity lifecycle framework and related corporate policies.

While the Enterprise Risk Management Committee and the committees that report to it serve as the focal point for the management of enterprise-wide risk issues, the management of specific risk types is supported by additional management-level governance committees. These committees include the SOX Disclosure Committee, the Regulatory Reporting Oversight Committee, the Capital Reporting Sub-committee, which all report to the Board's Audit & Examination Committee; the Stress Testing Committee, the Corporate Asset and Liability Committee, the Economic Scenario Approval Committee, which all report to the Board's Finance Committee; the Allowance for Credit Losses Approval Committee, which reports to the Board's Credit Committee; and the Incentive Compensation Committee and the Employee Benefit Review Committee, which both report to the Board's Human Resources Committee.

These committees help management facilitate enterprise-wide understanding and monitoring of risks and challenges faced by the Company. Management's corporate risk organization, which is part of the second line of defense, is headed by the Company's Chief Risk Officer who, among other things, provides oversight, opines on the performance and strategy of all risks taken by the businesses, and provides credible challenge to risks incurred. The Chief Risk Officer, as well as the Chief Enterprise, Credit, Market, Compliance, Operational, Information Security and Financial Crimes Risk Officers as his or her direct reports, work closely with the Board's committees and frequently provide reports and updates to the committees and the committee chairs on risk issues during and outside of regular committee meetings, as appropriate. The full Board receives reports at each of its meetings from the committee chairs about committee activities, including risk oversight matters, and receives a quarterly report from the Enterprise Risk Management Committee regarding current or emerging risk issues.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal controls and processes, people and systems, or resulting from external events. These losses may be caused by events such as fraud, breaches of customer privacy, business disruptions, inappropriate employee behavior, vendors that do not perform their responsibilities and regulatory fines and penalties.

To address these risks, Wells Fargo maintains an operational risk management framework that includes the following objectives:

- Provide a structured approach for identifying, measuring, managing, reporting, and monitoring operational risks across all areas of Wells Fargo;
- Understand operational risk across the Company by establishing and maintaining an effective operational risk management program;
- Adequately control operational risk-related losses;
- Establish and hold an appropriate level of capital for such losses in accordance with regulatory guidance; and
- Support the Board as it carries out its oversight duties and responsibilities relating to management's establishment of an effective operational risk management program.

Wells Fargo's operational risk management program seeks to accomplish these objectives by managing operational risk across the Company in a comprehensive, interconnected, and consistent manner, in line with the enterprise statement of risk appetite and relevant regulatory requirements.

The Audit & Examination Committee of the Board (A&E Committee) has primary responsibility for oversight of operational risk. In this capacity it reviews and approves the operational risk management framework and significant supporting risk policies and programs, including the Company's business continuity, information security, and third party risk management policies and programs. The A&E Committee periodically reviews updates from management on the state of operational risk and the general condition of operational risk management in the Company.

At the management level, the Operational Risk Management Committee oversees operational risk management across the Company and informs and advises the Chief Operational Risk Officer on matters that affect the Company's operational risk profile.

Information security is a significant operational risk for financial institutions such as Wells Fargo, and includes the risk of losses resulting from cyber attacks. Wells Fargo and other financial institutions continue to be the target of various evolving and adaptive cyber attacks, including malware and denial-of-service, as part of an effort to disrupt the operations of financial institutions, potentially test their cybersecurity capabilities, or obtain confidential, proprietary or other information. Wells Fargo has not experienced any material losses relating to these or other cyber attacks. Addressing cybersecurity risks is a priority for Wells Fargo, and we continue to develop and enhance our controls, processes and systems in order to protect our networks, computers, software and data from attack, damage or unauthorized access. We are also proactively involved in industry cybersecurity efforts and working with other parties, including our third-party service providers and governmental agencies, to continue to enhance defenses and improve resiliency to cybersecurity threats. See the "Risk Factors" section in this Report 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

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). Credit risk exists with many of our assets and exposures such as debt security holdings, certain derivatives, and loans. The following discussion focuses on our loan portfolios, which represent the largest component of assets on our balance sheet for which we have credit risk. Table 16 presents our total loans outstanding by portfolio segment and class of financing receivable.

Table 16: Total Loans Outstanding by Portfolio Segment and Class of Financing Receivable

(in millions)	Dec 31, 2014	Dec 31, 2013
Commercial:		
Commercial and industrial	**$ 271,795**	235,358
Real estate mortgage	**111,996**	112,427
Real estate construction	**18,728**	16,934
Lease financing	**12,307**	12,371
Total commercial	**414,826**	377,090
Consumer:		
Real estate 1-4 family first mortgage	**265,386**	258,507
Real estate 1-4 family junior lien mortgage	**59,717**	65,950
Credit card	**31,119**	26,882
Automobile	**55,740**	50,808
Other revolving credit and installment	**35,763**	43,049
Total consumer	**447,725**	445,196
Total loans	**$ 862,551**	822,286

We manage our credit risk by establishing what we believe are sound credit policies for underwriting new business, while monitoring and reviewing the performance of our existing loan portfolios. We employ various credit risk management and monitoring activities to mitigate risks associated with multiple risk factors affecting loans we hold, could acquire or originate including:

- Loan concentrations and related credit quality
- Counterparty credit risk
- Economic and market conditions
- Legislative or regulatory mandates
- Changes in interest rates
- Merger and acquisition activities
- Reputation risk

Our credit risk management oversight process is governed centrally, but provides for decentralized management and accountability by our lines of business. Our overall credit process includes comprehensive credit policies, disciplined credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs, and a continual loan review and audit process.

A key to our credit risk management is adherence to a well-controlled underwriting process, which we believe is appropriate for the needs of our customers as well as investors who purchase the loans or securities collateralized by the loans.

Credit Quality Overview Credit quality continued to improve during 2014 due in part to improving economic conditions, in particular the housing market, as well as our proactive credit risk management activities. The improvement occurred for both commercial and consumer portfolios as evidenced by their credit metrics:

- Nonaccrual loans decreased to $2.2 billion and $10.6 billion in our commercial and consumer portfolios, respectively, at December 31, 2014, from $3.5 billion and $12.2 billion at December 31, 2013. Nonaccrual loans represented 1.49% of total loans at December 31, 2014, compared with 1.91% at December 31, 2013.
- Net charge-offs as a percentage of average total loans improved to 0.35% in 2014 compared with 0.56% a year ago and were 0.01% and 0.65% in our commercial and consumer portfolios, respectively, compared with 0.06% and 0.98% in 2013.
- Loans that are not government insured/guaranteed and 90 days or more past due and still accruing decreased to $47 million and $873 million in our commercial and consumer portfolios, respectively, at December 31, 2014, from $143 million and $902 million at December 31, 2013.

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

- Our provision for credit losses decreased to $1.4 billion in 2014 from $2.3 billion in 2013.
- The allowance for credit losses decreased to $13.2 billion or 1.53% of total loans, at December 31, 2014 from $15.0 billion or 1.82% of total loans, at December 31, 2013.

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

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

Table 17 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. We transferred the government guaranteed student loan portfolio to loans held for sale at the end of second quarter 2014, and substantially all of the portfolio was sold as of December 31, 2014. The total balance of our non-strategic and liquidating loan portfolios has decreased 68% since the merger with Wachovia at December 31, 2008, and decreased 25% from the end of 2013.

Additional information regarding the liquidating PCI and Pick-a-Pay loan portfolios is provided in the discussion of loan portfolios that follows.

Table 17: Non-Strategic and Liquidating Loan Portfolios

		Outstanding balance	
	Dec 31,	Dec 31,	Dec 31,
(in millions)	**2014**	2013	2008
Commercial:			
Legacy Wachovia commercial and industrial and commercial real estate PCI loans (1)	**$ 1,125**	2,013	18,704
Total commercial	**1,125**	2,013	18,704
Consumer:			
Pick-a-Pay mortgage (1)(2)	**45,002**	50,971	95,315
Legacy Wells Fargo Financial debt consolidation	**11,417**	12,893	25,299
Liquidating home equity	**2,910**	3,695	10,309
Legacy Wachovia other PCI loans (1)	**300**	375	2,478
Legacy Wells Fargo Financial indirect auto	**34**	207	18,221
Education Finance - government insured (3)	**—**	10,712	20,465
Total consumer	**59,663**	78,853	172,087
Total non-strategic and liquidating loan portfolios	**$ 60,788**	80,866	190,791

(1) Net of purchase accounting adjustments related to PCI loans.
(2) Includes PCI loans of $21.5 billion, $23.8 billion and $37 6 billion at December 31, 2014, 2013 and 2008, respectively.
(3) The government guaranteed student loan portfolio was transferred to held for sale during 2014, and substantially all of the portfolio was sold as of December 31, 2014.

PURCHASED CREDIT-IMPAIRED (PCI) LOANS Loans acquired with evidence of credit deterioration since their origination and where it is probable that we will not collect all contractually required principal and interest payments are PCI loans. Substantially all of our PCI loans were acquired in the Wachovia acquisition on December 31, 2008. PCI loans are recorded at fair value at the date of acquisition, and the historical allowance for credit losses related to these loans is not carried over. The carrying value of PCI loans totaled $23.3 billion at December 31, 2014, down from $26.7 billion and $58.8 billion at December 31, 2013 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. The accretable yield at December 31, 2014, was $17.8 billion.

A nonaccretable difference is established for PCI loans to absorb losses expected on those loans at the date of acquisition. Amounts absorbed by the nonaccretable difference do not affect the income statement or the allowance for credit losses.

Substantially all commercial and industrial and commercial real estate (CRE) PCI loans are accounted for as individual loans. Conversely, Pick-a-Pay and other consumer PCI loans have been aggregated into pools based on common risk characteristics. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Resolutions of loans may include sales to third parties, receipt of payments in settlement with the borrower, or foreclosure of the collateral. Our policy is to remove an individual PCI loan from a pool based on comparing the amount received from its resolution with its contractual amount. Any difference between these amounts is absorbed by the nonaccretable difference. This removal method assumes that the amount received from resolution approximates pool performance expectations. The accretable yield percentage is unaffected by the resolution and any changes in the effective yield for the remaining loans in the pool are addressed by our quarterly cash flow evaluation process for each pool. For loans that are resolved by payment in full, there is no release of the nonaccretable difference for the pool because there is no difference between the amount received at resolution and the contractual amount of the loan. Modified PCI loans are not removed from a pool even if those loans would otherwise be deemed TDRs. Modified PCI loans that are accounted for individually are TDRs, and removed from PCI accounting, if there has been a concession granted in excess of the original nonaccretable difference. We include these TDRs in our impaired loans.

During 2014, we recognized as income $61 million released from the nonaccretable difference related to commercial PCI loans due to payoffs and other resolutions. We also transferred $2.2 billion from the nonaccretable difference to the accretable yield for PCI loans with improving credit-related cash flows and recognized $31 million for recoveries of previous write-downs. Our cash flows expected to be collected have been favorably affected by lower than expected defaults and losses as a result of observed economic strengthening, particularly in housing prices, and by our loan modification efforts. Table 18 provides an analysis of changes in the nonaccretable difference.

Table 18: 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	18	—	—	18
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	(86)	—	—	(86)
Loans resolved by sales to third parties (2)	(5)	—	—	(5)
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	(74)	(866)	(31)	(971)
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	(10)	(662)	(79)	(751)
Balance, December 31, 2013	**265**	**4,704**	**200**	**5,169**
Addition of nonaccretable difference due to acquisitions	**13**	**—**	**—**	**13**
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	**(33)**	**—**	**—**	**(33)**
Loans resolved by sales to third parties (2)	**(28)**	**—**	**—**	**(28)**
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	**(129)**	**(2,094)**	**(20)**	**(2,243)**
Use of nonaccretable difference due to:				
Net recoveries (losses) from loan resolutions and write-downs (4)	**(15)**	**29**	**17**	**31**
Balance, December 31, 2014	**$ 73**	**2,639**	**197**	**2,909**

(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 will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.
(4) Write-downs to net realizable value of PCI loans are absorbed by the nonaccretable difference when severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan. Also includes foreign exchange adjustments related to underlying principal for which the nonaccretable difference was established.

Since December 31, 2008, we have released $10.5 billion in nonaccretable difference, including $8.6 billion transferred from the nonaccretable difference to the accretable yield and $1.9 billion released to income through loan resolutions. Also, we have provided $1.7 billion for losses on certain PCI loans or pools of PCI loans that have had credit-related decreases to cash flows expected to be collected. The net result is an $8.8 billion reduction from December 31, 2008, through December 31, 2014, in our initial projected losses of $41.0 billion on all PCI loans.

At December 31, 2014, the allowance for credit losses on certain PCI loans was $11 million. The allowance is to absorb credit-related decreases in cash flows expected to be collected and primarily relates to individual PCI commercial loans. Table 19 analyzes the actual and projected loss results on PCI loans since acquisition through December 31, 2014.

For additional information on PCI loans, see Note 1 (Summary of Significant Accounting Policies – Loans) and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 19: 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)	$ 1,545	—	—	1,545
Loans resolved by sales to third parties (2)	336	—	85	421
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	1,734	5,991	843	8,568
Total releases of nonaccretable difference due to better than expected losses	3,615	5,991	928	10,534
Provision for losses due to credit deterioration (4)	(1,629)	—	(104)	(1,733)
Actual and projected losses on PCI loans less than originally expected	$ 1,986	5,991	824	8,801

(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 will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.
(4) Provision for additional losses is recorded as a charge to income when it is estimated that the cash flows expected to be collected for a PCI loan or pool of loans may not support full realization of the carrying value.

Significant Loan Portfolio Reviews Measuring and monitoring our credit risk is an ongoing process that tracks delinquencies, collateral values, FICO scores, economic trends by geographic areas, loan-level risk grading for certain portfolios (typically commercial) and other indications of credit risk. Our credit risk monitoring process is designed to enable early identification of developing risk and to support our determination of an appropriate allowance for credit losses. The following discussion provides additional characteristics and analysis of our significant portfolios. See Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for more analysis and credit metric information for each of the following portfolios.

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. 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, doubtful and loss categories.

The commercial and industrial loans and lease financing portfolio totaled $284.1 billion or 33% of total loans at December 31, 2014. The net charge-off rate for this portfolio was 0.10% in 2014 compared with 0.15% in 2013. At December 31, 2014, 0.20% of this portfolio was nonaccruing, compared with 0.32% at December 31, 2013. In addition, $16.7 billion of this portfolio was rated as criticized in accordance with regulatory guidance at December 31, 2014, compared with $17.5 billion at December 31, 2013.

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.

Table 20 provides a breakout of commercial and industrial loans and lease financing by industry, and includes $45.0 billion of foreign loans at December 31, 2014, that were reported in a separate foreign loan class in prior periods. Foreign loans totaled $14.9 billion within the investors category, $18.1 billion within the financial institutions category and $1.3 billion within the oil and gas category.

The investors category includes loans to special purpose vehicles (SPVs) formed by sponsoring entities to invest in financial assets backed predominantly by commercial and residential real estate or corporate cash flow, and are repaid from the asset cash flows or the sale of assets by the SPV. We limit loan amounts to a percentage of the value of the underlying assets, as determined by us, based primarily on analysis of underlying credit risk and other factors such as asset duration and ongoing performance.

The $18.1 billion of foreign loans in the financial institutions category were primarily originated by our Global Financial Institutions (GFI) business. GFI has relationships with over 1,500 financial institutions, many of which are headquartered outside the U.S., and for whom we provide a variety of relationship focused products and services, including loans supporting short-term trade finance and working capital needs.

Slightly more than half of our oil and gas loans were to businesses in the exploration and production (E&P) sector. Nearly all of these E&P loans are secured by oil and/or gas reserves and have underlying borrowing base arrangements which include regular (typically semi-annual) “redeterminations” that consider refinements to borrowing structure and prices used to determine borrowing limits. The remainder of the oil and gas loans were to midstream and services and equipment companies.

Table 20: Commercial and Industrial Loans and Lease Financing by Industry (1)

			December 31, 2014	
(in millions)	Nonaccrual loans	Total portfolio	(2)	% of total loans
Investors	$ 40	39,192		5%
Financial institutions	26	38,256		4
Oil and gas	76	18,410		2
Food and beverage	16	14,029		2
Real estate lessor	3	13,030		2
Cyclical retailers	24	12,971		2
Healthcare	26	12,914		1
Industrial equipment	4	12,898		1
Technology	9	8,320		1
Public administration	10	8,120		1
Transportation	3	7,184		1
Business services	27	7,018		1
Other	298	91,760	(3)	10
Total	$ 562	284,102		33%

(1) Industry categories are based on the North American Industry Classification System and the amounts reported include foreign loans, which were reported in a separate foreign loan class in prior periods. See Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for a breakout of commercial foreign loans.
(2) Includes $75 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.
(3) No other single category had loans in excess of $5.5 billion.

Risk mitigation actions, including the restructuring of repayment terms, securing collateral or guarantees, and entering into extensions, are based on a re-underwriting of the loan and our assessment of the borrower's ability to perform under the agreed-upon terms. Extension terms generally range from six to thirty-six months and may require that the borrower provide additional economic support in the form of partial repayment, or additional collateral or guarantees. In cases where the value of collateral or financial condition of the borrower is insufficient to repay our loan, we may rely upon the support of an outside repayment guarantee in providing the extension.

Our ability to seek performance under a guarantee is directly related to the guarantor's creditworthiness, capacity and willingness to perform, which is evaluated on an annual basis, or more frequently as warranted. Our evaluation is based on the most current financial information available and is focused on various key financial metrics, including net worth, leverage, and current and future liquidity. We consider the guarantor's reputation, creditworthiness, and willingness to work with us based on our analysis as well as other lenders' experience with the guarantor. Our assessment of the guarantor's credit strength is reflected in our loan risk ratings for such loans. The loan risk rating and accruing status are important factors in our allowance methodology.

In considering the accrual status of the loan, we evaluate the collateral and future cash flows as well as the anticipated support of any repayment guarantor. In many cases the strength of the guarantor provides sufficient assurance that full repayment of the loan is expected. When full and timely collection of the loan becomes uncertain, including the performance of the guarantor, we place the loan on nonaccrual status. As appropriate, we also charge the loan down in accordance with our charge-off policies, generally to the net realizable value of the collateral securing the loan, if any.

COMMERCIAL REAL ESTATE (CRE) We generally subject CRE loans 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, doubtful and loss categories. The CRE portfolio, which included $5.0 billion of foreign CRE loans, totaled $130.7 billion, or 15%, of total loans at December 31, 2014, and consisted of $112.0 billion of mortgage loans and $18.7 billion of construction loans. Foreign loans were not reported in this category in prior periods, but in a separate foreign loan class. Table 21 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 (28% of the total CRE portfolio), and in Texas and Florida (8% in each state). By property type, the largest concentrations are office buildings at 27% and apartments at 14% of the portfolio. CRE nonaccrual loans totaled 1.3% of the CRE outstanding balance at December 31, 2014, compared with 2.1% at December 31, 2013. At December 31, 2014, we had $7.9 billion of criticized CRE mortgage loans, down from $13.1 billion at December 31, 2013, and $949 million of criticized CRE construction loans, down from $2.1 billion at December 31, 2013.

At December 31, 2014, the recorded investment in PCI CRE loans totaled $1.4 billion, down from $12.3 billion when acquired at December 31, 2008, reflecting principal payments, loan resolutions and write-downs.

Table 21: CRE Loans by State and Property Type

									December 31, 2014
	Real estate mortgage			Real estate construction			Total		% of
(in millions)	Nonaccrual loans	Total portfolio	(1)	Nonaccrual loans	Total portfolio	(1)	Nonaccrual loans	Total portfolio	(1)	total loans
By state:										
California	$ 371	32,993		28	3,589		399	36,582		4%
Texas	96	8,641		—	1,735		96	10,376		1
Florida	182	7,942		8	1,892		190	9,834		1
New York	40	6,851		4	1,233		44	8,084		1
North Carolina	85	3,847		8	1,048		93	4,895		1
Arizona	77	3,646		1	402		78	4,048		*
Washington	32	3,227		1	603		33	3,830		*
Virginia	40	2,444		4	1,039		44	3,483		*
Georgia	104	3,048		28	427		132	3,475		*
Colorado	27	2,775		1	440		28	3,215		*
Other	436	36,582		104	6,320		540	42,902	(2)	5
Total	$ 1,490	111,996		187	18,728		1,677	130,724		15%
By property:										
Office buildings	$ 405	33,438		1	2,338		406	35,776		4%
Apartments	43	11,910		4	6,315		47	18,225		2
Industrial/warehouse	234	12,225		—	1,082		234	13,307		2
Retail (excluding shopping center)	183	12,100		2	866		185	12,966		2
Real estate - other	188	10,929		—	388		188	11,317		1
Hotel/motel	74	8,770		—	986		74	9,756		1
Shopping center	79	8,541		—	1,185		79	9,726		1
Institutional	70	3,168		—	432		70	3,600		*
Agriculture	33	2,370		—	24		33	2,394		*
Land (excluding 1-4 family)	3	114		32	2,253		35	2,367		*
Other	178	8,431		148	2,859		326	11,290		1
Total	$ 1,490	111,996		187	18,728		1,677	130,724		15%

* Less than 1%.
(1) Includes a total of $1.4 billion PCI loans, consisting of $1.3 billion of real estate mortgage and $171 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 $3.0 billion.

FOREIGN LOANS AND COUNTRY RISK EXPOSURE We classify loans for financial statement and certain regulatory purposes as foreign primarily based on whether the borrower's primary address is outside of the United States. At December 31, 2014, foreign loans totaled $50.6 billion, representing approximately 6% of our total consolidated loans outstanding, compared with $47.6 billion, or approximately 6% of total consolidated loans outstanding, at December 31, 2013. Foreign loans were approximately 3% of our consolidated total assets at December 31, 2014 and at December 31, 2013.

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

We evaluate our individual country risk exposure on an ultimate country of risk basis, which is normally based on the country of residence of the guarantor or collateral location, and is different from the reporting based on the borrower's primary address. Our largest single foreign country exposure on an ultimate risk basis at December 31, 2014, was the United Kingdom, which totaled $21.1 billion, or approximately 1% of our total assets, and included $5.0 billion of sovereign claims. Our United Kingdom sovereign claims arise primarily from deposits we have placed with the Bank of England pursuant to regulatory requirements in support of our London branch.

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

Table 22 provides information regarding our top 20 exposures by country (excluding the U.S.) and our Eurozone exposure, on an ultimate risk basis.

Table 22: Select Country Exposures

		Lending (1)		Securities (2)		Derivatives and other (3)		Total exposure	
(in millions)	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign (4)	Total
December 31, 2014									
Top 20 country exposures:									
United Kingdom	$ 5,014	11,014	1	3,710	—	1,371	5,015	16,095	21,110
Canada	—	8,283	—	1,251	—	365	—	9,899	9,899
China	—	2,838	—	113	—	27	—	2,978	2,978
Brazil	—	2,645	4	28	—	4	4	2,677	2,681
Netherlands	—	2,262	—	268	—	37	—	2,567	2,567
France	—	882	—	1,145	—	343	—	2,370	2,370
Germany	94	1,323	60	599	—	137	154	2,059	2,213
Bermuda	—	1,937	—	65	—	26	—	2,028	2,028
India	—	1,625	—	121	—	—	—	1,746	1,746
Cayman Islands	—	1,588	—	—	—	26	—	1,614	1,614
Turkey	—	1,588	—	—	—	1	—	1,589	1,589
Switzerland	—	1,044	—	362	—	122	—	1,528	1,528
Luxembourg	—	1,391	—	95	—	9	—	1,495	1,495
Chile	—	1,426	—	23	—	33	—	1,482	1,482
Mexico	—	1,192	—	43	67	4	67	1,239	1,306
Ireland	53	1,101	—	104	—	16	53	1,221	1,274
Australia	22	641	—	558	—	36	22	1,235	1,257
South Korea	—	945	13	17	23	—	36	962	998
Jersey, C.I.	—	647	—	193	—	1	—	841	841
Spain	—	673	—	70	—	33	—	776	776
Total top 20 country exposures	$ 5,183	45,045	78	8,765	90	2,591	5,351	56,401	61,752
Eurozone exposure:									
Eurozone countries included in Top 20 above (5)	$ 147	7,632	60	2,281	—	575	207	10,488	10,695
Austria	77	396	—	—	—	—	77	396	473
Italy	—	206	—	73	—	6	—	285	285
Belgium	—	103	—	19	—	9	—	131	131
Other Eurozone countries (6)	—	37	—	38	—	2	—	77	77
Total Eurozone exposure	$ 224	8,374	60	2,411	—	592	284	11,377	11,661

(1) Lending exposure includes funded loans and unfunded commitments, leveraged leases, and money market placements presented on a gross basis prior to the deduction of impairment allowance and collateral received under the terms of the credit agreements. For the countries listed above, includes $373 million in PCI loans, predominantly to customers in Jersey, C.I. and the Netherlands, and $1.8 billion in defeased leases secured largely by U.S. Treasury and government agency securities, or government guaranteed.

(2) Represents issuer exposure on cross-border debt and equity securities.

(3) Represents counterparty exposure on foreign exchange and derivative contracts, and securities resale and lending agreements. This exposure is presented net of counterparty netting adjustments and reduced by the amount of cash collateral. It includes credit default swaps (CDS) predominantly used to manage our U.S. and London-based cash credit trading businesses, which sometimes results in selling and purchasing protection on the identical reference entity. Generally, we do not use market instruments such as CDS to hedge the credit risk of our investment or loan positions, although we do use them to manage risk in our trading businesses. At December 31, 2014, the gross notional amount of our CDS sold that reference assets in the Top 20 or Eurozone countries was $3.3 billion, which was offset by the notional amount of CDS purchased of $3.4 billion. We did not have any CDS purchased or sold that reference pools of assets that contain sovereign debt or where the reference asset was solely the sovereign debt of a foreign country.

(4) For countries presented in the table, total non-sovereign exposure comprises $20.9 billion exposure to financial institutions and $36.4 billion to non-financial corporations at December 31, 2014.

(5) Consists of exposure to Netherlands, France, Germany, Luxembourg, Ireland and Spain included in Top 20.

(6) Includes non-sovereign exposure to Portugal in the amount of $67 million and less than $1 million each to Greece and Cyprus. We had no sovereign debt exposure to these countries at December 31, 2014.

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, as presented in Table 23, include the Pick-a-Pay portfolio acquired from Wachovia, which is discussed later in this Report, and other purchased loans and loans included on our balance sheet as a result of consolidation of variable interest entities (VIEs).

Table 23: Real Estate 1-4 Family First and Junior Lien Mortgage Loans

	December 31, 2014		December 31, 2013	
(in millions)	Balance	% of portfolio	Balance	% of portfolio
Real estate 1-4 family first mortgage				
Core portfolio	**$ 208,852**	**64%**	$ 194,499	60%
Non-strategic and liquidating loan portfolios:				
Pick-a-Pay mortgage	**45,002**	**14**	50,971	16
Other PCI and liquidating first mortgage	**11,532**	**4**	13,037	4
Total non-strategic and liquidating loan portfolios	**56,534**	**18**	64,008	20
Total real estate 1-4 family first mortgage loans	**265,386**	**82**	258,507	80
Real estate 1-4 family junior lien mortgage				
Core portfolio	**56,631**	**17**	62,037	19
Non-strategic and liquidating loan portfolios	**3,086**	**1**	3,913	1
Total real estate 1-4 family junior lien mortgage loans	**59,717**	**18**	65,950	20
Total real estate 1-4 family mortgage loans	**$ 325,103**	**100%**	$ 324,457	100%

The real estate 1-4 family mortgage loan portfolio includes some loans with adjustable-rate features and some with an interest-only feature as part of the loan terms. Interest-only loans were approximately 12% and 15% of total loans at December 31, 2014 and December 31, 2013, respectively. 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. The option ARMs we do have are included in the Pick-a-Pay portfolio which was acquired from Wachovia and are part of our liquidating loan portfolios. Since our acquisition of the Pick-a-Pay loan portfolio at the end of 2008, the option payment portion of the portfolio has reduced from 86% to 41% at December 31, 2014, as a result of our modification activities and customers exercising their option to convert to fixed payments. For more information, see the "Pick-a-Pay Portfolio" section later in this Report.

We continue to modify real estate 1-4 family mortgage loans to assist homeowners and other borrowers experiencing financial difficulties. Loans are underwritten at the time of the modification in accordance with underwriting guidelines established for governmental and proprietary loan modification programs. As a participant in the U.S. Treasury's Making Home Affordable (MHA) programs, we are focused on helping customers stay in their homes. The MHA programs create a standardization of modification terms including incentives paid to borrowers, servicers, and investors. MHA includes the Home Affordable Modification Program (HAMP) for first lien loans and the Second Lien Modification Program (2MP) for junior lien loans. Under both our proprietary programs and the MHA programs, we may provide concessions such as interest rate reductions, forbearance of principal, and in some cases, principal forgiveness. These programs generally include trial payment periods of three to four months, and after successful completion and compliance with terms during this period, the loan is permanently modified. Once the loan is modified either through a permanent modification or a trial period, it is accounted for as a TDR. See the "Critical Accounting Policies – Allowance for Credit Losses" section in this Report for discussion on how we determine the allowance attributable to our modified residential real estate portfolios.

Part of our credit monitoring includes tracking delinquency, FICO scores and loan/combined loan to 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 fourth quarter 2014 on the non-PCI mortgage portfolio. Loans 30 days or more delinquent at December 31, 2014, totaled $10.2 billion, or 3%, of total non-PCI mortgages, compared with $11.9 billion, or 4%, at December 31, 2013. Loans with FICO scores lower than 640 totaled $25.8 billion at December 31, 2014, or 9% of total non-PCI mortgages, compared with $31.5 billion, or 10%, at December 31, 2013. Mortgages with a LTV/CLTV greater than 100% totaled $20.3 billion at December 31, 2014, or 7% of total non-PCI mortgages, compared with $34.3 billion, or 11%, at December 31, 2013. Information regarding credit risk indicators, including PCI credit risk indicators, can be found in Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Real estate 1-4 family first and junior lien mortgage loans by state are presented in Table 24. Our real estate 1-4 family mortgage loans to borrowers in California represented approximately 13% of total loans at December 31, 2014, located mostly within the larger metropolitan areas, with no single California metropolitan area consisting of more than 4% 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. Our underwriting and periodic review of loans secured by residential real estate collateral includes appraisals or estimates from automated valuation models (AVMs) to support property values. AVMs are computer-based tools used to estimate the market value of homes. AVMs are a lower-cost alternative to appraisals and support valuations of

large numbers of properties in a short period of time using market comparables and price trends for local market areas. The primary risk associated with the use of AVMs is that the value of an individual property may vary significantly from the average for the market area. We have processes to periodically validate AVMs and specific risk management guidelines addressing the circumstances when AVMs may be used. AVMs are generally used in underwriting to support property values on loan originations only where the loan amount is under $250,000. We generally require property visitation appraisals by a qualified independent appraiser for larger residential property loans. Additional information about AVMs and our policy for their use can be found in Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 24: Real Estate 1-4 Family First and Junior Lien Mortgage Loans by State

	December 31, 2014			
(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
Real estate 1-4 family loans (excluding PCI):				
California	$ 80,338	16,570	96,908	11%
New York	17,383	2,656	20,039	2
Florida	14,289	5,419	19,708	2
New Jersey	10,995	4,813	15,808	2
Virginia	7,061	3,297	10,358	1
Texas	7,993	868	8,861	1
Pennsylvania	5,844	2,974	8,818	1
North Carolina	5,970	2,631	8,601	1
Washington	5,956	1,489	7,445	1
Other (2)	61,577	18,899	80,476	10
Government insured/ guaranteed loans (3)	26,268	—	26,268	3
Total	$ 243,674	59,616	303,290	35%
Real estate 1-4 family PCI loans:				
California	$ 15,014	27	15,041	2%
Florida	1,566	16	1,582	*
New Jersey	797	14	811	*
Other (1)	4,335	44	4,379	1
Total	$ 21,712	101	21,813	3%
Total	$ 265,386	59,717	325,103	38%

* Less than 1%.
(1) Consists of 45 states; no state had loans in excess of $540 million.
(2) Consists of 41 states; no state had loans in excess of $7.3 billion.
(3) Represents loans whose repayments are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA)

First Lien Mortgage Portfolio The credit performance associated with our real estate 1-4 family first lien mortgage portfolio continued to improve in 2014, as measured through net charge-offs and nonaccrual loans. Net charge-offs as a percentage of average total loans improved to 0.19% in 2014, compared with 0.47% in 2013. Nonaccrual loans were $8.6 billion at December 31, 2014, compared with $9.8 billion at December 31, 2013. Improvement in the credit performance was driven by both an improving economic and housing environment and declining balances in non-strategic and liquidating loans, which have been replaced with higher quality assets originated after 2008 utilizing tighter underwriting standards. Real estate 1-4 family first lien mortgage loans originated after 2008 have resulted in minimal losses to date and were approximately 60% of our total real estate 1-4 family first lien mortgage portfolio as of December 31, 2014. First lien mortgage portfolios by state are presented in Table 25.

Table 25: First Lien Mortgage Portfolios Performance (1)

	Outstanding balance		% of loans two payments or more past due		Loss rate	
	Dec 31,	Dec 31,	**Dec 31,**	Dec 31,	Year ended December 31,	
(in millions)	**2014**	2013	**2014**	2013	**2014**	2013
Core portfolio:						
California	**$ 67,038**	56,511	**0.83%**	1.15	**0.02**	0.11
New York	**16,102**	13,030	**1.97**	2.73	**0.09**	0.17
Florida	**10,991**	11,113	**3.78**	4.97	**0.12**	0.87
New Jersey	**9,203**	8,091	**3.95**	5.17	**0.30**	0.71
Texas	**6,646**	6,200	**1.48**	1.86	**0.01**	0.09
Other	**72,604**	68,817	**2.34**	2.97	**0.18**	0.49
Total	**182,584**	163,762	**1.89**	2.53	**0.11**	0.36
Government insured/guaranteed loans	**26,268**	30,737				
Total core portfolio including government insured/ guaranteed loans	**208,852**	194,499	**1.89**	2.53	**0.11**	0.36
Liquidating portfolio	**34,822**	39,908	**15.55**	15.86	**0.84**	1.46
Total first lien mortgages	**$ 243,674**	234,407	**4.08%**	5.14	**0.24**	0.60

(1) Excludes PCI loans because their losses were generally reflected in PCI accounting adjustments at the date of acquisition.

In 2014, we continued to grow our real estate 1-4 family first lien mortgage portfolio through the retention of high-quality non-conforming mortgages. Substantially all non-conforming loans originated in 2014 were classified as non-conforming due to the loan amount exceeding conventional conforming loan amount limits established by federal government-sponsored entities (GSEs). Our total real estate 1-4 family first lien mortgage portfolio increased $6.9 billion in 2014. The growth in this portfolio has been largely offset by runoff in our real estate 1-4 family first lien mortgage non-strategic and liquidating portfolios. Excluding this runoff, our core real estate 1-4 family first lien mortgage portfolio increased $14.4 billion, as we retained $42.3 billion in non-conforming originations, primarily consisting of loans that exceed GSE lending limits, in 2014.

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. Table 26 provides balances by types of loans as of December 31, 2014, as a result of modification efforts, compared to the types of loans included in the portfolio at acquisition. Total adjusted unpaid principal balance of PCI Pick-a-Pay loans was $26.3 billion at December 31, 2014, compared with $61.0 billion at acquisition. Primarily due to modification efforts, the adjusted unpaid principal balance of option payment PCI loans has declined to 16% of the total Pick-a-Pay portfolio at December 31, 2014, compared with 51% at acquisition.

Table 26: Pick-a-Pay Portfolio - Comparison to Acquisition Date

	December 31, 2014		December 31, 2008	
(in millions)	**Adjusted unpaid principal balance (1)**	**% of total**	Adjusted unpaid principal balance (1)	% of total
Option payment loans	**$ 20,258**	**41%**	$ 99,937	86%
Non-option payment adjustable-rate and fixed-rate loans	**6,776**	**14**	15,763	14
Full-term loan modifications	**22,674**	**45**	—	—
Total adjusted unpaid principal balance	**$ 49,708**	**100%**	$ 115,700	100%
Total carrying value	**$ 45,002**		$ 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.

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 $606 million at December 31, 2014, and $902 million at December 31, 2013. Approximately 95% of the Pick-a-Pay customers making a minimum payment in December 2014 did not defer interest, compared with 93% in December 2013.

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. A significant portion of the Pick-a-Pay portfolio has a cap of 125% of the original loan balance. Most of the Pick-a-Pay loans on which there is a deferred interest balance re-amortize (the monthly payment amount is reset or “recast”) on the earlier of the date when the loan balance reaches its principal cap, or generally the 10-year anniversary of the loan. After a recast, the customers’ new payment terms are reset to the amount necessary to repay the balance over the remainder of the original loan term.

Due to the terms of the Pick-a-Pay portfolio, any remaining recast risk is covered through our allowance for credit losses and nonaccretable difference. 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 and also experiencing a payment change over the annual 7.5% reset: $56 million in 2015, $29 million in 2016, $26 million in 2017, $0.4 million in 2018 and $0.2 million in 2019. 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 and also having a payment change over the annual 7.5% reset: $339 million in 2015, $395 million in 2016, $1,496 million in 2017, $208 million in 2018 and $4 million in 2019. In 2014, the amount of loans reaching their recast anniversary date and also having a payment change over the annual 7.5% reset was $96 million.

Table 27 reflects the geographic distribution of the Pick-a-Pay portfolio broken out between PCI loans and all other loans. The LTV ratio is a useful metric in predicting future real estate 1-4 family first mortgage loan performance, including potential charge-offs. Because PCI loans were initially recorded at fair value, including write-downs for expected credit losses, the ratio of the carrying value to the current collateral value will be lower compared with the LTV based on the adjusted unpaid principal balance. For informational purposes, we have included both ratios for PCI loans in the following table.

Table 27: Pick-a-Pay Portfolio (1)

			December 31, 2014			
			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	$ 18,257	77%	$ 15,001	62%	$ 11,426	57%
Florida	2,108	87	1,523	59	2,375	71
New Jersey	890	83	768	65	1,527	70
New York	564	77	522	64	714	67
Texas	233	62	206	54	920	50
Other states	4,252	82	3,493	65	6,527	69
Total Pick-a-Pay loans	$ 26,304		$ 21,513		$ 23,489	

(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 2014.
(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 certain cases we may offer principal forgiveness to customers with substantial property value declines based on affordability needs.

In 2014, we completed more than 5,300 proprietary and Home Affordability Modification Program (HAMP) Pick-a-Pay loan modifications. We have completed nearly 130,000 modifications since the Wachovia acquisition, resulting in $6.0 billion of principal forgiveness to our Pick-a-Pay customers. There remains $30 million of conditional forgiveness that can be earned by borrowers through performance over a three year period.

Due to better than expected performance observed on the Pick-a-Pay PCI portfolio compared with the original acquisition estimates, we have reclassified $6.0 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 11.7 years at December 31, 2014, down from 12.7 years at December 31, 2013, primarily reflecting the passage of time. The accretable yield percentage at December 31, 2014 was 6.15%, up from 4.98% at the end of 2013 due to favorable changes in the expected timing and composition of cash flows resulting from improving credit and prepayment expectations. 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 predominant portion of our PCI loans is included in the Pick-a-Pay portfolio. For further information on the judgment involved in estimating expected cash flows for PCI loans, see the "Critical Accounting Policies – Purchased Credit-Impaired Loans" section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Junior Lien Mortgage Portfolio The junior lien mortgage portfolio consists of residential mortgage lines and loans that are subordinate in rights to an existing lien on the same property. It is not unusual for these lines and loans to have draw periods, interest only payments, balloon payments, adjustable rates and similar features. The majority of our junior lien loan products are amortizing payment loans with fixed interest rates and repayment periods between five to 30 years.

We continuously monitor the credit performance of our junior lien mortgage portfolio for trends and factors that influence the frequency and severity of loss. We have observed that the severity of loss for junior lien mortgages is high and generally not affected by whether we or a third party own or service the related first mortgage, but the frequency of delinquency is typically lower when we own or service the first lien mortgage. In general, we have limited information available on the delinquency status of the third party owned or serviced senior lien where we also hold a junior lien. To capture this inherent loss content, we use the experience of our junior lien mortgages behind delinquent first liens that are owned or

serviced by us adjusted for any observed differences in delinquency and loss rates associated with junior lien mortgages behind third party first mortgages. We incorporate this inherent loss content into our allowance for loan losses. Our allowance process for junior liens ensures consideration of the relative difference in loss experience for junior liens behind first lien mortgage loans we own or service, compared with those behind first lien mortgage loans owned or serviced by third parties. In addition, our allowance process for junior liens that are current, but are in their revolving period, reflects the inherent loss where the borrower is delinquent on the corresponding first lien mortgage loans.

Table 28 summarizes delinquency and loss rates for our junior lien mortgages by the holder of the first lien.

Table 28: Junior Lien Mortgage Portfolios Performance by Holder of 1st Lien (1)

	Outstanding balance		% of loans two payments or more past due		Loss rate (annualized) quarter ended				
(in millions)	**Dec 31, 2014**	Dec 31, 2013	**Dec 31, 2014**	Dec 31, 2013	**Dec 31, 2014**	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
Junior lien mortgages behind:									
Wells Fargo owned or serviced first lien	**$ 29,483**	32,695	**2.39%**	2.37	**0.89**	0.86	1.08	1.16	1.34
Third party first lien	**30,133**	33,132	**2.58**	2.53	**0.88**	0.94	0.96	1.23	1.35
Total junior lien mortgages	**$ 59,616**	65,827	**2.49%**	2.45	**0.88**	0.90	1.02	1.20	1.35

(1) Excludes PCI loans because their losses were generally reflected in PCI accounting adjustments at the date of acquisition.

We monitor the number of borrowers paying the minimum amount due on a monthly basis. In December 2014, approximately 94% of our borrowers with a junior lien mortgage outstanding balance paid the minimum amount due or more, including approximately 47% who paid only the minimum amount due.

Table 29 shows the credit attributes of the core and liquidating junior lien mortgage portfolios and lists the top five states by outstanding balance for the core portfolio. Loans to California borrowers represent the largest state concentration in each of these portfolios. The decrease in outstanding balances since December 31, 2013 predominantly reflects loan paydowns. As of December 31, 2014, 20% of the outstanding balance of the junior lien mortgage portfolio was associated with loans that had a combined loan to value (CLTV) ratio in excess of 100%. Of those junior mortgage liens with a CLTV ratio in excess of 100%, 3.03% were two payments or more past due as of December 31, 2014. 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 (the outstanding amount that was in excess of the most recent property collateral value) of the outstanding balances of these loans totaled 8% of the junior lien mortgage portfolio at December 31, 2014.

Table 29: Junior Lien Mortgage Portfolios (1)

	Outstanding balance		% of loans two payments or more past due		Loss rate	
					Year ended December 31,	
(in millions)	**Dec 31, 2014**	Dec 31, 2013	**Dec 31, 2014**	Dec 31, 2013	**2014**	2013
Core portfolio						
California	**$ 15,535**	17,003	**2.07%**	2.03	**0.48**	1.52
Florida	**5,283**	5,811	**2.96**	3.16	**1.40**	2.60
New Jersey	**4,705**	5,019	**3.43**	3.43	**1.42**	1.79
Virginia	**3,160**	3,378	**2.18**	2.02	**0.84**	1.19
Pennsylvania	**2,942**	3,137	**2.72**	2.64	**1.11**	1.29
Other	**25,006**	27,689	**2.20**	2.18	**0.95**	1.69
Total	**56,631**	62,037	**2.36**	2.35	**0.90**	1.69
Liquidating portfolio	**2,985**	3,790	**4.77**	4.10	**2.74**	4.50
Total core and liquidating portfolios	**$ 59,616**	65,827	**2.49%**	2.45	**1.00**	1.86

(1) Excludes PCI loans because their losses were generally reflected in PCI accounting adjustments at the date of acquisition.

Our junior lien, as well as first lien, lines of credit products generally have a draw period of 10 years (with some up to 15 or 20 years) with variable interest rate and payment options during the draw period of (1) interest only or (2) 1.5% of outstanding principal balance plus accrued interest. During the draw period, the borrower has the option of converting all or a portion of the

line from a variable interest rate to a fixed rate with terms including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment schedule with repayment terms of up to 30 years based on the balance at time of conversion. Certain lines and loans have been structured with a balloon payment, which requires full repayment of the outstanding balance at the end of the term period. The conversion of lines or loans to fully amortizing or balloon payoff may result in a significant payment increase, which can affect some borrowers' ability to repay the outstanding balance.

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

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

Table 30 reflects the outstanding balance of our portfolio of junior lien lines and loans and senior lien lines segregated into scheduled end of draw or end of term periods and products that are currently amortizing, or in balloon repayment status. It excludes real estate 1-4 family first lien line reverse mortgages, which total $2.3 billion, because they are predominantly insured by the FHA, and it excludes PCI loans, which total $130 million, because their losses were generally reflected in our nonaccretable difference established at the date of acquisition.

Table 30: Junior Lien Mortgage Line and Loan and Senior Lien Mortgage Line Portfolios Payment Schedule

			Scheduled end of draw / term						
(in millions)		**Outstanding balance December 31, 2014**	2015	2016	2017	2018	2019	2020 and thereafter (1)	Amortizing
Junior residential lines	**$**	**52,658**	4,813	6,451	6,692	3,633	1,422	24,639	5,008
Junior loans (2)		**6,958**	65	98	103	11	8	1,175	5,498
Total junior lien (3)(4)		**59,616**	4,878	6,549	6,795	3,644	1,430	25,814	10,506
First lien lines		**17,080**	1,089	923	932	1,053	467	11,394	1,222
Total (3)(4)	**$**	**76,696**	5,967	7,472	7,727	4,697	1,897	37,208	11,728
% of portfolios		**100%**	**7.8%**	**9.7%**	**10.1%**	**6.1%**	**2.5%**	**48.5%**	**15.3%**

(1) The annual scheduled end of draw or term ranges from $1.7 billion to $10.0 billion and averages $5.3 billion per year for 2020 and thereafter. The loans that convert in 2025 and thereafter have draw periods that generally extend to 15 or 20 years.
(2) Junior loans within the term period predominantly represent principal and interest products that require a balloon payment upon the end of the loan term. Amortizing junior loans include $62 million of balloon loans that have reached end of term and are now past due.
(3) Lines in their draw period are predominantly interest-only. The unfunded credit commitments total $70.1 billion at December 31, 2014.
(4) Includes scheduled end-of-term balloon payments totaling $455 million, $386 million, $501 million, $518 million, $445 million, and $1.9 billion for 2015, 2016, 2017, 2018, 2019, 2020 and thereafter, respectively. Amortizing lines include $189 million of end-of-term balloon payments, which are past due. At December 31, 2014, $425 million, or 7% of outstanding lines of credit that are amortizing, are 30 or more days past due compared to $1.3 billion, or 2% for lines in their draw period.

CREDIT CARDS Our credit card portfolio totaled $31.1 billion at December 31, 2014, which represented 4% of our total outstanding loans. In November 2014, we purchased an existing private label and co-branded credit card loan portfolio in connection with the Dillard's program agreement. The net charge-off rate for our credit card portfolio was 3.14% for 2014, compared with 3.62% for 2013.

AUTOMOBILE Our automobile portfolio, predominantly composed of indirect loans, totaled $55.7 billion at December 31, 2014. The net charge-off rate for our automobile portfolio was 0.70% for 2014, compared with 0.63% for 2013.

OTHER REVOLVING CREDIT AND INSTALLMENT Other revolving credit and installment loans totaled $35.8 billion at December 31, 2014, and primarily included student and security-based loans. Student loans totaled $11.9 billion at December 31, 2014, compared with $22.0 billion at December 31, 2013, reflecting the transfer of $9.7 billion in government guaranteed student loans to loans held for sale at June 30, 2014, of which $8.3 billion were sold in fourth quarter 2014. The net charge-off rate for other revolving credit and installment loans was 1.35% for 2014, compared with 1.41% for 2013.

NONPERFORMING ASSETS (NONACCRUAL LOANS AND FORECLOSED ASSETS) Table 31 summarizes nonperforming assets (NPAs) for each of the last five years. 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 (including loans discharged in bankruptcy);
- for junior lien mortgages, we have evidence that the related first lien mortgage may be 120 days past due or in the process of foreclosure regardless of the junior lien delinquency status; or
- performing consumer loans are discharged in bankruptcy, regardless of their delinquency status.

Note 1 (Summary of Significant Accounting Policies – Loans) to Financial Statements in this Report describes our accounting policy for nonaccrual and impaired loans.

Table 31: Nonperforming Assets (Nonaccrual Loans and Foreclosed Assets)

					December 31,
(in millions)	**2014**	2013	2012	2011	2010
Nonaccrual loans:					
Commercial:					
Commercial and industrial	**$ 538**	775	1,467	2,167	3,277
Real estate mortgage	**1,490**	2,254	3,323	4,085	5,228
Real estate construction	**187**	416	1,003	1,890	2,676
Lease financing	**24**	30	29	55	115
Total commercial (1)	**2,239**	3,475	5,822	8,197	11,296
Consumer:					
Real estate 1-4 family first mortgage (2)	**8,583**	9,799	11,456	10,932	12,333
Real estate 1-4 family junior lien mortgage	**1,848**	2,188	2,923	1,976	2,303
Automobile	**137**	173	245	159	248
Other revolving credit and installment	**41**	33	40	40	62
Total consumer (3)	**10,609**	12,193	14,664	13,107	14,946
Total nonaccrual loans (4)(5)(6)	**12,848**	15,668	20,486	21,304	26,242
As a percentage of total loans	**1.49%**	1.91	2.57	2.77	3.47
Foreclosed assets:					
Government insured/guaranteed (7)	**$ 982**	2,093	1,509	1,319	1,479
Non-government insured/guaranteed	**1,627**	1,844	2,514	3,342	4,530
Total foreclosed assets	**2,609**	3,937	4,023	4,661	6,009
Total nonperforming assets	**$ 15,457**	19,605	24,509	25,965	32,251
As a percentage of total loans	**1.79%**	2.38	3.07	3.37	4.26

(1) Includes LHFS of $1 million, $1 million, $16 million, $25 million and $3 million at December 31, 2014, 2013, 2012, 2011 and 2010, respectively.
(2) Includes MHFS of $177 million, $227 million, $336 million, $301 million and $426 million at December 31, 2014, 2013, 2012, 2011, and 2010, respectively.
(3) December 31, 2012, includes the impact of the implementation of guidance issued by bank regulatory agencies in 2012.
(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 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for further information on impaired loans.
(7) During fourth quarter 2014, we adopted Accounting Standards Update (ASU) 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure*, effective as of January 1, 2014. This ASU requires that certain government guaranteed residential real estate mortgage loans that meet specific criteria be recognized as other receivables upon foreclosure; previously, these assets were included in foreclosed assets. Government guaranteed residential real estate mortgage loans that completed foreclosure during 2014 and met the criteria specified by ASU 2014-14 are excluded from this table and included in Accounts Receivable in Other Assets. For more information on the changes in foreclosures for government guaranteed residential real estate mortgage loans, see Note 1 (Summary of Significant Accounting Policies) and Note 7 (Premises, Equipment, Lease Commitments and Other Assets).

Table 32 provides a summary of nonperforming assets during 2014.

Table 32: Nonperforming Assets by Quarter During 2014

(in millions)	**December 31, 2014 Balance**	**% of total loans**	September 30, 2014 Balance	% of total loans	June 30, 2014 Balance	% of total loans	March 31, 2014 Balance	% of total loans
Nonaccrual loans:								
Commercial:								
Commercial and industrial	**$ 538**	**0.20%**	$ 614	0.24%	$ 724	0.29%	$ 664	0.28%
Real estate mortgage	**1,490**	**1.33**	1,636	1.46	1,805	1.59	2,034	1.80
Real estate construction	**187**	**1.00**	217	1.20	239	1.38	296	1.76
Lease financing	**24**	**0.20**	27	0.22	29	0.24	32	0.26
Total commercial	**2,239**	**0.54**	2,494	0.63	2,797	0.71	3,026	0.79
Consumer:								
Real estate 1-4 family first mortgage	**8,583**	**3.23**	8,785	3.34	9,026	3.47	9,357	3.61
Real estate 1-4 family junior lien mortgage	**1,848**	**3.09**	1,903	3.13	1,965	3.14	2,073	3.24
Automobile	**137**	**0.25**	143	0.26	150	0.28	161	0.31
Other revolving credit and installment	**41**	**0.11**	40	0.11	34	0.10	33	0.08
Total consumer	**10,609**	**2.37**	10,871	2.46	11,175	2.55	11,624	2.61
Total nonaccrual loans	**12,848**	**1.49**	13,365	1.59	13,972	1.69	14,650	1.77
Foreclosed assets:								
Government insured/guaranteed (1)	**982**		1,140		1,257		1,609	
Non-government insured/guaranteed	**1,627**		1,691		1,748		1,813	
Total foreclosed assets	**2,609**		2,831		3,005		3,422	
Total nonperforming assets	**$ 15,457**	**1.79%**	$ 16,196	1.93%	$ 16,977	2.05%	$ 18,072	2.19%
Change in NPAs from prior quarter (1)	**$ (739)**		(781)		(1,095)		(1,533)	

(1) During fourth quarter 2014, we adopted Accounting Standards Update (ASU) 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure*, effective as of January 1, 2014. This ASU requires that certain government guaranteed residential real estate mortgage loans that meet specific criteria be recognized as other receivables upon foreclosure; previously, these assets were included in foreclosed assets. Government guaranteed residential real estate mortgage loans that completed foreclosure during 2014 and met the criteria specified by ASU 2014-14 totaled $1.5 billion, $1.1 billion, and $693 million at September 30, 2014, June 30, 2014, and March 31, 2014, respectively, and are excluded from this table. For more information on the changes in foreclosures for government guaranteed residential real estate mortgage loans, see Note 1 (Summary of Significant Accounting Policies) and Note 7 (Premises, Equipment, Lease Commitments and Other Assets).

Table 33 provides an analysis of the changes in nonaccrual loans.

Table 33: Analysis of Changes in Nonaccrual Loans

		Quarter ended				
	Dec 31,	Sep 30,	Jun 30,	Mar 31,	Year ended Dec 31,	
(in millions)	**2014**	2014	2014	2014	**2014**	2013
Commercial nonaccrual loans						
Balance, beginning of period	**$ 2,494**	2,798	3,027	3,475	**3,475**	5,824
Inflows	**410**	342	433	367	**1,552**	2,178
Outflows:						
Returned to accruing	**(64)**	(37)	(81)	(98)	**(280)**	(497)
Foreclosures	**(45)**	(18)	(32)	(79)	**(174)**	(321)
Charge-offs	**(141)**	(124)	(120)	(116)	**(501)**	(723)
Payments, sales and other (1)	**(415)**	(467)	(429)	(522)	**(1,833)**	(2,986)
Total outflows	**(665)**	(646)	(662)	(815)	**(2,788)**	(4,527)
Balance, end of period	**2,239**	2,494	2,798	3,027	**2,239**	3,475
Consumer nonaccrual loans						
Balance, beginning of period	**10,871**	11,174	11,623	12,193	**12,193**	14,662
Inflows	**1,454**	1,529	1,673	1,650	**6,306**	8,117
Outflows:						
Returned to accruing	**(678)**	(817)	(1,107)	(1,104)	**(3,706)**	(4,137)
Foreclosures	**(114)**	(148)	(132)	(146)	**(540)**	(597)
Charge-offs	**(278)**	(289)	(348)	(400)	**(1,315)**	(2,343)
Payments, sales and other (1)	**(646)**	(578)	(535)	(570)	**(2,329)**	(3,509)
Total outflows	**(1,716)**	(1,832)	(2,122)	(2,220)	**(7,890)**	(10,586)
Balance, end of period	**10,609**	10,871	11,174	11,623	**10,609**	12,193
Total nonaccrual loans	**$ 12,848**	13,365	13,972	14,650	**12,848**	15,668

(1) Other outflows include the effects of VIE deconsolidations and adjustments for loans carried at fair value.

Typically, changes to nonaccrual loans period-over-period represent inflows for loans that are placed on nonaccrual status in accordance with our policy, offset by reductions for loans that are paid down, charged off, sold, foreclosed, 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 December 31, 2014:

- 98% of total commercial nonaccrual loans and 99% of total consumer nonaccrual loans are secured. Of the consumer nonaccrual loans, 98% are secured by real estate and 72% have a combined LTV (CLTV) ratio of 80% or less.
- losses of $495 million and $3.5 billion have already been recognized on 29% of commercial nonaccrual loans and 53% of consumer nonaccrual loans, respectively. Generally, when a consumer real estate loan is 120 days past due (except when required earlier by guidance issued by bank regulatory agencies), 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.
- 71% 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.
- $2.0 billion of consumer loans discharged in bankruptcy and classified as nonaccrual were 60 days or less past due, of which $1.9 billion were current.

We continue to work with our customers experiencing financial difficulty to determine if they can qualify for a loan modification so that they can stay in their homes. 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 in certain states, including New York and New Jersey, the foreclosure timeline has significantly increased due to backlogs in an already complex process. Therefore, some loans may remain on nonaccrual status for a long period.

If interest due on all nonaccrual loans (including loans that were, but are no longer on nonaccrual at year end) had been accrued under the original terms, approximately $741 million of interest would have been recorded as income on these loans, compared with $598 million actually recorded as interest income in 2014, versus $764 million and $575 million, respectively, in 2013.

Table 34 provides a summary of foreclosed assets and an analysis of changes in foreclosed assets.

Table 34: Foreclosed Assets

(in millions)	Dec 31, 2014	Quarter ended Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Year ended Dec 31, 2014	2013
Summary by loan segment						
Government insured/guaranteed (1)	**$ 982**	1,140	1,257	1,609	**982**	2,093
PCI loans:						
Commercial	**352**	394	457	461	**352**	497
Consumer	**212**	214	208	177	**212**	149
Total PCI loans	**564**	608	665	638	**564**	646
All other loans:						
Commercial	**565**	579	634	736	**565**	759
Consumer	**498**	504	449	439	**498**	439
Total all other loans	**1,063**	1,083	1,083	1,175	**1,063**	1,198
Total foreclosed assets	**$ 2,609**	2,831	3,005	3,422	**2,609**	3,937
Analysis of changes in foreclosed assets						
Balance, beginning of period	**$ 2,831**	3,005	3,422	3,937	**3,937**	4,023
Net change in government insured/guaranteed (1)(2)	**(158)**	(117)	(352)	(484)	**(1,111)**	584
Additions to foreclosed assets (3)	**362**	364	421	448	**1,595**	1,852
Reductions:						
Sales	**(462)**	(421)	(493)	(490)	**(1,866)**	(2,673)
Write-downs and net gains (losses) on sales	**36**	—	7	11	**54**	151
Total reductions	**(426)**	(421)	(486)	(479)	**(1,812)**	(2,522)
Balance, end of period	**$ 2,609**	2,831	3,005	3,422	**2,609**	3,937

(1) During fourth quarter 2014, we adopted Accounting Standards Update (ASU) 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure*, effective as of January 1, 2014. This ASU requires that government guaranteed residential real estate mortgage loans that meet specific criteria be recognized as other receivables upon foreclosure; previously, these assets were included in foreclosed assets. Government guaranteed residential real estate mortgage loans that completed foreclosure during 2014 and met the criteria specified by ASU 2014-14 totaled $1 5 billion, $1.1 billion, and $693 million at September 30, 2014, June 30, 2014, and March 31, 2014, respectively, and are excluded from this table. For more information on the changes in foreclosures for government guaranteed residential real estate mortgage loans, see Note 1 (Summary of Significant Accounting Policies) and Note 7 (Premises, Equipment, Lease Commitments and Other Assets).

(2) Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as servicer, until reimbursement is received from FHA or VA. The net change in government insured/guaranteed foreclosed assets is made up of inflows from mortgages held for investment and MHFS, and outflows when we are reimbursed by FHA/VA. Transfers from government insured/guaranteed loans to foreclosed assets amounted to $45 million, $41 million, $43 million, and $62 million for the quarters ended December 31, September 30, June 30, and March 31, 2014 and $191 million and $2.9 billion for the years ended December 31, 2014 and 2013, respectively. The amounts previously reported for the quarterly net change in government insured/guaranteed foreclosed assets have been revised to exclude $375 million, $409 million and $693 million at September 30, 2014, June 30, 2014, and March 31, 2014, respectively, to reflect the impact of the adoption of ASU 2014-14.

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

Foreclosed assets at December 31, 2014, included $1.6 billion of foreclosed residential real estate that had collateralized commercial and consumer loans, of which 59% is predominantly FHA insured or VA guaranteed and expected to have minimal or no loss content. The remaining foreclosed assets balance of $1.0 billion has been written down to estimated net realizable value. The decrease in foreclosed assets at December 31, 2014, compared with December 31, 2013, was the result of the adoption of ASU 2014-14, which requires that government guaranteed residential real estate mortgage loans that meet specific criteria be recognized as other receivables upon foreclosure (previously, these were included in foreclosed assets). Of the $2.6 billion in foreclosed assets at December 31, 2014, 33% have been in the foreclosed assets portfolio one year or less.

TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 35: Troubled Debt Restructurings (TDRs)

					December 31,
(in millions)	**2014**	2013	2012	2011	2010
Commercial TDRs					
Commercial and industrial	**$ 724**	1,034	1,700	2,046	619
Real estate mortgage	**1,880**	2,248	2,625	2,262	725
Real estate construction	**314**	475	801	1,008	407
Lease financing	**2**	8	20	33	—
Total commercial TDRs	**2,920**	3,765	5,146	5,349	1,751
Consumer TDRs					
Real estate 1-4 family first mortgage	**18,226**	18,925	17,804	13,799	11,603
Real estate 1-4 family junior lien mortgage	**2,437**	2,468	2,390	1,986	1,626
Credit Card	**338**	431	531	593	548
Automobile	**127**	189	314	260	214
Other revolving credit and installment	**49**	33	24	19	16
Trial modifications	**452**	650	705	651	—
Total consumer TDRs (1)	**21,629**	22,696	21,768	17,308	14,007
Total TDRs	**$ 24,549**	26,461	26,914	22,657	15,758
TDRs on nonaccrual status	**$ 7,104**	8,172	10,149	6,811	5,185
TDRs on accrual status (1)	**17,445**	18,289	16,765	15,846	10,573
Total TDRs	**$ 24,549**	26,461	26,914	22,657	15,758

(1) TDR loans include $2.1 billion, $2.5 billion, $1.9 billion, $318 million, and $429 million at December 31, 2014, 2013, 2012, 2011, and 2010, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and are accruing.

Table 36: TDRs Balance by Quarter During 2014

	Dec 31,	Sep 30,	Jun 30,	Mar 31,
(in millions)	**2014**	2014	2014	2014
Commercial TDRs				
Commercial and industrial	**$ 724**	836	950	1,088
Real estate mortgage	**1,880**	2,034	2,179	2,233
Real estate construction	**314**	328	391	454
Lease financing	**2**	3	5	6
Total commercial TDRs	**2,920**	3,201	3,525	3,781
Consumer TDRs				
Real estate 1-4 family first mortgage	**18,226**	18,366	18,582	19,043
Real estate 1-4 family junior lien mortgage	**2,437**	2,464	2,463	2,460
Credit Card	**338**	358	379	399
Automobile	**127**	135	151	169
Other revolving credit and installment	**49**	45	38	34
Trial modifications	**452**	473	469	593
Total consumer TDRs	**21,629**	21,841	22,082	22,698
Total TDRs	**$ 24,549**	25,042	25,607	26,479
TDRs on nonaccrual status	**$ 7,104**	7,313	7,638	7,774
TDRs on accrual status	**17,445**	17,729	17,969	18,705
Total TDRs	**$ 24,549**	25,042	25,607	26,479

Table 35 and Table 36 provide information regarding the recorded investment of loans modified in TDRs. The allowance for loan losses for TDRs was $3.6 billion and $4.5 billion at December 31, 2014 and 2013, respectively. See Note 6 (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 37 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. Other than resolutions such as foreclosures, sales and transfers to held for sale, we may remove loans held for investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

Table 37: Analysis of Changes in TDRs

		Quarter ended				
	Dec 31,	Sep 30,	Jun 30,	Mar 31,	Year ended Dec. 31,	
(in millions)	**2014**	2014	2014	2014	**2014**	2013
Commercial TDRs						
Balance, beginning of period	**$ 3,201**	3,525	3,781	3,765	**3,765**	5,146
Inflows	**232**	208	276	442	**1,158**	1,794
Outflows						
Charge-offs	**(62)**	(42)	(28)	(23)	**(155)**	(132)
Foreclosure	**(27)**	(12)	(8)	(3)	**(50)**	(88)
Payments, sales and other (1)	**(424)**	(478)	(496)	(400)	**(1,798)**	(2,955)
Balance, end of period	**2,920**	3,201	3,525	3,781	**2,920**	3,765
Consumer TDRs						
Balance, beginning of period	**21,841**	22,082	22,698	22,696	**22,696**	21,768
Inflows	**957**	946	1,003	1,104	**4,010**	5,958
Outflows						
Charge-offs	**(99)**	(120)	(139)	(157)	**(515)**	(859)
Foreclosure	**(252)**	(303)	(283)	(325)	**(1,163)**	(1,290)
Payments, sales and other (1)	**(797)**	(768)	(1,073)	(563)	**(3,201)**	(2,826)
Net change in trial modifications (2)	**(21)**	4	(124)	(57)	**(198)**	(55)
Balance, end of period	**21,629**	21,841	22,082	22,698	**21,629**	22,696
Total TDRs	**$ 24,549**	25,042	25,607	26,479	**24,549**	26,461

(1) Other outflows include normal amortization/accretion of loan basis adjustments and loans transferred to held-for-sale. It also includes $1 million of loans refinanced or restructured as new loans and removed from TDR classification for the quarter ended March 31, 2014. No loans were removed from TDR classification for the quarters ended December 31, September 30, and June 30, 2014, respectively. During 2013, $84 million of loans were refinanced or restructured as new loans and removed from TDR classification.

(2) Net change in trial modifications includes: inflows of new TDRs entering the trial payment period, net of outflows for modifications that either (i) successfully perform and enter into a permanent modification, or (ii) did not successfully perform according to the terms of the trial period plan and are subsequently charged-off, foreclosed upon or otherwise resolved. Our experience is that substantially all of the mortgages that enter a trial payment period program are successful in completing the program requirements.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING

Loans 90 days or more past due as to interest or principal are still accruing if they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans are not included in past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

Excluding insured/guaranteed loans, loans 90 days or more past due and still accruing at December 31, 2014, were down $125 million, or 12%, from December 31, 2013, due to payoffs, modifications and other loss mitigation activities, 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 FHA or guaranteed by the VA for mortgages and the U.S. Department of Education for student loans under the Federal Family Education Loan Program (FFELP) were $16.9 billion at December 31, 2014, down from $22.2 billion at December 31, 2013.

Table 38 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 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 38: Loans 90 Days or More Past Due and Still Accruing

				December 31,	
(in millions)	**2014**	2013	2012	2011	2010
Loans 90 days or more past due and still accruing:					
Total (excluding PCI (1)):	**$ 17,810**	23,219	23,245	22,569	18,488
Less: FHA insured/guaranteed by the VA (2)(3)	**16,827**	21,274	20,745	19,240	14,733
Less: Student loans guaranteed under the FFELP (4)	**63**	900	1,065	1,281	1,106
Total, not government insured/guaranteed	**$ 920**	1,045	1,435	2,048	2,649
By segment and class, not government insured/guaranteed:					
Commercial:					
Commercial and industrial	**$ 31**	11	48	159	330
Real estate mortgage	**16**	35	228	256	104
Real estate construction	**—**	97	27	89	193
Total commercial	**47**	143	303	504	627
Consumer:					
Real estate 1-4 family first mortgage (3)	**260**	354	564	781	941
Real estate 1-4 family junior lien mortgage (3)	**83**	86	133	279	366
Credit card	**364**	321	310	346	516
Automobile	**73**	55	40	51	79
Other revolving credit and installment	**93**	86	85	87	120
Total consumer	**873**	902	1,132	1,544	2,022
Total, not government insured/guaranteed	**$ 920**	1,045	1,435	2,048	2,649

(1) PCI loans totaled $3.7 billion, $4.5 billion, $6.0 billion, $8.7 billion and $11.6 billion at December 31, 2014, 2013, 2012, 2011 and 2010, respectively.
(2) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.
(3) Includes mortgages held for sale 90 days or more past due and still accruing.
(4) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP. In fourth quarter 2014, substantially all government guaranteed loans were sold.

NET CHARGE-OFFS

Table 39: Net Charge-offs

($ in millions)	Year ended December 31, Net loan charge-offs	% of avg. loans	December 31, Net loan charge-offs	% of avg. loans (1)	Quarter ended September 30, Net loan charge-offs	% of avg. loans (1)	June 30, Net loan charge-offs	% of avg. loans (1)	March 31, Net loan charge-offs	% of avg. loans (1)
2014										
Commercial:										
Commercial and industrial	**$ 258**	**0.10%**	**$ 82**	**0.12%**	**$ 67**	**0.11%**	**$ 60**	**0.10%**	**$ 49**	**0.08%**
Real estate mortgage	**(94)**	**(0.08)**	**(25)**	**(0.09)**	**(37)**	**(0.13)**	**(10)**	**(0.04)**	**(22)**	**(0.08)**
Real estate construction	**(127)**	**(0.72)**	**(26)**	**(0.56)**	**(58)**	**(1.27)**	**(20)**	**(0.47)**	**(23)**	**(0.54)**
Lease financing	**7**	**0.06**	**1**	**0.05**	**4**	**0.10**	**1**	**0.05**	**1**	**0.03**
Total commercial	**44**	**0.01**	**32**	**0.03**	**(24)**	**(0.02)**	**31**	**0.03**	**5**	**0.01**
Consumer:										
Real estate 1-4 family first mortgage	**509**	**0.19**	**88**	**0.13**	**114**	**0.17**	**137**	**0.21**	**170**	**0.27**
Real estate 1-4 family junior lien mortgage	**626**	**1.00**	**134**	**0.88**	**140**	**0.90**	**160**	**1.02**	**192**	**1.19**
Credit card	**864**	**3.14**	**221**	**2.97**	**201**	**2.87**	**211**	**3.20**	**231**	**3.57**
Automobile	**380**	**0.70**	**132**	**0.94**	**112**	**0.81**	**46**	**0.35**	**90**	**0.70**
Other revolving credit and installment	**522**	**1.35**	**128**	**1.45**	**125**	**1.46**	**132**	**1.22**	**137**	**1.29**
Total consumer	**2,901**	**0.65**	**703**	**0.63**	**692**	**0.62**	**686**	**0.62**	**820**	**0.75**
Total	**$ 2,945**	**0.35%**	**$ 735**	**0.34%**	**$ 668**	**0.32%**	**$ 717**	**0.35%**	**$ 825**	**0.41%**
2013										
Commercial:										
Commercial and industrial	$ 343	0.15 %	$ 107	0.18 %	$ 55	0.10 %	$ 81	0.14 %	$ 100	0.18 %
Real estate mortgage	(36)	(0.03)	(41)	(0.14)	(19)	(0.08)	(5)	(0.02)	29	0.11
Real estate construction	(109)	(0.66)	(13)	(0.32)	(17)	(0.40)	(45)	(1.09)	(34)	(0.83)
Lease financing	17	0.14	—	—	—	—	18	0.55	(1)	(0.03)
Total commercial	215	0.06	53	0.06	19	0.02	49	0.05	94	0.11
Consumer:										
Real estate 1-4 family first mortgage	1,193	0.47	195	0.30	242	0.38	327	0.52	429	0.69
Real estate 1-4 family junior lien mortgage	1,310	1.86	226	1.34	275	1.58	360	2.02	449	2.46
Credit card	895	3.62	220	3.38	207	3.28	233	3.90	235	3.95
Automobile	303	0.63	108	0.85	78	0.63	41	0.35	76	0.66
Other revolving credit and installment	593	1.41	161	1.50	154	1.45	142	1.34	136	1.34
Total consumer	4,294	0.98	910	0.82	956	0.86	1,103	1.01	1,325	1.23
Total	$ 4,509	0.56 %	$ 963	0.47 %	$ 975	0.48 %	$ 1,152	0.58 %	$ 1,419	0.72 %

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

Table 39 presents net charge-offs for the four quarters and full year of 2014 and 2013. Net charge-offs in 2014 were $2.9 billion (0.35% of average total loans outstanding) compared with $4.5 billion (0.56%) in 2013. We continued to have strong improvement in our commercial and residential real estate secured portfolios. Our commercial real estate portfolios were in a net recovery position every quarter in 2014 and 2013. Our consumer real estate portfolios continued to benefit from the improvement in the housing market with losses down $1.4 billion, or 55%, from 2013.

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 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

We apply a disciplined process and methodology to establish our allowance for credit losses each quarter. This process takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific characteristics. 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 and Note 1 (Summary of Significant Accounting Policies) and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 40 presents the allocation of the allowance for credit losses by loan segment and class for the last five years.

Table 40: Allocation of the Allowance for Credit Losses (ACL)

	Dec 31, 2014		Dec 31, 2013		Dec 31, 2012		Dec 31, 2011		Dec 31, 2010	
(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	**$ 3,506**	**32%**	$ 3,040	29%	$ 2,789	28%	$ 2,810	27%	$ 3,531	24%
Real estate mortgage	**1,576**	**13**	2,157	14	2,284	13	2,570	14	3,072	13
Real estate construction	**1,097**	**2**	775	2	552	2	893	2	1,387	4
Lease financing	**198**	**1**	131	1	89	2	85	2	179	2
Total commercial	**6,377**	**48**	6,103	46	5,714	45	6,358	45	8,169	43
Consumer:										
Real estate 1-4 family first mortgage	**2,878**	**31**	4,087	32	6,100	31	6,934	30	7,603	30
Real estate 1-4 family junior lien mortgage	**1,566**	**7**	2,534	8	3,462	10	3,897	11	4,557	13
Credit card	**1,271**	**4**	1,224	3	1,234	3	1,294	3	1,945	3
Automobile	**516**	**6**	475	6	417	6	555	6	771	6
Other revolving credit and installment	**561**	**4**	548	5	550	5	630	5	418	5
Total consumer	**6,792**	**52**	8,868	54	11,763	55	13,310	55	15,294	57
Total	**$ 13,169**	**100%**	$ 14,971	100%	$ 17,477	100%	$ 19,668	100%	$ 23,463	100%

	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Components:					
Allowance for loan losses	**$ 12,319**	14,502	17,060	19,372	23,022
Allowance for unfunded credit commitments	**850**	469	417	296	441
Allowance for credit losses	**$ 13,169**	14,971	17,477	19,668	23,463
Allowance for loan losses as a percentage of total loans	**1.43%**	1.76	2.13	2.52	3.04
Allowance for loan losses as a percentage of total net charge-offs	**418**	322	189	171	130
Allowance for credit losses as a percentage of total loans	**1.53**	1.82	2.19	2.56	3.10
Allowance for credit losses as a percentage of total nonaccrual loans	**103**	96	85	92	89

In addition to the allowance for credit losses, there was $2.9 billion at December 31, 2014, and $5.2 billion at December 31, 2013, of nonaccretable difference to absorb losses for PCI loans. The allowance for credit losses is lower than otherwise would have been required without PCI loan accounting. As a result of PCI loans, certain ratios of the Company may not be directly comparable with credit-related metrics for other financial institutions. For additional information on PCI loans, see the "Risk Management – Credit Risk Management – Purchased Credit-Impaired Loans" section, Note 1 (Summary of Significant Accounting Policies) and Note 6 (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. Substantially all of our nonaccrual

loans were real estate 1-4 family first and junior lien mortgage loans at December 31, 2014.

The allowance for credit losses again declined in 2014, which reflected continued credit improvement, particularly in residential real estate and primarily associated with continued improvement in the housing market. The total provision for credit losses was $1.4 billion in 2014, $2.3 billion in 2013 and $7.2 billion in 2012.

The 2014 provision for credit losses was $1.4 billion, $1.6 billion less than net charge-offs, due to strong underlying credit, and improvement in the housing market.

The 2013 provision was $2.3 billion, $2.2 billion less than net charge-offs, and the 2012 provision was $7.2 billion, $1.8 billion less than net charge-offs. In each of 2013 and 2012 the provision was influenced by continually improving credit performance.

We believe the allowance for credit losses of $13.2 billion at December 31, 2014, 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. Future allowance levels may increase or decrease based on a variety of factors, including loan growth, portfolio performance and general economic conditions. 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 this Report.

LIABILITY FOR MORTGAGE LOAN REPURCHASE LOSSES

We sell residential mortgage loans to various parties, including (1) government-sponsored entities (GSEs) Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) who include the mortgage loans in GSE-guaranteed mortgage securitizations, (2) SPEs that issue private label MBS, and (3) other financial institutions that purchase mortgage loans for investment or private label securitization. In addition, we pool FHA-insured and VA-guaranteed mortgage loans that are then used to back securities guaranteed by the Government National Mortgage Association (GNMA). We may be required to repurchase these mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for credit losses incurred on loans (collectively, repurchase) in the event of a breach of contractual representations or warranties that is not remedied within a period (usually 90 days or less) after we receive notice of the breach. The majority of repurchase demands are on loans that default in the first 24 to 36 months following origination of the mortgage loan.

In connection with our sales and securitization of residential mortgage loans to various parties, we have established a mortgage repurchase liability, initially at fair value, related to various representations and warranties that reflect management's estimate of losses for loans for which we could 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.

Because we retain the servicing for most of the mortgage loans we sell or securitize, we believe the quality of our residential mortgage loan servicing portfolio provides helpful information in evaluating our repurchase liability. Of the $1.8 trillion in the residential mortgage loan servicing portfolio at December 31, 2014, 94% was current and less than 2% was subprime at origination. Our combined delinquency and foreclosure rate on this portfolio was 5.79% at December 31, 2014, compared with 6.40% at December 31, 2013. Three percent of this portfolio is private label securitizations for which we originated the loans and therefore have some repurchase risk.

The overall level of unresolved repurchase demands and mortgage insurance rescissions outstanding at December 31, 2014, was down from a year ago both in number of outstanding loans and in total dollar balances as we continued to work through the new demands and mortgage insurance rescissions and as we announced settlements with both Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) in 2013, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009, and loans sold to FNMA that were originated prior to January 1, 2009. Demands from private investors declined from December 31, 2013 primarily due to settlements with two private investors in first quarter 2014 that resolved many of the increased demands we experienced commencing in 2012 and significantly in fourth quarter 2013.

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. Historical recovery rates as well as projected lender performance are incorporated in the establishment of our mortgage repurchase liability.

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

Table 41 provides the number of unresolved repurchase demands and mortgage insurance rescissions.

Table 41: 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)
2014								
December 31,	**546**	**$ 118**	**173**	**$ 34**	**120**	**$ 31**	**839**	**$ 183**
September 30,	**426**	**93**	**322**	**75**	**233**	**52**	**981**	**220**
June 30,	**678**	**149**	**362**	**80**	**305**	**66**	**1,345**	**295**
March 31,	**599**	**126**	**391**	**89**	**409**	**90**	**1,399**	**305**
2013								
December 31,	674	124	2,260	497	394	87	3,328	708
September 30,	4,422	958	1,240	264	385	87	6,047	1,309
June 30,	6,313	1,413	1,206	258	561	127	8,080	1,798
March 31,	5,910	1,371	1,278	278	652	145	7,840	1,794

(1) Includes unresolved repurchase demands of 4 and $1 million, 7 and $1 million, 14 and $3 million, 25 and $3 million, 42 and $6 million, 1,247 and $225 million, 942 and $190 million and 674 and $147 million at December 31, September 30, June 30 and March 31, 2014, and December 31, September 30, June 30 and March 31, 2013, 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.

(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).

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

Table 42 summarizes the changes in our mortgage repurchase liability. We incurred net losses on repurchased loans and investor reimbursements totaling $144 million in 2014, compared with $481 million in 2013, excluding the $746 million and the $508 million cash payments for the FHLMC and FNMA settlement agreements, respectively.

Table 42: Changes in Mortgage Repurchase Liability

	Quarter ended						
	Dec 31,	**Sep 30,**	**Jun 30,**	**Mar 31,**		Year ended Dec. 31,	
(in millions)	**2014**	**2014**	**2014**	**2014**	**2014**	2013	2012
Balance, beginning of period	**$ 669**	**766**	**799**	**899**	**899**	2,206	1,326
Provision for repurchase losses:							
Loan sales	**10**	**12**	**12**	**10**	**44**	143	275
Change in estimate (1)	**(49)**	**(93)**	**(38)**	**(4)**	**(184)**	285	1,665
Total additions (reductions)	**(39)**	**(81)**	**(26)**	**6**	**(140)**	428	1,940
Losses (2)	**(15)**	**(16)**	**(7)**	**(106)**	**(144)**	(1,735)	(1,060)
Balance, end of period	**$ 615**	**669**	**766**	**799**	**615**	899	2,206

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

(2) Year ended December 31, 2013, reflects $746 million as a result of the agreement with FHLMC that resolves substantially all repurchase liabilities related to loans sold to FHLMC prior to January 1, 2009. Year ended December 31, 2013, reflects $508 million as a result of the agreement with FNMA that resolves substantially all repurchase liabilities related to loans sold to FNMA that were originated prior to January 1, 2009.

Our liability for mortgage repurchases, included in "Accrued expenses and other liabilities" in our consolidated balance sheet, 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. The liability was $615 million at December 31, 2014, and $899 million at December 31, 2013. In 2014, we released $140 million, which increased net gains on mortgage loan origination/sales activities, compared with a provision of $428 million in 2013. The release in 2014 was primarily due to a re-estimation of our liability based on recently observed trends.

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 $973 million at December 31, 2014, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) used in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions.

Table 43 provides information on the sensitivity of the mortgage repurchase liability estimate to changes in assumptions. For additional information on our repurchase liability, see Note 9 (Mortgage Banking Activities) to Financial Statements in this Report.

Table 43: Mortgage Repurchase Liability - Sensitivity Assumptions

(in millions)		Mortgage repurchase liability
Balance at December 31, 2014	$	615
Loss on repurchases (1)		28.4%
Increase in liability from:		
10% higher losses	$	57
25% higher losses		141
Repurchase rate assumption (2)		0.2%
Increase in liability from:		
10% higher repurchase rates	$	48
25% higher repurchase rates		120

(1) Represents total estimated average loss rate on repurchased loans, net of recovery from third party originators, based on historical experience and current economic conditions. The average loss rate includes the impact of repurchased loans for which no loss is expected to be realized.

(2) Represents the combination of the estimated investor audit/file review rate, the investor demand rate on those audited loans, and the unsuccessful appeal rate on those demands. As such, the repurchase rate can be significantly impacted by changes in investor behavior if they decide to review/audit more loans or demand more repurchases on the loans they audit. These behavior changes drive a significant component of our estimated high end of the range of reasonably possible losses in excess of our recorded repurchase liability, which includes adverse assumptions in excess of the sensitivity ranges presented in this table.

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. The following discussion summarizes the primary duties and requirements of servicing and related industry developments.

General Servicing Duties and Requirements

The loans we service were originated by us or by other mortgage loan originators. As servicer, our primary duties are typically to (1) collect payments due from borrowers, (2) advance certain delinquent payments of principal and interest on the mortgage loans, (3) maintain and administer any hazard, title or primary mortgage insurance policies relating to the mortgage loans, (4) maintain any required escrow accounts for payment of taxes and insurance and administer escrow payments, (5) foreclose on defaulted mortgage loans or, to the extent consistent with the related servicing agreement, consider alternatives to foreclosure, such as loan modifications or short sales, and (6) for loans sold into private label securitizations, manage the foreclosed property through liquidation. As master servicer, our primary duties are typically to (1) supervise, monitor and oversee the servicing of the mortgage loans by the servicer, (2) consult with each servicer and use reasonable efforts to cause the servicer to observe its servicing obligations, (3) prepare monthly distribution statements to security holders and, if required by the securitization documents, certain periodic reports required to be filed with the SEC, (4) if required by the securitization documents, calculate distributions and loss allocations on the mortgage-backed securities, (5) prepare tax and information returns of the securitization trust, and (6) advance amounts required by non-affiliated servicers who fail to perform their advancing obligations.

Each agreement under which we act as servicer or master servicer generally specifies a standard of responsibility for actions we take in such capacity and provides protection against expenses and liabilities we incur when acting in compliance with the specified standard. For example, most private label securitization agreements under which we act as servicer or master servicer typically provide that the servicer and the master servicer are entitled to indemnification by the securitization trust for taking action or refraining from taking action in good faith or for errors in judgment. However, we are not indemnified, but rather are required to indemnify the securitization trustee, against any failure by us, as servicer or master servicer, to perform our servicing obligations or against any of our acts or omissions that involve willful misfeasance, bad faith or gross negligence in the performance of, or reckless disregard of, our duties. In addition, if we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period following notice, which can generally be given by the securitization trustee or a specified percentage of security holders. Whole loan sale contracts under which we act as servicer generally include similar provisions with respect to our actions as servicer. The standards governing servicing in GSE-guaranteed securitizations, and the possible remedies for violations of such standards, vary, and those standards and remedies are determined by servicing guides maintained by the GSEs, contracts between the GSEs and individual servicers and topical guides published by the GSEs from time to time. Such remedies could include indemnification or repurchase of an affected mortgage loan.

Consent Orders and Settlement Agreements for Mortgage Servicing and Foreclosure Practices

In connection with our servicing activities we have entered into various settlements with federal and state regulators to resolve certain alleged servicing issues and practices. In general, these settlements required us to provide customers with loan modification relief, refinancing relief, and foreclosure prevention and assistance, as well as imposed certain monetary penalties on us.

In particular, on February 28, 2013, we entered into amendments to an April 2011 Consent Order with both the Office of the Comptroller of the Currency (OCC) and the FRB, which effectively ceased the Independent Foreclosure Review program created by such Consent Order and replaced it with an accelerated remediation commitment to provide foreclosure prevention actions on $1.2 billion of residential mortgage loans, subject to a process to be administered by the OCC and the FRB. During 2014, we believe we reported sufficient foreclosure prevention actions to the monitor of the accelerated remediation

process to meet the $1.2 billion commitment, but are awaiting monitor approval.

In addition, on February 9, 2012, a federal/state settlement was announced among the DOJ, HUD, the Department of the Treasury, the Department of Veteran Affairs, the Federal Trade Commission, the Executive Office of the U.S. Trustee, the Consumer Financial Protection Bureau, a task force of Attorneys General, Wells Fargo, and four other servicers related to investigations of mortgage industry servicing and foreclosure practices. Under the terms of this settlement, we agreed to certain programmatic commitments, consisting of three components totaling approximately $5.3 billion. As announced on March 18, 2014, we have successfully fulfilled our remaining commitments (and state-level sub-commitments) in accordance with the terms of this settlement.

Asset/Liability Management

Asset/liability management involves evaluating, monitoring and managing interest rate risk, market risk, liquidity and funding. Primary oversight of interest rate risk and market risk resides with the Finance Committee of our Board of Directors (Board), which oversees the administration and effectiveness of financial risk management policies and processes used to assess and manage these risks. Primary oversight of liquidity and funding resides with the Risk Committee of the Board. At the management level we utilize a Corporate Asset/Liability Management Committee (Corporate ALCO), which consists of senior financial, risk, and business executives, to oversee these risks and report on them periodically to the Board's Finance Committee and Risk Committee as appropriate. 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 market risk. 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 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 investment securities 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 - Asset/Liability Management - Mortgage Banking Interest Rate and Market Risk" section in this Report for more information.

The degree to which these sensitivities offset each other is dependent upon the timing and magnitude of changes in interest rates, and the slope of the yield curve. During a transition to a higher or lower interest rate environment, a reduction or increase in interest-sensitive earnings from the mortgage banking business could occur quickly, while the benefit or detriment from balance sheet repricing could take more time to develop. For example, our lower rate scenarios (scenario 1 and scenario 2) in the following table initially measure a decline in long-term interest rates versus our most likely scenario. Although the performance in these rate scenarios contain initial benefit from increased mortgage banking activity, the result is lower earnings relative to the most likely scenario over time given pressure on net interest income. The higher rate scenarios (scenario 3 and scenario 4) measure the impact of varying degrees of rising short-term and long-term interest rates over the course of the forecast horizon relative to the most likely scenario, both resulting in positive earnings sensitivity.

As of December 31, 2014, 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 44, 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 and a negative range indicates a detrimental earnings sensitivity relative to the most likely earnings plan).

Table 44: Earnings Sensitivity Over 24 Month Horizon Relative to Most Likely Earnings Plan

	Most likely	Lower rates		Higher rates	
		Scenario 1	Scenario 2	Scenario 3	Scenario 4
Ending rates:					
Federal funds	1.87 %	0.25	1.61	2.10	5.00
10-year treasury (1)	3.76	1.70	3.26	4.26	6.01
Earnings relative to most likely	N/A	(2)-(3) %	(1)-(2)	0 - 5	>5

(1) U.S. Constant Maturity Treasury Rate

We use the investment securities portfolio and exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. See the "Balance Sheet Analysis - Investment Securities" section in this Report for more information on the use of the available-for-sale and held-to-maturity securities portfolios. The notional or contractual amount, credit risk amount and fair value of the derivatives used to hedge our interest rate risk exposures as of December 31, 2014, and December 31, 2013, are presented in Note 16 (Derivatives) to Financial Statements in this Report. We use derivatives for asset/liability management in two main ways:

- to convert the cash flows from selected asset and/or liability instruments/portfolios, including investments, commercial loans and long-term debt, 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. Based on market conditions and other factors, we reduce credit and liquidity risks by selling or securitizing some or all of the long-term fixed-rate mortgage loans we originate and most of the ARMs we originate. On the other hand, we may hold originated ARMs and fixed-rate mortgage loans in our loan portfolio as an investment for our growing base of core deposits. We determine whether the loans will be held for investment or held for sale at the time of commitment. We may subsequently change our intent to hold loans for investment and sell some or all of our ARMs or fixed-rate mortgages as part of our corporate asset/liability management. We may also acquire and add to our securities available for sale a portion of the securities issued at the time we securitize MHFS.

As expected, with the increase in average mortgage interest rates in 2014, our mortgage banking revenue declined as the level of mortgage loan refinance activity decreased compared with 2013. The decline in mortgage loan origination income (primarily driven by the decline in mortgage loan refinancing volume) more than offset the increase in net servicing income. Despite the increase in average mortgage interest rates, the slow recovery in the housing sector, and the continued lack of liquidity in the nonconforming secondary markets, our mortgage banking revenue was strong in 2014, reflecting the complementary origination and servicing strengths of the business. The secondary market for agency-conforming mortgages functioned well during 2014.

Interest rate and market risk can be substantial in the mortgage business. Changes in interest rates may potentially reduce total origination and servicing fees, the value of our residential MSRs measured at fair value, the value of MHFS and the associated income and loss reflected in mortgage banking noninterest income, the income and expense associated with instruments (economic hedges) used to hedge changes in the fair value of MSRs and MHFS, and the value of derivative loan commitments (interest rate "locks") extended to mortgage applicants.

Interest rates affect the amount and timing of origination and servicing fees because consumer demand for new mortgages and the level of refinancing activity are sensitive to changes in mortgage interest rates. Typically, a decline in mortgage interest rates will lead to an increase in mortgage originations and fees and may also lead to an increase in servicing fee income, depending on the level of new loans added to the servicing portfolio and prepayments. Given the time it takes for consumer behavior to fully react to interest rate changes, as well as the time required for processing a new application, providing the commitment, and securitizing and selling the loan, interest rate changes will affect origination and servicing fees with a lag. The amount and timing of the impact on origination and servicing fees will depend on the magnitude, speed and duration of the change in interest rates.

We measure originations of MHFS at fair value where an active secondary market and readily available market prices exist to reliably support fair value pricing models used for these loans. Loan origination fees on these loans are recorded when earned, and related direct loan origination costs are recognized when incurred. We also measure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe fair value measurement for MHFS and other interests held, which we hedge with free-standing derivatives (economic hedges) along with our MSRs measured at fair value, reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets. During 2014 and 2013, in response to continued secondary market illiquidity, we continued to originate certain prime non-agency loans to be held for investment for the foreseeable future rather than to be held for sale. In addition, in 2013, we originated certain prime agency-eligible loans to be held for investment as part of our asset/liability management strategy.

We initially measure all of our MSRs at fair value and carry substantially all of them at fair value depending on our strategy for managing interest rate risk. Under this method, the MSRs are recorded at fair value at the time we sell or securitize the related mortgage loans. The carrying value of MSRs carried at fair value reflects changes in fair value at the end of each quarter and changes are included in net servicing income, a component of mortgage banking noninterest income. If the fair value of the MSRs increases, income is recognized; if the fair value of the MSRs decreases, a loss is recognized. We use a dynamic and sophisticated model to estimate the fair value of our MSRs and periodically benchmark our estimates to independent appraisals. The valuation of MSRs can be highly subjective and involve complex judgments by management about matters that are inherently unpredictable. See "Critical Accounting Policies - Valuation of Residential Mortgage Servicing Rights" section in this Report for additional information. Changes in interest rates influence a variety of significant assumptions included in the periodic valuation of MSRs, including prepayment speeds, expected returns and potential risks on the servicing asset portfolio, the value of escrow balances and other servicing valuation elements.

A decline in interest rates generally increases the propensity for refinancing, reduces the expected duration of the servicing portfolio and therefore reduces the estimated fair value of MSRs. This reduction in fair value causes a charge to income for MSRs carried at fair value, net of any gains on free-standing derivatives

(economic hedges) used to hedge MSRs. We may choose not to fully hedge all the potential decline in the value of our MSRs resulting from a decline in interest rates because the potential increase in origination/servicing fees in that scenario provides a partial "natural business hedge." An increase in interest rates generally reduces the propensity for refinancing, extends the expected duration of the servicing portfolio and therefore increases the estimated fair value of the MSRs. However, an increase in interest rates can also reduce mortgage loan demand and therefore reduce origination income.

The price risk associated with our MSRs is economically hedged with a combination of highly liquid interest rate forward instruments including mortgage forward contracts, interest rate swaps and interest rate options. All of the instruments included in the hedge are marked to market daily. Because the hedging instruments are traded in highly liquid markets, their prices are readily observable and are fully reflected in each quarter's mark to market. Quarterly MSR hedging results include a combination of directional gain or loss due to market changes as well as any carry income generated. If the economic hedge is effective, its overall directional hedge gain or loss will offset the change in the valuation of the underlying MSR asset. Gains or losses associated with these economic hedges are included in mortgage banking noninterest income. Consistent with our longstanding approach to hedging interest rate risk in the mortgage business, the size of the hedge and the particular combination of forward hedging instruments at any point in time is designed to reduce the volatility of the mortgage business's earnings over various time frames within a range of mortgage interest rates. Because market factors, the composition of the mortgage servicing portfolio and the relationship between the origination and servicing sides of our mortgage business change continually, the types of instruments used in our hedging are reviewed daily and rebalanced based on our evaluation of current market factors and the interest rate risk inherent in our MSRs portfolio. Throughout 2014, our economic hedging strategy generally used forward mortgage purchase contracts that were effective at offsetting the impact of interest rates on the value of the MSR asset.

Mortgage forward contracts are designed to pass the full economics of the underlying reference mortgage securities to the holder of the contract, including both the directional gain and loss from the forward delivery of the reference securities and the corresponding carry income. Carry income represents the contract's price accretion from the forward delivery price to the spot price including both the yield earned on the reference securities and the market implied cost of financing during the period. The actual amount of carry income earned on the hedge each quarter will depend on the amount of the underlying asset that is hedged and the particular instruments included in the hedge. The level of carry income is driven by the slope of the yield curve and other market driven supply and demand factors affecting the specific reference securities. A steep yield curve generally produces higher carry income while a flat or inverted yield curve can result in lower or potentially negative carry income. The level of carry income is also affected by the type of instrument used. In general, mortgage forward contracts tend to produce higher carry income than interest rate swap contracts. Carry income is recognized over the life of the mortgage forward as a component of the contract's mark to market gain or loss.

Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires sophisticated modeling and constant monitoring. While we attempt to balance these various aspects of the mortgage business, there are several potential risks to earnings:

- Valuation changes for MSRs associated with interest rate changes are recorded in earnings immediately within the accounting period in which those interest rate changes occur, whereas the impact of those same changes in interest rates on origination and servicing fees occur with a lag and over time. Thus, the mortgage business could be protected from adverse changes in interest rates over a period of time on a cumulative basis but still display large variations in income from one accounting period to the next.
- The degree to which our net gains on loan originations offsets valuation changes for MSRs is imperfect, varies at different points in the interest rate cycle, and depends not just on the direction of interest rates but on the pattern of quarterly interest rate changes.
- Origination volumes, the valuation of MSRs and hedging results and associated costs are also affected by many factors. Such factors include the mix of new business between ARMs and fixed-rate mortgages, the relationship between short-term and long-term interest rates, the degree of volatility in interest rates, the relationship between mortgage interest rates and other interest rate markets, and other interest rate factors. Additional factors that can impact the valuation of the MSRs include changes in servicing and foreclosure costs due to changes in investor or regulatory guidelines, as well as individual state foreclosure legislation, and changes in discount rates due to market participants requiring a higher return due to updated market expectations on costs and risks associated with investing in MSRs. Many of these factors are hard to predict and we may not be able to directly or perfectly hedge their effect.
- 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 we earn 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 $14.0 billion and $16.8 billion at December 31, 2014 and 2013, respectively. The weighted-average note rate on our portfolio of loans serviced for others was 4.45% and 4.52% at December 31, 2014 and 2013, respectively. The carrying value of our total MSRs represented 0.75% and 0.88% of mortgage loans serviced for others at December 31, 2014 and 2013, respectively.

As part of our mortgage banking activities, we enter into commitments to fund residential mortgage loans at specified times in the future. A mortgage loan commitment is an interest rate lock that binds us to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock. These loan commitments are derivative loan commitments if the loans that will result from the exercise of the commitments will be held for sale. These derivative loan commitments are recognized at fair value on the balance sheet with changes in their fair values recorded as part of mortgage banking noninterest income. The fair value of these commitments include, at inception and during

the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan as part of the fair value measurement of derivative loan commitments. Changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment, referred to as a fall-out factor. The value of the underlying loan commitment is affected primarily by changes in interest rates and the passage of time.

Outstanding derivative loan commitments expose us to the risk that the price of the mortgage loans underlying the commitments might decline due to increases in mortgage interest rates from inception of the rate lock to the funding of the loan. To minimize this risk, we employ mortgage forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts as economic hedges against the potential decreases in the values of the loans. We expect that these derivative financial instruments will experience changes in fair value that will either fully or partially offset the changes in fair value of the derivative loan commitments. However, changes in investor demand, such as concerns about credit risk, can also cause changes in the spread relationships between underlying loan value and the derivative financial instruments that cannot be hedged.

MARKET RISK - TRADING ACTIVITIES The Finance Committee of our Board of Directors reviews the acceptable market risk appetite for our 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, to a very limited degree, for proprietary trading for our own account. These activities primarily occur within our Wholesale Banking businesses and to a lesser extent other divisions of the Company. This includes 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 on trading activities, a component of noninterest income in our income statement.

Table 45 presents total revenue from trading activities.

Table 45: Income from Trading Activities

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Interest income (1)	**$ 1,685**	1,376	1,358
Less: Interest expense (2)	**382**	307	245
Net interest income	**1,303**	1,069	1,113
Noninterest income:			
Net gains from trading activities (3):			
Customer accommodation	**924**	1,278	1,347
Economic hedges and other (4)	**233**	332	345
Proprietary trading	**4**	13	15
Total net trading gains	**1,161**	1,623	1,707
Total trading-related net interest and noninterest income	**$ 2,464**	2,692	2,820

(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.
(4) Excludes economic hedging of mortgage banking activities and asset/liability management.

Customer accommodation Customer accommodation activities are conducted to help customers manage their investment and risk management needs. We engage in market-making activities or act as an intermediary to purchase or sell financial instruments in anticipation of or in response to customer needs. This category also includes positions we use to manage our exposure to customer 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 or security positions with a separate counterparty or exchange to manage our exposure to the derivative with our customer. We earn income on this activity based on the transaction price difference between the customer and offsetting derivative or security positions, which is reflected in the fair value changes of the positions recorded in net gains on trading activities.

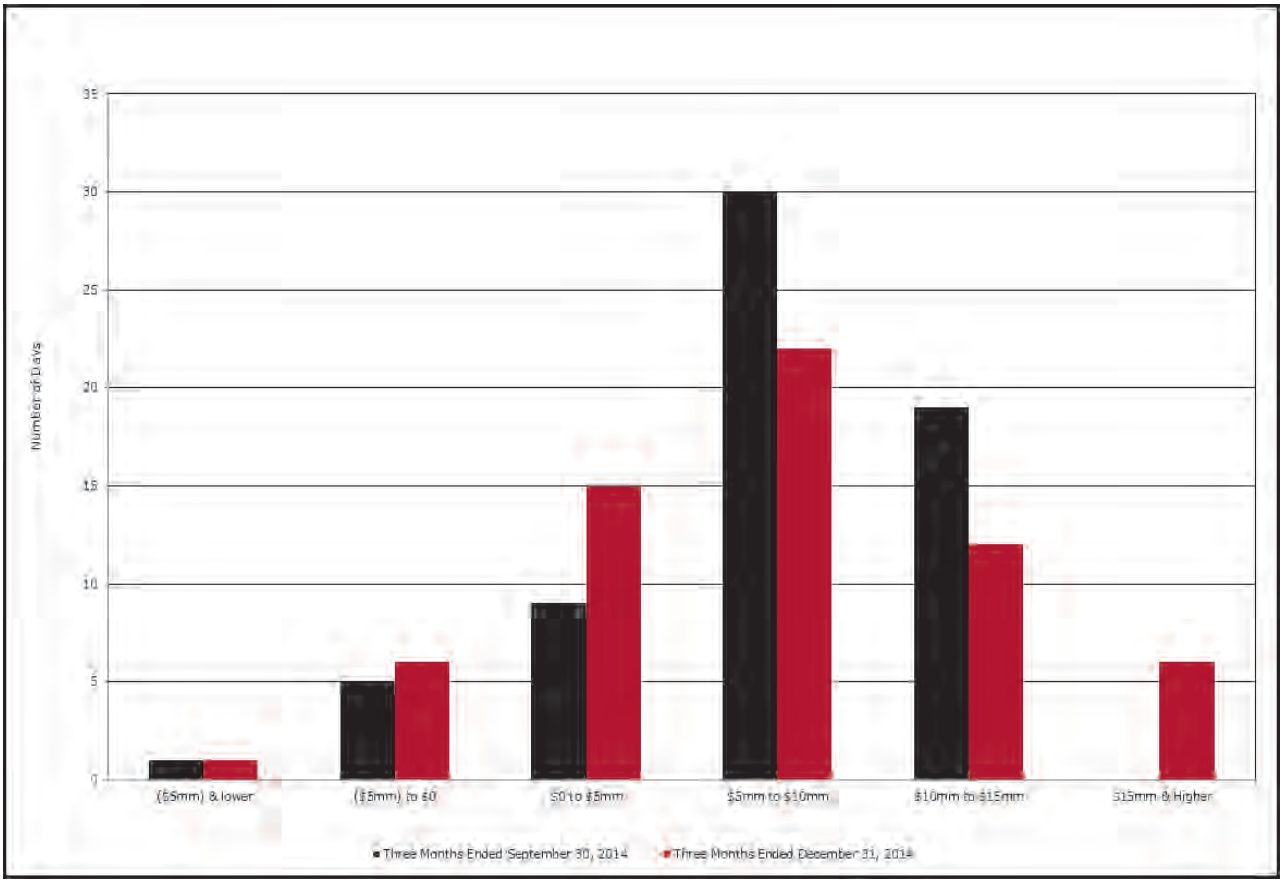
Customer accommodation trading also includes net gains related to market-making activities in which we take positions to facilitate customer order flow. For example, we may own securities recorded as trading assets (long positions) or sold securities we have not yet purchased, recorded as trading liabilities (short positions), typically on a short-term basis, to facilitate support of buying and selling demand from our customers. As a market maker in these securities, we earn income due to: (1) the difference between the price paid or received for the purchase and sale of the security (bid-ask spread), (2) the net interest income, and (3) the 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 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 has been substantially restricted by the Dodd-Frank Act provisions known as the "Volcker Rule." Accordingly, we reduced and are exiting certain business activities in anticipation of the rule's compliance date. As discussed within this section and the noninterest income section of our financial results, proprietary trading activity is insignificant to our business and financial results. For more details on the Volcker Rule, see the "Regulatory Reform" section in this Report.

Daily Trading-Related Revenue Table 46 provides information on the distribution of daily trading-related revenues for the Company's trading portfolio. This trading-related revenue is defined as the change in value of the trading assets and trading liabilities, trading-related net interest income, and trading-related intra-day gains and losses. Net trading-related revenue does not include activity related to long-term positions held for economic hedging purposes, period-end adjustments, and other activity not representative of daily price changes driven by market factors.

Table 46: Distribution of Daily Trading-Related Revenues



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

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

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

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

VaR models are subject to limitations which include, but are not limited to, the use of historical changes in market factors that may not accurately reflect future changes in market factors, and the inability to predict market liquidity in extreme market conditions. All limitations such as model inputs, model assumptions, and calculation methodology risk are monitored by the Corporate Market Risk Group and the Corporate Model Risk Group.

The VaR models measure exposure to the following categories:

- credit risk - exposures from corporate credit spreads, asset-backed security spreads, and mortgage prepayments.
- interest rate risk - exposures from changes in the level, scope, and curvature of interest rate curves and the volatility of interest rates.
- equity risk - exposures to changes in equity prices and volatilities of single name, index, and basket exposure.
- commodity risk - exposures to changes in commodity prices and volatilities.
- foreign exchange risk - exposures to changes in foreign exchange rates and volatilities.

VaR is the primary market risk management measure for the assets and liabilities classified as trading and is used as a supplemental analysis tool to monitor exposures classified as available for sale (AFS) and other exposures that we carry at fair value.

Trading VaR is the measure used to provide insight into the market risk exhibited by the Company's trading positions. The Company calculates Trading VaR for risk management purposes to establish line of business and Company-wide risk limits. Trading VaR is calculated based on all trading positions classified as trading assets or trading liabilities on our balance sheet.

Table 47 shows the results of the Company's Trading VaR by risk category. As presented in the table, average Trading VaR was $21 million for the quarter ended December 31, 2014, compared with $17 million for the quarter ended September 30, 2014. The increase was primarily driven by changes in portfolio composition.

Table 47: Trading 1-Day 99% General VaR Risk Category

	Quarter ended							
	December 31, 2014				September 30, 2014			
(in millions)	Period end	Average	Low	High	Period end	Average	Low	High
General VaR Risk Categories								
Credit	**$ 10**	**14**	**10**	**19**	17	16	12	20
Interest rate	**24**	**27**	**19**	**37**	29	30	25	39
Equity	**9**	**8**	**6**	**12**	8	7	6	9
Commodity	**1**	**1**	**1**	**2**	1	1	1	1
Foreign exchange	**1**	**1**	**—**	**1**	—	1	—	1
Diversification benefit (1)	**(23)**	**(30)**			(37)	(38)		
Total VaR	**22**	**21**			18	17		

(1) The period-end VaR was less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone. The diversification benefit is not meaningful for low and high metrics since they may occur on different days.

Sensitivity Analysis Given the inherent limitations of the VaR models, the Company uses other measures, including sensitivity analysis, to measure and monitor risk. Sensitivity analysis is the measure of exposure to a single risk factor, such as a 0.01% increase in interest rates or a 1% increase in equity prices. We conduct and monitor sensitivity on interest rates, credit spreads, volatility, equity, commodity, and foreign exchange exposure. Sensitivity analysis complements VaR as it provides an indication of risk relative to each factor irrespective of historical market moves.

Stress Testing While VaR captures the risk of loss due to adverse changes in markets using recent historical market data, stress testing captures the Company's exposure to extreme but low probability market movements. Stress scenarios estimate the risk of losses based on management's assumptions of abnormal but severe market movements such as severe credit spread widening or a large decline in equity prices. These scenarios assume that the market moves happen instantaneously and no repositioning or hedging activity takes place to mitigate losses as events unfold (a conservative approach since experience demonstrates otherwise).

An inventory of scenarios is maintained representing both historical and hypothetical stress events that affect a broad range of market risk factors with varying degrees of correlation and differing time horizons. Hypothetical scenarios assess the impact of large movements in financial variables on portfolio values. Typical examples include a 100 basis point increase across the yield curve or a 10% decline in stock market indexes. Historical scenarios utilize an event-driven approach: the stress scenarios are based on plausible but rare events, and the analysis addresses how these events might affect the risk factors relevant to a portfolio.

The Company's stress testing framework is also used in calculating results in support of the Federal Reserve Board's Comprehensive Capital Analysis & Review (CCAR) and internal stress tests. Stress scenarios are regularly reviewed and updated to address potential market events or concerns. For more detail on the CCAR process, see the "Capital Management" section in this Report.

Regulatory Market Risk Capital is based on U.S. regulatory agency risk-based capital regulations that are based on the Basel Committee Capital Accord of the Basel Committee on Banking Supervision. Prior to January 1, 2013, U.S. banking regulators' market risk capital requirements were subject to Basel I and thereafter based on Basel 2.5. Effective January 1, 2014, the Company must calculate regulatory capital based on the Basel III market risk capital rule, which integrated Basel 2.5, and requires banking organizations with significant trading activities to adjust their capital requirements to better account for the market risks of those activities based on a comprehensive and risk sensitive method and models. The market risk capital rule is intended to cover the risk of loss in value of covered positions due to changes in market conditions.

Composition of Material Portfolio of Covered Positions The market risk capital rule substantially modified the determination of market risk risk-weighted assets (RWAs), and implemented a more risk-sensitive methodology for the risks inherent in certain "covered" trading positions. The positions that are "covered" by the market risk capital rule are generally a subset of our trading assets and trading liabilities, specifically those held by the Company for the purpose of short-term resale or with the intent of benefiting from actual or expected short-term price movements, or to lock in arbitrage profits. Positions excluded from market risk regulatory capital treatment are subject to the credit risk capital rules applicable to the "non-covered" trading positions.

The material portfolio of the Company's "covered" positions is predominantly concentrated in the trading assets and trading liabilities managed within Wholesale Banking where the substantial portion of market risk capital is required. Wholesale Banking engages in the fixed income, traded credit, foreign exchange, equities, and commodities markets businesses. Other business segments hold small additional trading positions covered under the market risk capital rule.

Table 48 summarizes the market risk-based capital requirements charge and market RWAs in accordance with the Basel III market risk capital rule as of December 31, 2014, and in accordance with the Basel 2.5 market risk capital rule as of December 31, 2013. The market RWAs are calculated as the sum of the components in the table below.

Table 48: Market Risk Regulatory Capital and RWAs

	December 31, 2014		December 31, 2013	
(in millions)	**Risk-based capital**	**Risk-weighted assets**	Risk-based capital	Risk-weighted assets
Total VaR	**$ 146**	**1,822**	252	3,149
Total Stressed VaR	**1,469**	**18,359**	921	11,512
Incremental Risk Charge	**345**	**4,317**	393	4,913
Securitized Products Charge	**766**	**9,577**	633	7,913
Standard Specific Risk Charge	**1,177**	**14,709**	583	7,289
De minimis Charges (positions not included in models)	**66**	**829**	125	1,563
Total	**$ 3,969**	**49,613**	2,907	36,339

RWA Rollforward Table 49 depicts the changes in the market risk regulatory capital and RWAs under Basel III for the full year and fourth quarter of 2014.

Table 49: Analysis of Changes in Market Risk Regulatory Capital and RWAs

(in millions)	Risk-based capital	Risk-weighted assets
Balance, December 31, 2013	$ 2,907	36,339
Total VaR	(106)	(1,327)
Total Stressed VaR	548	6,847
Incremental Risk Charge	(48)	(596)
Securitized Products Charge	133	1,664
Standardized Specific Risk Charge	594	7,420
De minimis Charges	(59)	(734)
Balance, December 31, 2014	$ 3,969	49,613
Balance, September 30, 2014	$ 4,089	51,117
Total VaR	(97)	(1,215)
Total Stressed VaR	110	1,370
Incremental Risk Charge	(23)	(284)
Securitized Products Charge	18	227
Standardized Specific Risk Charge	(120)	(1,500)
De minimis Charges	(8)	(102)
Balance, December 31, 2014	$ 3,969	49,613

The increase in standardized specific risk charge for risk-based capital and RWAs in 2014 resulted primarily from a change during the quarter ended March 31, 2014, in positions now subject to standardized specific risk charges. All changes to market risk regulatory capital and RWAs in the quarter ended December 31, 2014, were associated with changes in positions due to normal trading activity.

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

Basel III prescribes various VaR measures in the determination of regulatory capital and risk-weighted assets. The Company uses the same VaR models for both market risk management purposes as well as regulatory capital calculations. For regulatory purposes, we use the following metrics to determine the Company's market risk capital requirements:

General VaR measures the risk of broad market movements such as changes in the level of credit spreads, interest rates, equity prices, commodity prices, and foreign exchange rates. General VaR uses historical simulation analysis based on 99% confidence level and a 10-day time horizon.

Table 50 shows the General VaR measure categorized by major risk categories. Average 10-day General VaR was $36 million for the quarter ended December 31, 2014, compared with $29 million for the quarter ended September 30, 2014. The increase was primarily driven by changes in portfolio composition.

Table 50: Regulatory 10-Day 99% General VaR by Risk Category

					Quarter ended			
	December 31, 2014				September 30, 2014			
(in millions)	Period end	Average	Low	High	Period end	Average	Low	High
Wholesale General VaR Risk Categories								
Credit	**$ 34**	**45**	**34**	**52**	47	43	25	74
Interest rate	**66**	**68**	**48**	**96**	73	79	63	103
Equity	**9**	**10**	**4**	**16**	10	7	4	11
Commodity	**3**	**3**	**1**	**7**	3	4	2	9
Foreign exchange	**4**	**3**	**1**	**11**	2	4	1	16
Diversification benefit (1)	**(81)**	**(92)**			(102)	(107)		
Wholesale General VaR	**$ 35**	**37**	**22**	**54**	33	30	20	44
Company General VaR	**35**	**36**	**23**	**54**	33	29	19	42

(1) The period-end VaR was less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone. The diversification benefit is not meaningful for low and high metrics since they may occur on different days.

Specific Risk measures the risk of loss that could result from factors other than broad market movements, or name-specific market risk. Specific Risk uses Monte Carlo simulation analysis based on a 99% confidence level and a 10-day time horizon.

Total VaR (as presented in Table 51) is composed of General VaR and Specific Risk and uses the previous 12 months of historical market data to comply with regulatory requirements.

Total Stressed VaR (as presented in Table 51) uses a historical period of significant financial stress over a continuous 12 month period using historically available market data and is composed of Stressed General VaR and Stressed Specific Risk. Total Stressed VaR uses the same methodology and models as Total VaR.

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

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

Table 51 provides information on the Incremental Risk Charge results for the quarter ended December 31, 2014. For this charge, the required capital at quarter end equals the average for the quarter.

Table 51: Market Risk Regulatory Capital Modeled Components

	Quarter ended December 31, 2014				December 31, 2014	
(in millions)	Average	Low	High	Quarter end	Risk-based capital (1)	Risk-weighted assets (1)
Total VaR	$ 49	39	83	50	146	1,822
Total Stressed VaR	490	440	571	480	1,469	18,359
Incremental Risk Charge	345	310	382	338	345	4,317

(1) Represents the required component amount for market risk based upon the respective VaR and Incremental Risk Charge requirements.

Securitized Products Charge Basel III requires a separate market risk capital charge for positions classified as a securitization or re-securitization. The primary criteria for classification as a securitization are whether there is a transfer of risk and whether the credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority. Covered trading securitizations positions include consumer and commercial asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), and collateralized loan and other debt obligations (CLO/CDO) positions. The securitization capital requirements are the greater of the capital requirements of the net long or short exposure, and are capped at the maximum loss that could be incurred on any given transaction. Table 52 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 at December 31, 2014 and 2013.

Table 52: Covered Securitization Positions by Exposure Type (Market Value)

(in millions)	ABS	CMBS	RMBS	CLO/CDO
December 31, 2014				
Securitization exposure:				
Securities	**$ 752**	**709**	**689**	**553**
Derivatives	**(1)**	**5**	**23**	**(31)**
Total	**751**	**714**	**712**	**522**
December 31, 2013				
Securitization Exposure:				
Securities	604	559	479	561
Derivatives	(2)	2	16	(72)
Total	$ 602	561	495	489

SECURITIZATION DUE DILIGENCE AND RISK MONITORING The market risk capital rule requires that the Company conduct due diligence on the risk of each position within three days of the purchase of a securitization position. The Company's due diligence on the creditworthiness of each position provides an understanding of the features that would materially affect the performance of a securitization or re-securitization. The due diligence analysis is performed again on a quarterly basis for each securitization and re-securitization position. The Company uses an automated solution to track the due diligence associated with securitization activity. The Company aims to manage the risks associated with securitization and re-securitization positions through the use of offsetting positions and portfolio diversification.

Standardized Specific Risk Charge For debt and equity positions that are not evaluated by the approved internal specific risk models, a regulatory prescribed standard specific risk charge is applied. The standard specific risk add-on for sovereign entities, public sector entities, and depository institutions is based on the Organization for Economic Co-operation and Development (OECD) country risk classifications (CRC) and the remaining contractual maturity of the position. These risk add-ons for debt positions range from 0.25% to 12%. The add-on for corporate debt is based on creditworthiness and the remaining contractual maturity of the position. All other types of debt positions are subject to an 8% add-on. The standard specific risk add-on for equity positions is generally 8%.

Comprehensive Risk Charge / Correlation Trading The market risk capital rule requires capital for correlation trading positions. The Company's remaining correlation trading exposure covered under the market risk capital rule matured in fourth quarter 2014.

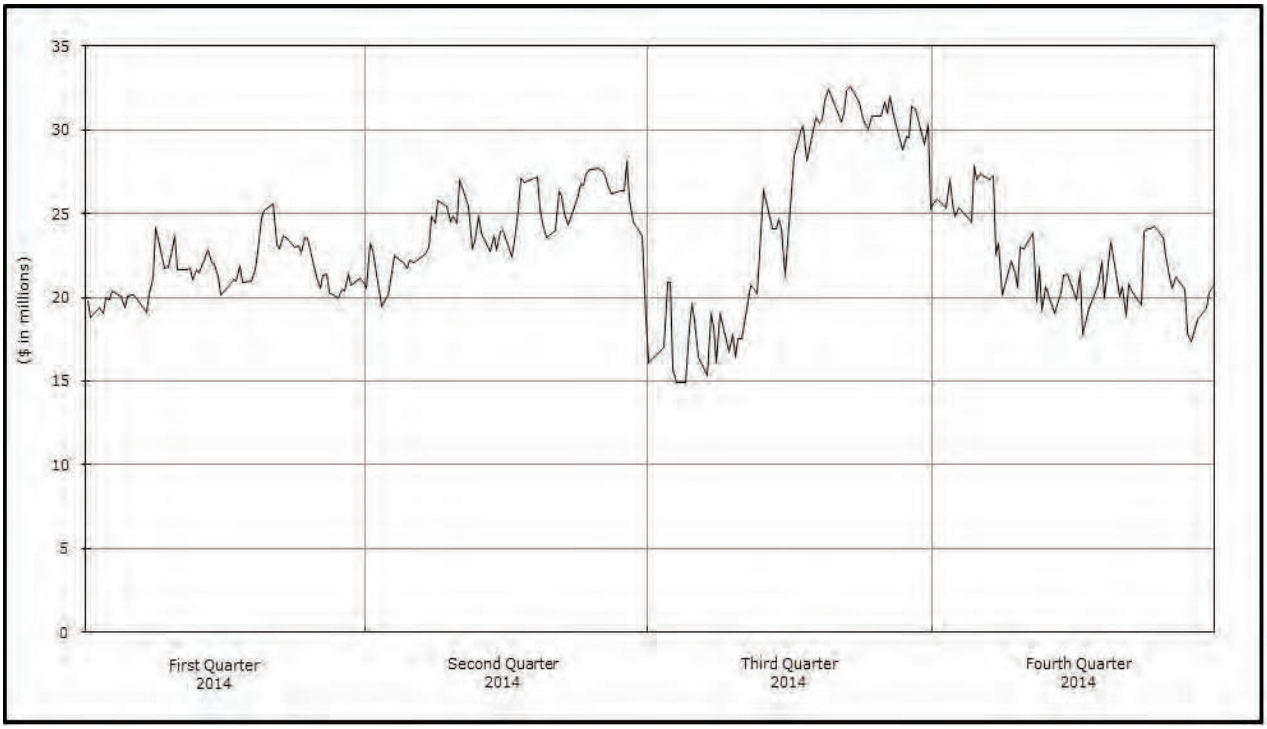
VaR Backtesting The market risk capital rule requires backtesting as one form of validation of the VaR model. Backtesting is a comparison of the daily VaR estimate with the actual clean profit and loss (clean P&L) as defined by the market

risk capital rule. Clean P&L is the change in the value of the Company's covered trading positions that would have occurred had previous end-of-day covered trading positions remained unchanged (therefore, excluding fees, commissions, net interest income, and intraday trading gains and losses). The backtesting analysis compares the daily Total VaR for each of the trading days in the preceding 12 months with the net clean P&L. Clean P&L does not include credit adjustments and other activity not representative of daily price changes driven by market risk factors. The clean P&L measure of revenue is used to evaluate the performance of the Total VaR and is not comparable to our actual daily trading net revenues, as reported elsewhere in this Report.

Any observed clean P&L loss in excess of the Total VaR is considered a market risk regulatory capital backtesting exception. The actual number of exceptions (that is, the number of business days for which the clean P&L losses exceed the corresponding 1-day, 99% Total VaR measure) over the preceding 12 months is used to determine the capital multiplier for the capital calculation. The number of actual backtesting exceptions is dependent on current market performance relative to historic market volatility. This capital multiplier increases from a minimum of three to a maximum of four, depending on the number of exceptions. No backtesting exceptions occurred over the preceding 12 months. Backtesting is also performed at granular levels within the Company with sub-portfolio results provided to federal regulators.

Table 53 shows daily Total VaR (1-day, 99%) for the 12 months ended December 31, 2014. The Company's average Total VaR for fourth quarter 2014 was $22 million with a low of $17 million and a high of $28 million.

Table 53: Daily Total 1-Day 99% VaR Measure (Rolling 12 Months)



Market Risk Governance The Finance Committee of our Board has primary oversight over market risk-taking activities of the Company and reviews the acceptable market risk appetite. The Corporate Risk Group's Market Risk Committee, which reports to the Finance Committee of the Board, is responsible for governance and oversight over market risk-taking activities across the Company as well as the establishment of market risk appetite and associated limits. The Corporate Market Risk Group, which is part of the Corporate Risk Group, administers and monitors compliance with the requirements established by the Market Risk Committee. The Corporate Market Risk Group has oversight responsibilities in identifying, measuring and monitoring the Company's market risk. The group is responsible for developing corporate market risk policy, creating quantitative market risk models, establishing independent risk limits, calculating and analyzing market risk capital, and reporting aggregated and line-of-business market risk information. Limits are regularly reviewed to ensure they remain relevant and within the market risk appetite for the Company. An automated limits-monitoring system enables a daily comprehensive review of multiple limits mandated across businesses. Limits are set with inner boundaries that will be periodically breached to promote an ongoing dialogue of risk exposure within the Company. Each line of business that exposes the Company to market risk has direct responsibility for managing market risk in accordance with defined risk tolerances and approved market risk mandates and hedging strategies. We measure and monitor market risk for both management and regulatory capital purposes.

Model Risk Management The market risk capital models are governed by our Corporate Model Risk Committee (CMoR) policies and procedures, which include model validation. The purpose of model validation includes ensuring the model is appropriate for its intended use and that appropriate controls exist to help mitigate the risk of invalid results. Model validation assesses the adequacy and appropriateness of the model, including reviewing its key components such as inputs, processing components, logic or theory, output results and supporting model documentation. Validation also includes

ensuring significant unobservable model inputs are appropriate given observable market transactions or other market data within the same or similar asset classes. This ensures modeled approaches are appropriate given similar product valuation techniques and are in line with their intended purpose. The Corporate Model Risk Group provides oversight of model validation and assessment processes.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are subject to additional oversight by a corporate-level risk management department. Corporate oversight responsibilities include evaluating the adequacy of business unit risk management programs, maintaining company-wide model validation policies and standards, and reporting the results of these activities to management.

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 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, equity method and fair value option.

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 available-for-sale securities portfolio, including securities relating to our venture capital activities. We manage these investments within capital risk limits approved by management and the Board and monitored by Corporate ALCO. Gains and losses on these securities are recognized in net income when realized and periodically include OTTI charges.

Changes in equity market prices may also indirectly affect our net income by (1) the value of third party assets under management and, hence, fee income, (2) borrowers whose ability to repay principal and/or interest may be affected by the stock market, or (3) brokerage activity, related commission income and other business activities. Each business line monitors and manages these indirect risks.

Table 54 provides information regarding our marketable and nonmarketable equity investments as of December 31, 2014 and 2013.

Table 54: Nonmarketable and Marketable Equity Investments

(in millions)		**Dec 31, 2014**	Dec 31, 2013
Nonmarketable equity investments:			
Cost method:			
Private equity and other	**$**	**2,300**	2,308
Federal bank stock		**4,733**	4,670
Total cost method		**7,033**	6,978
Equity method:			
LIHTC investments (1)		**7,278**	6,209
Private equity and other		**5,132**	5,782
Total equity method		**12,410**	11,991
Fair value (2)		**2,512**	1,386
Total nonmarketable equity investments (3)	**$**	**21,955**	20,355
Marketable equity securities:			
Cost	**$**	**1,906**	2,039
Net unrealized gains		**1,770**	1,346
Total marketable equity securities (4)	**$**	**3,676**	3,385

(1) Represents low income housing tax credit investments.
(2) Represents nonmarketable equity investments for which we have elected the fair value option. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets) and Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information.
(3) Included in other assets on the balance sheet. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets) to Financial Statements in this Report for additional information.
(4) Included in available-for-sale securities. See Note 5 (Investment Securities) to Financial Statements in this Report for additional information.

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 periods of Wells Fargo-specific and/or market stress. To achieve this objective, the Board of Directors establishes liquidity guidelines that require sufficient asset-based liquidity to cover potential funding requirements and to avoid over-dependence on volatile, less reliable funding markets. These guidelines are monitored on a monthly basis by the Corporate ALCO and on a quarterly basis by the Board of Directors. These guidelines are established and monitored for both the consolidated company and for the Parent on a stand-alone basis to ensure that the Parent is a source of strength for its regulated, deposit-taking banking subsidiaries.

We maintain liquidity in the form of cash, cash equivalents and unencumbered high-quality, liquid securities. These assets make up our primary sources of liquidity which are presented in Table 55. Our cash is primarily on deposit with the Federal Reserve. Securities included as part of our primary sources of liquidity are comprised of U.S. Treasury and federal agency debt, and mortgage-backed securities issued by federal agencies within our investment securities portfolio. We believe these securities provide quick sources of liquidity through sales or by pledging to obtain financing, regardless of market conditions. Some of these securities are within the held-to-maturity portion of our investment securities portfolio and as such are not intended for sale but may be pledged to obtain financing. Some of the legal entities within our consolidated group of companies are subject to various regulatory, tax, legal and other restrictions that can limit the transferability of their funds. We believe we maintain adequate liquidity at these entities in consideration of such funds transfer restrictions.

Table 55: Primary Sources of Liquidity

	December 31, 2014			December 31, 2013		
(in millions)	**Total**	**Encumbered**	**Unencumbered**	Total	Encumbered	Unencumbered
Interest-earning deposits	**$ 219,220**	**—**	**219,220**	186,249	—	186,249
Securities of U.S. Treasury and federal agencies (1)	**67,352**	**856**	**66,496**	6,280	571	5,709
Mortgage-backed securities of federal agencies (2)	**115,730**	**80,324**	**35,406**	123,796	60,605	63,191
Total	**$ 402,302**	**81,180**	**321,122**	316,325	61,176	255,149

(1) Included in encumbered securities at December 31, 2014, were securities with a fair value of $152 million which were purchased in December 2014, but settled in January 2015.
(2) Included in encumbered securities at December 31, 2014, were securities with a fair value of $5 million which were purchased in December 2014, but settled in January 2015. Included in encumbered securities at December 31, 2013, were securities with a fair value of $653 million which were purchased in December 2013, but settled in January 2014.

In addition to our primary sources of liquidity shown in Table 55, liquidity is also available through the sale or financing of other securities including trading and/or available-for-sale securities, as well as through the sale, securitization or financing of loans, to the extent such securities and loans are not encumbered. In addition, other securities in our held-to-maturity portfolio, to the extent not encumbered, may be pledged to obtain financing.

Core customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. At December 31, 2014, core deposits were 122% of total loans compared with 119% a year ago. Additional funding is provided by long-term debt, other foreign deposits, and short-term borrowings.

Table 56 shows selected information for short-term borrowings, which generally mature in less than 30 days.

Table 56: Short-Term Borrowings

		Quarter ended			
(in millions)	**Dec 31, 2014**	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
Balance, period end					
Federal funds purchased and securities sold under agreements to repurchase	**$ 51,052**	48,164	45,379	39,254	36,263
Commercial paper	**2,456**	4,365	4,261	6,070	5,162
Other short-term borrowings	**10,010**	10,398	12,209	11,737	12,458
Total	**$ 63,518**	62,927	61,849	57,061	53,883
Average daily balance for period					
Federal funds purchased and securities sold under agreements to repurchase	**$ 51,509**	47,088	42,233	37,711	36,232
Commercial paper	**3,511**	4,587	5,221	5,713	4,731
Other short-term borrowings	**9,656**	10,610	11,391	11,078	11,323
Total	**$ 64,676**	62,285	58,845	54,502	52,286
Maximum month-end balance for period					
Federal funds purchased and securities sold under agreements to repurchase (1)	**$ 51,052**	48,164	45,379	39,589	36,263
Commercial paper (2)	**3,740**	4,665	5,175	6,070	5,162
Other short-term borrowings (3)	**10,010**	10,990	12,209	11,737	12,458

(1) Highest month-end balance in each of the last five quarters was in December, September, June and February 2014, and December 2013.
(2) Highest month-end balance in each of the last five quarters was in November, July, April and March 2014, and December 2013.
(3) Highest month-end balance in each of the last five quarters was in December, July, June and March 2014, and December 2013.

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, our debt securities do not contain credit rating covenants.

In light of industry changes and regulatory developments related to the Title II Orderly Liquidation Authority of the Dodd-Frank Act, rating agencies have proposed changes to various aspects of their ratings methodologies. Moody's Investors Service has proposed significant revisions to its rating methodology, with a focus on how each type of creditor would be affected in any bank failure. Standard and Poor's Ratings Services (S&P) is continuing its reassessment of whether to incorporate the likelihood of extraordinary government support into the ratings of certain bank holding companies, including the Parent. In addition, S&P has recently issued a proposal to incorporate into its bank-level rating methodology an assessment of additional capital available to absorb losses to reduce default risk. During fourth quarter 2014, our ratings were affirmed by Fitch Ratings and formally reviewed by S&P, with no changes. Both the Parent and Wells Fargo Bank, N.A. remain among the top-rated financial firms in the U.S.

See the "Risk Management – Asset/Liability Management" and "Risk Factors" sections in this Report for additional information regarding our credit ratings as of December 31, 2014, and the potential impact a credit rating downgrade would have on our liquidity and operations, as well as Note 16 (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.

The credit ratings of the Parent and Wells Fargo Bank, N.A. as of December 31, 2014, are presented in Table 57.

Table 57: Credit Ratings as of December 31, 2014

	Wells Fargo & Company		Wells Fargo Bank, N.A.	
	Senior debt	Short-term borrowings	Long-term deposits	Short-term borrowings
Moody's	A2	P-1	Aa3	P-1
S&P	A+	A-1	AA-	A-1+
Fitch, Inc.	AA-	F1+	AA	F1+
DBRS	AA	R-1*	AA**	R-1**

* middle **high

On September 3, 2014, the FRB, OCC and FDIC issued a final rule that implements a quantitative liquidity requirement consistent with the liquidity coverage ratio (LCR) established by the Basel Committee on Banking Supervision (BCBS). The rule requires banking institutions, such as Wells Fargo, to hold high-quality liquid assets, such as central bank reserves and government and corporate debt that can be converted easily and quickly into cash, in an amount equal to or greater than its projected net cash outflows during a 30-day stress period. The final LCR rule will be phased-in beginning January 1, 2015, and requires full compliance with a minimum 100% LCR by January 1, 2017. The FRB also recently finalized rules imposing enhanced liquidity management standards on large bank holding companies (BHC) such as Wells Fargo. We will continue to analyze these recently finalized rules and other regulatory proposals that may affect liquidity risk management to determine the level of operational or compliance impact to Wells Fargo. For additional information see the "Capital Management" and "Regulatory Reform" sections in this Report.

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 May 2014, the Parent filed a registration statement with the SEC for the issuance of senior and subordinated notes, preferred stock and other securities. The Parent's ability to issue debt and other securities under this registration statement is limited by the debt issuance authority granted by the Board. The Parent is currently authorized by the Board to issue $60 billion in outstanding short-term debt and $170 billion in outstanding long-term debt. At December 31, 2014, the Parent had available $42.3 billion in short-term debt issuance authority and $67.8 billion in long-term debt issuance authority. The Parent's debt issuance authority granted by the Board includes short-term and long-term debt issued to affiliates. During 2014, the Parent issued $18.1 billion of senior notes, of which $11.5 billion were registered with the SEC. In addition, during 2014, the Parent issued $4.5 billion of subordinated notes, all of which were registered with the SEC. Additionally, in February 2015, the Parent issued $5.2 billion of registered senior notes.

The Parent's proceeds from securities issued 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 58 provides information regarding the Parent's medium-term note (MTN) programs. The Parent may issue senior and subordinated debt securities under Series L & M, Series N & O, 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 58: Medium-Term Note (MTN) Programs

(in billions)	Date established		December 31, 2014 Debt issuance authority	December 31, 2014 Available for issuance
MTN program:				
Series L & M (1)	May 2012	$	25.0	0.9
Series N & O (1)(2)	May 2014		—	—
Series K (1)(3)	April 2010		25.0	21.8
European (4)(5)	December 2009		25.0	12.0
European (4)(6)	August 2013		10.0	9.2
Australian (4)(7)	June 2005	AUD	10.0	4.6

(1) SEC registered.
(2) The Parent can issue an indeterminate amount of debt securities, subject to the debt issuance authority granted by the Board described above.
(3) As amended in April 2012.
(4) Not registered with the SEC. May not be offered in the United States without applicable exemptions from registration.
(5) As amended in April 2012, April 2013 and April 2014. For securities to be admitted to listing on the Official List of the United Kingdom Financial Conduct Authority and to trade on the Regulated Market of the London Stock Exchange.
(6) As amended in May 2014, for securities that will not be admitted to listing, trading and/or quotation by any stock exchange or quotation system, or will be admitted to listing, trading and/or quotation by a stock exchange or quotation system that is not considered to be a regulated market.
(7) As amended in October 2005, March 2010 and September 2013.

Wells Fargo Bank, N.A. Wells Fargo Bank, N.A. is authorized by its board of directors to issue $100 billion in outstanding short-term debt and $125 billion in outstanding long-term debt. At December 31, 2014, Wells Fargo Bank, N.A. had available $100 billion in short-term debt issuance authority and $63.5 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 2014, Wells Fargo Bank, N.A. issued $3.1 billion of senior notes under the bank note program. At December 31, 2014, Wells Fargo Bank, N.A. had remaining issuance capacity under the bank note program of $50 billion in short-term senior notes and $33.5 billion in long-term senior or subordinated notes. In addition, during 2014, Wells Fargo Bank, N.A. executed advances of $15.0 billion with the Federal Home Loan Bank of Des Moines, and as of December 31, 2014, Wells Fargo Bank N.A. had outstanding advances of $34.1 billion across the Federal Home Loan Bank System.

Wells Fargo Canada Corporation In February 2014, Wells Fargo Canada Corporation (WFCC), 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. At December 31, 2014, CAD $7.0 billion still remained available for future issuance under this prospectus. During 2014, WFCC issued CAD $1.3 billion in medium-term notes under a prior base shelf prospectus. All medium-term notes issued by WFCC are unconditionally guaranteed by the Parent.

FEDERAL HOME LOAN BANK MEMBERSHIP The Federal Home Loan Banks (the FHLBs) are a group of cooperatives that lending institutions use to finance housing and economic development in local communities. We are a member of the FHLBs based in Dallas, Des Moines and San Francisco. 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.

We have an active program for managing capital through a comprehensive process for assessing the Company's overall capital adequacy. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. Our potential sources of capital primarily include retention of earnings net of dividends, as well as issuances of common and preferred stock. Retained earnings increased $14.7 billion from December 31, 2013, predominantly from Wells Fargo net income of $23.1 billion, less common and preferred stock dividends of $8.4 billion. During 2014, we issued 96.3 million shares of common stock. In April 2014, we issued 2 million Depositary Shares, each representing 1/25th interest in a share of the Company's newly issued 5.9% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series S, for an aggregate public offering price of $2.0 billion. In July 2014, we issued 32 million Depositary Shares, each representing 1/1000th interest in a share of the Company's newly issued Non-Cumulative Perpetual Class A Preferred Stock, Series T, for an aggregate public offering price of $800 million. In addition, in January 2015, we issued 2 million Depositary Shares, each representing 1/25th interest in a share of the Company's newly issued 5.875% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series U, for an aggregate public offering price of $2.0 billion. During 2014, we repurchased 183.1 million shares of common stock in open market transactions, private transactions and from employee benefit plans, at a cost of $9.2 billion. We also entered into a $750 million forward repurchase contract with an unrelated third party in October 2014 that settled in January 2015 for 14.3 million shares. In addition, we entered into another $750 million forward repurchase contract with an unrelated third party in January 2015 that is expected to settle in second quarter 2015 for approximately 14.3 million shares. 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 insured depository institutions are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC. Risk-based capital (RBC) guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures. At December 31, 2014, the Company and each of our insured depository institutions were "well-capitalized" under applicable regulatory capital adequacy guidelines. See Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

The RBC guidelines, which have their roots in the 1988 capital accord of the Basel Committee on Banking Supervision (BCBS) establishing international guidelines for determining regulatory capital, reflect broad credit risk considerations and 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.

The market risk capital rule, effective January 1, 2013, is reflected in the Company's calculation of RWAs to address the market risks of significant trading activities. In December 2013, the FRB approved a final rule, effective April 1, 2014, revising the market risk capital rule to, among other things, conform to the FRB's new capital framework finalized in July 2013 and discussed below. For additional information see the "Risk Management - Asset/Liability Management" section in this Report.

In 2007, federal banking regulators approved a final rule adopting revised international guidelines for determining regulatory capital known as "Basel II." Basel II incorporates three pillars that address (a) capital adequacy, (b) supervisory review, which relates to the computation of capital and internal assessment processes, and (c) market discipline, through increased disclosure requirements. We entered the "parallel run phase" of Basel II in July 2012. During the "parallel run phase," banking organizations must successfully complete an evaluation period under supervision from regulatory agencies in order to receive approval to calculate risk-based capital requirements under the Advanced Approach guidelines. The parallel run phase will continue until we receive regulatory approval to exit parallel reporting and subsequently begin publicly reporting our Advanced Approach regulatory capital results and related disclosures.

In December 2010, the BCBS finalized a set of further revised international guidelines for determining regulatory capital known as "Basel III." These guidelines were developed in response to the 2008 financial crisis and were intended to address many of the weaknesses identified in the previous Basel standards, as well as in the banking sector that contributed to the crisis including excessive leverage, inadequate and low quality capital and insufficient liquidity buffers.

In July 2013, federal banking regulators approved final and interim final rules to implement the BCBS Basel III capital guidelines for U.S. banking organizations. These final capital rules, among other things:

- implement in the United States the Basel III regulatory capital reforms including those that revise the definition of capital, increase minimum capital ratios, and introduce a minimum Common Equity Tier 1 (CET1) ratio of 4.5% and a capital conservation buffer of 2.5% (for a total minimum CET1 ratio of 7.0%) and a potential countercyclical buffer of up to 2.5%, which would be imposed by regulators at their discretion if it is determined that a period of excessive credit growth is contributing to an increase in systemic risk;
- require a Tier 1 capital to average total consolidated assets ratio of 4% and introduce, for large and internationally active bank holding companies (BHCs), a Tier 1 supplementary leverage ratio of 3% that incorporates off-balance sheet exposures;
- revise Basel I rules for calculating RWA to enhance risk sensitivity under a standardized approach;
- modify the existing Basel II advanced approaches rules for calculating RWA to implement Basel III;
- deduct certain assets from CET1, such as deferred tax assets that could not be realized through net operating loss carry-backs, significant investments in non-consolidated financial entities, and MSRs, to the extent any one category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1;
- eliminate the accumulated other comprehensive income or loss filter that applies under RBC rules over a five-year phase-in period beginning in 2014; and

- comply with the Dodd-Frank Act provision prohibiting the reliance on external credit ratings.

We were required to comply with the final Basel III capital rules beginning January 2014, with certain provisions subject to phase-in periods. The Basel III capital rules are scheduled to be fully phased in by January 1, 2022. Based on the final capital rules, we estimate that our CET1 ratio under the final Basel III capital rules using the Advanced Approach (fully phased-in) exceeded the minimum of 7.0% by 343 basis points at December 31, 2014.

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

In April 2014, federal banking regulators finalized a rule that enhances the supplementary leverage ratio requirements for large BHCs, like Wells Fargo, and their insured depository institutions. The rule, which becomes effective on January 1, 2018, will require a covered BHC to maintain a supplementary leverage ratio of at least 5% to avoid restrictions on capital distributions and discretionary bonus payments. The rule will also require that all of our insured depository institutions maintain a supplementary leverage ratio of 6% in order to be considered well capitalized. Based on our review, our current leverage levels would exceed the applicable requirements for the holding company and each of our insured depository institutions. Federal banking regulators, however, recently finalized additional changes to the supplementary leverage ratio requirements to implement revisions to the Basel III leverage framework finalized by the BCBS in January 2014. These additional changes, among other things, modify the methodology for including off-balance sheet items, including credit derivatives, repo-style transactions and lines of credit, in the denominator of the supplementary leverage ratio, and will become effective on January 1, 2018. In addition, as discussed in the "Risk Management - Asset/Liability Management - Liquidity and Funding" section in this Report, a final rule regarding the U.S. implementation of the Basel III LCR was issued by the FRB, OCC and FDIC in September 2014.

The FRB has also indicated that it is in the process of considering new rules to address the amount of equity and unsecured debt a company must hold to facilitate its orderly liquidation, often referred to as Total Loss Absorbing Capacity (TLAC). In November 2014, the Financial Stability Board (FSB) issued for public consultation policy proposals on TLAC. Under the FSB's TLAC proposal, global systemically important banks (G-SIBs) would be required to hold loss absorbing equity and unsecured debt of 16-20% of RWAs, with at least 33% of this total being unsecured debt rather than equity. The FRB will likely propose related rules sometime after the FSB's public consultation on the TLAC proposal ends.

In addition, in December 2014, the FRB proposed rules to implement an additional CET1 capital surcharge on those U.S. banking organizations, such as the Company, that have been designated by the FSB as G-SIBs. The G-SIB surcharge would be in addition to the minimum Basel III 7.0% CET1 requirement. Under the FRB proposal, a G-SIB would calculate its surcharge under two methods and use the higher of the two surcharges. The first method would consider the G-SIB's size, interconnectedness, cross-jurisdictional activity, substitutability, and complexity, consistent with a methodology developed by the BCBS and FSB. The second would use similar inputs, but would replace substitutability with use of short-term wholesale funding and would generally result in higher surcharges than the BCBS methodology. Under the FRB proposal, estimated surcharges for G-SIBs would range from 1.0 to 4.5 percent of a firm's RWAs. The G-SIB surcharge would be phased in beginning on January 1, 2016 and become fully effective on January 1, 2019. The FSB, in an updated listing published in November 2014 based on year-end 2013 data, identified the Company as one of the 30 G-SIBs.

Capital Planning and Stress Testing

Under the FRB's capital plan rule, large BHCs are required to submit capital plans annually for review to determine if the FRB has any objections before making any capital distributions. The rule requires updates to capital plans in the event of material changes in a BHC's risk profile, including as a result of any significant acquisitions. The FRB assesses the overall financial condition, risk profile, and capital adequacy of BHCs while considering both quantitative and qualitative factors when evaluating capital plans.

On March 26, 2014, the FRB notified us that it did not object to our 2014 capital plan included in the 2014 CCAR. Since the FRB notification, the Company took several capital actions during 2014, including increasing its quarterly common stock dividend rate to $0.35 per share and repurchasing shares of our common stock.

Our 2015 CCAR, which was submitted on January 2, 2015, 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 the CCAR in 2014. As part of the 2015 CCAR, the FRB also generated a supervisory stress test, which assumed a sharp decline in the economy and significant decline in asset pricing using the information provided by the Company to estimate performance. The FRB is expected to review 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 has indicated that it will publish its supervisory stress test results as required under the Dodd-Frank Act, and the related CCAR results taking into account the Company's proposed capital actions, in March 2015.

In addition to CCAR, federal banking regulators also require stress tests to evaluate whether an institution has sufficient capital to continue to operate during periods of adverse economic and financial conditions. These stress testing requirements 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. The FRB recently finalized rules amending the existing capital plan and stress testing rules to modify the start date of capital plan and stress testing cycles and to limit a large BHC's ability to make capital distributions to the extent its actual capital issuances were less than amounts indicated in its capital plan. As required under the FRB's stress testing rule, we completed a mid-cycle stress test based on March 31, 2014, data and scenarios developed by the Company. We submitted the results of the mid-cycle stress test to the FRB in July 2014 and disclosed a summary of the results in September 2014.

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, which was completed by July 2014. The Board authorized the repurchase of an additional 350 million shares in March 2014. At December 31, 2014, we had remaining authority to repurchase approximately 240 million shares, subject to regulatory and legal conditions. For more information about share repurchases during fourth quarter 2014, see Part II, Item 5 in our 2014 Form 10-K.

Historically, our policy has been to repurchase shares under the "safe harbor" conditions of Rule 10b-18 of the Securities Exchange Act of 1934 including a limitation on the daily volume of repurchases. Rule 10b-18 imposes an additional daily volume limitation on share repurchases during a pending merger or acquisition in which shares of our stock will constitute some or all of the consideration. Our management may determine that during a pending stock merger or acquisition when the safe harbor would otherwise be available, it is in our best interest to repurchase shares in excess of this additional daily volume limitation. In such cases, we intend to repurchase shares in compliance with the other conditions of the safe harbor, including the standing daily volume limitation that applies whether or not there is a pending stock merger or acquisition.

In connection with our participation in the Capital Purchase Program (CPP), a part of the Troubled Asset Relief Program (TARP), we issued to the U.S. Treasury Department warrants to purchase 110,261,688 shares of our common stock with an original exercise price of $34.01 per share expiring on October 28, 2018. The terms of the warrants require the exercise price to be adjusted under certain circumstances when the Company's quarterly common stock dividend exceeds $0.34 per share, which began occurring in second quarter 2014. Accordingly, with each quarterly common stock dividend above $0.34 per share, we must calculate whether an adjustment to the exercise price is required by the terms of the warrants, including whether certain minimum thresholds have been met to trigger an adjustment, and notify the holders of any such change. The Board authorized the repurchase by the Company of up to $1 billion of the warrants. At December 31, 2014, there were 38,424,434 warrants outstanding, exercisable at $33.996 per share, 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.

Risk-Based Capital and Risk-Weighted Assets

Table 59 and Table 60 provide information regarding the composition of and change in our risk-based capital, respectively, under Basel I and Basel III (General Approach).

Table 59: Risk-Based Capital Components

(in billions)		Under Basel III (General Approach) (1) Dec 31, 2014	Under Basel I Dec 31, 2013
Total equity		**$ 185.3**	171.0
Noncontrolling interests		**(0.9)**	(0.9)
Total Wells Fargo stockholders' equity		**184.4**	170.1
Adjustments:			
Preferred stock		**(18.0)**	(15.2)
Cumulative other comprehensive income (2)		**(2.6)**	(1.4)
Goodwill and other intangible assets (2)(3)		**(26.3)**	(29.6)
Investment in certain subsidiaries and other		**(0.4)**	(0.4)
Common Equity Tier 1 (1)(4)	(A)	**137.1**	123.5
Preferred stock		**18.0**	15.2
Qualifying hybrid securities and noncontrolling interests		**—**	2.0
Other		**(0.4)**	—
Total Tier 1 capital		**154.7**	140.7
Long-term debt and other instruments qualifying as Tier 2		**25.0**	20.5
Qualifying allowance for credit losses		**13.2**	14.3
Other		**—**	0.7
Total Tier 2 capital		**38.2**	35.5
Total qualifying capital	(B)	**$ 192.9**	176.2
Basel III Risk-weighted assets (RWAs) (5):			
Credit risk		**$ 1,192.9**	
Market risk		**49.6**	
Basel I RWAs (5):			
Credit risk			1,105.2
Market risk			36.3
Total Basel III / Basel I RWAs	(C)	**$ 1,242.5**	1,141.5
Capital Ratios:			
Common Equity Tier I to total RWAs	(A)/(C)	**11.04%**	10.82
Total capital to total RWAs	(B)/(C)	**15.53**	15.43

(1) Basel III revises the definition of capital, increases minimum capital ratios, and introduces a minimum Common Equity Tier 1 (CET1) ratio. These changes are being fully phased in effective January 1, 2014, through the end of 2021 and the capital ratios will be determined using Basel III (General Approach) RWAs during 2014. See Table 62 in this section for a summary of changes in RWAs from December 31, 2013, to December 31, 2014.

(2) Under transition provisions to Basel III, cumulative other comprehensive income (previously deducted under Basel I) is included in CET1 over a specified phase-in period. In addition, certain intangible assets includable in CET1 are phased out over a specified period.

(3) Goodwill and other intangible assets are net of any associated deferred tax liabilities.

(4) CET1 (formerly Tier 1 common equity under Basel I) 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 CET1 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.

(5) 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 RWAs.

Table 60: Analysis of Changes in Capital Under Basel III (General Approach)

(in billions)			
Common Equity Tier 1 at December 31, 2013		$	123.5
Net income			21.8
Common stock dividends			(7.1)
Common stock issued, repurchased, and stock compensation-related items			(5.4)
Goodwill and other intangible assets (net of any associated deferred tax liabilities)			3.3
Other			1.0
Change in Common Equity Tier 1			13.6
Common Equity Tier 1 at December 31, 2014		$	137.1
Tier 1 capital at December 31, 2013		$	140.7
Change in Common Equity Tier 1			13.6
Issuance of noncumulative perpetual preferred			2.8
Other			(2.4)
Change in Tier 1 capital			14.0
Tier 1 capital at December 31, 2014	(A)	$	154.7
Tier 2 capital at December 31, 2013		$	35.5
Change in long-term debt and other instruments qualifying as Tier 2			4.5
Change in qualifying allowance for credit losses			(1.1)
Other			(0.7)
Change in Tier 2 capital			2.7
Tier 2 capital at December 31, 2014	(B)		38.2
Total qualifying capital	(A) + (B)	$	192.9

Table 61 presents information on the components of RWAs included within our regulatory capital ratios. RWAs prior to 2014 were determined under Basel I, and RWAs in 2014 reflect the transition to Basel III (General Approach).

Table 61: RWAs

	Under Basel III (General Approach) (1)	Under Basel I
	Dec 31,	Dec 31,
(in millions)	**2014**	2013
On-balance sheet RWAs		
Investment securities	**$ 85,501**	93,445
Securities financing transactions (1)	**12,369**	10,385
Loans (2)	**726,008**	680,953
Market risk (3)	**49,613**	36,339
Other	**112,619**	91,788
Total on-balance sheet RWAs	**986,110**	912,910
Off-balance sheet RWAs		
Commitments and guarantees (4)	**218,884**	199,197
Derivatives	**10,314**	10,545
Other	**27,237**	18,862
Total off-balance sheet RWAs	**256,435**	228,604
Total RWAs	**$ 1,242,545**	1,141,514

(1) Represents federal funds sold and securities purchased under resale agreements.
(2) Represents loans held for sale and loans held for investment.
(3) Represents regulatory 'covered' positions within trading assets and liabilities.
(4) Primarily includes financial standby letters of credit and other unused commitments.

Table 62 presents changes in RWAs for 2014. Effective January 1, 2014, we commenced transitioning RWAs from Basel I to Basel III (General Approach) under final rules adopted by federal banking regulators in July 2013.

Table 62: Analysis of Changes in RWAs

(in millions)		
Basel I RWAs at December 31, 2013	$	1,141,514
Net change in on-balance sheet RWAs:		
Investment securities		(7,944)
Securities financing transactions		1,984
Loans		45,055
Market risk		13,274
Other		20,831
Total change in on-balance sheet RWAs		73,200
Net change in off-balance sheet RWAs:		
Commitments and guarantees		19,687
Derivatives		(231)
Other		8,375
Total change in off-balance sheet RWAs		27,831
Total change in RWAs		101,031
Basel III (General Approach) RWAs at December 31, 2014	$	1,242,545

The increase in total RWAs from December 31, 2013, was primarily due to increased lending activity.

Table 63 provides information regarding our CET1 calculation as estimated under Basel III using the Advanced Approach, fully phased-in method.

Table 63: Common Equity Tier 1 Under Basel III (Advanced Approach, Fully Phased-In) (1)(2)

(in billions)			December 31, 2014
Common Equity Tier 1 (transition amount) under Basel III		$	137.1
Adjustments from transition amount to fully phased-in Basel III (3):			
Cumulative other comprehensive income			2.4
Other			(2.8)
Total adjustments			(0.4)
Common Equity Tier 1 (fully phased-in) under Basel III	(C)	$	136.7
Total RWAs anticipated under Basel III (4)	(D)	$	1,310.5
Common Equity Tier 1 to total RWAs anticipated under Basel III (Advanced Approach, fully phased-in)	(C)/(D)		10.43%

(1) CET1 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 CET1 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 CET1 and RWAs are estimated based on the Basel III capital rules adopted July 2, 2013, by the FRB. The rules establish a new comprehensive capital framework for U.S. banking organizations that implement the Basel III capital framework and certain provisions of the Dodd-Frank Act. The rules are being fully phased in effective January 1, 2014, through the end of 2021.

(3) Assumes cumulative other comprehensive income is fully phased in and certain other intangible assets are fully phased out under Basel III capital rules.

(4) The final Basel III capital rules provide for two capital frameworks: the Standardized Approach intended to replace Basel I, and the Advanced Approach applicable to certain institutions. Under the final rules, we will be subject to the lower of our CET1 ratio calculated under the Standardized Approach and under the Advanced Approach in the assessment of our capital adequacy. While the amount of RWAs determined under the Standardized and Advanced Approaches has been converging, the amount of RWAs as of December 31, 2014, was based on the Advanced Approach, which was higher than RWAs under the Standardized Approach, and thus resulted in a lower CET1 ratio compared with the Standardized Approach. Basel III capital rules adopted by the Federal Reserve Board incorporate different classification of assets, with risk weights based on Wells Fargo's internal models, along with adjustments to address a combination of credit/counterparty, operational and market risks, and other Basel III elements.

Since the enactment of the Dodd-Frank Act in 2010, the U.S. financial services industry has been subject to a significant increase in regulation and regulatory oversight initiatives. This increased regulation and oversight has substantially changed how most U.S. financial services companies conduct business and has increased their regulatory compliance costs. The following highlights the more significant regulations and regulatory oversight initiatives that have affected or may affect our business. For additional information about the regulatory reform matters discussed below and other regulations and regulatory oversight matters, see Part I, Item 1 "Regulation and Supervision" of our 2014 Form 10-K, and the "Capital Management," "Forward-Looking Statements" and "Risk Factors" sections and Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

Dodd-Frank Act

The Dodd-Frank Act is the most significant financial reform legislation since the 1930s and is driving much of the current U.S. regulatory reform efforts. The Dodd-Frank Act and many of its provisions became effective in July 2010 and July 2011. However, a number of its provisions still require final rulemaking or additional guidance and interpretation by regulatory authorities or will be implemented over time. Accordingly, in many respects the ultimate impact of the Dodd-Frank Act and its effects on the U.S. financial system and the Company remain uncertain. The following provides additional information on the Dodd-Frank Act, including the current status of certain of its rulemaking initiatives.

- *Enhanced supervision and regulation of systemically important firms*. The Dodd-Frank Act grants broad authority to federal banking regulators to establish enhanced supervisory and regulatory requirements for systemically important firms. The FRB has finalized a number of regulations implementing enhanced prudential requirements for large bank holding companies (BHCs) like Wells Fargo regarding risk-based capital and leverage, risk and liquidity management, and imposing debt-to-equity limits on any BHC that regulators determine poses a grave threat to the financial stability of the United States. The FRB and OCC have also finalized rules implementing stress testing requirements for large BHCs and national banks. The FRB has also proposed, but not yet finalized, additional enhanced prudential standards that would implement single counterparty credit limits and establish remediation requirements for large BHCs experiencing financial distress. In addition to the authorization of enhanced supervisory and regulatory requirements for systemically important firms, the Dodd-Frank Act also established the Financial Stability Oversight Council and the Office of Financial Research, which may recommend new systemic risk management requirements and require new reporting of systemic risks. The OCC, under separate authority, has also recently finalized guidelines establishing heightened governance and risk management standards for large national banks such as Wells Fargo Bank, N.A. The OCC guidelines require covered banks to establish and adhere to a written risk governance framework in order to manage and control their risk-taking activities. The guidelines also formalize roles and responsibilities for risk management practices within covered banks and create certain risk oversight responsibilities for their boards of directors.
- *The Collins Amendment*. This provision of the Dodd-Frank Act phases out the benefit of issuing trust preferred securities by eliminating them from Tier 1 capital over a three year period that began on January 1, 2013.
- *Regulation of consumer financial products*. The Dodd-Frank Act established the Consumer Financial Protection Bureau (CFPB) to ensure consumers receive clear and accurate disclosures regarding financial products and to protect them from hidden fees and unfair or abusive practices. With respect to residential mortgage lending, the CFPB issued a number of final rules in 2013 implementing new origination, notification and other requirements that generally became effective in January 2014. In November 2013, the CFPB also finalized rules integrating disclosures required of lenders and settlement agents under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) effective August 1, 2015. These rules combine existing separate disclosure forms under the TILA and RESPA into new integrated forms and provide additional limitations on the fees and charges that may be increased from the estimates provided by lenders. With respect to non-residential mortgage lending, in November 2014, the CFPB issued a proposed rule to expand consumer protections for prepaid products such as prepaid cards. The proposal would make prepaid cards subject to similar consumer protections as more traditional debit and credit cards such as fraud protection and expanded access to account information.

  In addition to these rulemaking activities, the CFPB is continuing its on-going supervisory examination activities of the financial services industry with respect to a number of consumer businesses and products, including mortgage lending and servicing, fair lending requirements, student lending activities, and auto finance. At this time, the Company cannot predict the full impact of the CFPB's rulemaking and supervisory authority on our business practices or financial results.
- *Volcker Rule*. The Volcker Rule, with limited exceptions, prohibits banking entities from engaging in proprietary trading or owning any interest in or sponsoring or having certain relationships with a hedge fund, a private equity fund or certain structured transactions that are deemed covered funds. On December 10, 2013, federal banking regulators, the SEC and CFTC (collectively, the Volcker supervisory regulators) jointly released a final rule to implement the Volcker Rule's restrictions. Banking entities are not required to come into compliance with the Volcker Rule's restrictions until July 21, 2015. Banking entities with $50 billion or more in trading assets and liabilities such as Wells Fargo, however, are required to report to the Volcker supervisory regulators certain trading metrics beginning June 30, 2014. Wells Fargo has begun submitting such metrics to the Volcker supervisory regulators. During the conformance period, banking entities are expected to engage in good-faith planning efforts, appropriate for their activities and investments, to enable them to conform all of their activities and investments to the Volcker Rule's restrictions by no later than July 21, 2015. Limited further extensions of the compliance period may be granted at the discretion of the FRB. The FRB has extended the rule's

compliance date to give banking entities until July 21, 2016, to conform their ownership interests in and sponsorships of covered funds that were in place prior to December 31, 2013, and the FRB has announced that it intends to provide an additional one-year extension to this date in the future. As a banking entity with more than $50 billion in consolidated assets, we will also be subject to enhanced compliance program requirements. At this time, we do not anticipate a material impact to our financial results from the rule as prohibited proprietary trading and covered fund investment activities are not significant to our financial results. Moreover, we already have reduced or exited certain businesses in anticipation of the rule's compliance date and expect to have to make limited divestments in non-conforming funds as a result of the rule.

- *Regulation of swaps and other derivatives activities.* The Dodd-Frank Act established a comprehensive framework for regulating over-the-counter derivatives and authorized the CFTC and the SEC to regulate swaps and security-based swaps, respectively. The CFTC and SEC jointly adopted new rules and interpretations that established the compliance dates for many of their rules implementing the new regulatory framework, including provisional registration of our national bank subsidiary, Wells Fargo Bank, N.A., as a swap dealer, which occurred at the end of 2012. In addition, the CFTC has adopted final rules that, among other things, require extensive regulatory and public reporting of swaps, require certain swaps to be centrally cleared and traded on exchanges or other multilateral platforms, and require swap dealers to comply with comprehensive internal and external business conduct standards. Also included in this regulatory framework are so-called push-out provisions affecting U.S. banks acting as dealers in commodity swaps, equity swaps and certain credit default swaps, which require that these activities be conducted through an affiliate. These push-out provisions have since been amended to apply only to structured finance swaps. Margin rules for swaps not centrally cleared have been proposed, and in September 2014 were re-proposed. If adopted as re-proposed, the margin and capital requirements for swaps not centrally cleared may significantly increase the cost of hedging in the over-the-counter market. All of these new rules, as well as others being considered by regulators in other jurisdictions, may negatively impact customer demand for over-the-counter derivatives and may increase our costs for engaging in swaps and other derivatives activities.
- *Changes to asset-backed securities (ABS) markets.* The Dodd-Frank Act requires sponsors of ABS to hold at least a 5% ownership stake in the ABS. Exemptions from the requirement include qualified residential mortgages (QRMs) and FHA/VA loans. In October 2014, federal regulatory agencies issued final rules to implement this credit risk retention requirement, which included an exemption for the GSE's mortgage-backed securities. The final rules also aligned the definition of QRMs, which are exempt from the risk retention requirements, with the Consumer Financial Protection Bureau's definition of "qualified mortgage." In addition, the final rules addressed the measures for complying with the risk retention requirement and continued to provide limited exemptions for qualifying commercial loans, qualifying commercial real estate loans, and qualifying automobile loans that meet certain requirements. We continue to evaluate the final rules and assess their impact on our ability to issue certain asset-backed securities or otherwise participate in various securitization transactions.
- *Enhanced regulation of money market mutual funds.* On July 23, 2014, the SEC adopted a rule governing money market mutual funds that, among other things, requires significant structural changes to these funds, including requiring institutional prime money market funds to maintain a variable net asset value and providing for the imposition of liquidity fees and redemption gates for all non-governmental money market funds during periods in which they experience liquidity impairments of a certain magnitude. The SEC has provided a period of two years following the effective date of the rule for funds to comply with these structural changes.
- *Regulation of interchange transaction fees (the Durbin Amendment).* On October 1, 2011, the FRB rule enacted to implement the Durbin Amendment to the Dodd-Frank Act that limits debit card interchange transaction fees to those reasonable and proportional to the cost of the transaction became effective. The rule generally established that the maximum allowable interchange fee that an issuer may receive or charge for an electronic debit transaction is the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction. On July 31, 2013, the U.S. District Court for the District of Columbia ruled that the approach used by the FRB in setting the maximum allowable interchange transaction fee impermissibly included costs that were specifically excluded from consideration under the Durbin Amendment. In August 2013, the FRB filed a notice of appeal of the decision to the United States Court of Appeals for the District of Columbia. In March 2014, the Court of Appeals reversed the District Court's decision, but did direct the FRB to provide further explanation regarding its treatment of the costs of monitoring transactions. The plaintiffs did not file a petition for rehearing with the Court of Appeals but filed a petition for writ of certiorari with the U.S. Supreme Court. In January 2015, the U.S. Supreme Court denied the petition for writ of certiorari.

Regulatory Capital Guidelines and Capital Plans

During 2013, federal banking regulators issued final rules that substantially amended the risk-based capital rules for banking organizations. The rules implement the Basel III regulatory capital reforms in the U.S., comply with changes required by the Dodd-Frank Act, and replace the existing Basel I-based capital requirements. We were required to begin complying with the rules on January 1, 2014, subject to phase-in periods that are scheduled to be fully phased in by January 1, 2022. In 2014, federal banking regulators also finalized rules to impose a supplementary leverage ratio on large BHCs like Wells Fargo and our insured depository institutions and to implement the Basel III liquidity coverage ratio. For more information on the final capital, leverage and liquidity rules, and additional capital requirements under consideration by federal banking regulators, see the "Capital Management" section in this Report.

"Living Will" Requirements and Related Matters

Rules adopted by the FRB and the FDIC under the Dodd-Frank Act require large financial institutions, including Wells Fargo, to prepare and periodically revise resolution plans, so-called "living-wills", that would facilitate their resolution in the event of material distress or failure. Under the rules, resolution plans are required to provide strategies for resolution under the Bankruptcy Code and other applicable insolvency regimes that

can be accomplished in a reasonable period of time and in a manner that mitigates the risk that failure would have serious adverse effects on the financial stability of the United States. Wells Fargo submitted its second annual resolution plan under these rules on June 26, 2014. On November 25, 2014, the FRB and FDIC announced that our 2014 resolution plan submission provided a basis for a resolution strategy that could facilitate an orderly resolution under bankruptcy; however, they identified specific shortcomings in the 2014 resolution plan that would need to be addressed in the 2015 resolution plan. If the FRB and FDIC determine that our resolution plan is deficient, the Dodd-Frank Act authorizes the FRB and FDIC to impose more stringent capital, leverage or liquidity requirements on us or restrict our growth or activities until we submit a plan remedying the deficiencies. If the FRB and FDIC ultimately determine that we have been unable to remedy the deficiencies, they could order us to divest assets or operations in order to facilitate our orderly resolution in the event of our material distress or failure. Our national bank subsidiary, Wells Fargo Bank, N.A., is also required to prepare a resolution plan for the FDIC under separate regulatory authority and submitted its second annual resolution plan on June 26, 2014.

The Dodd-Frank Act also establishes an orderly liquidation process which allows for the appointment of the FDIC as a receiver of a systemically important financial institution that is in default or in danger of default. The FDIC has issued rules to implement its orderly liquidation authority and released a notice and request for comment regarding a proposed resolution strategy, known as "single point of entry," designed to resolve a large financial institution in a manner that holds management responsible for its failure, maintains market stability, and imposes losses on shareholders and creditors in accordance with statutory priorities, without imposing a cost on U.S. taxpayers. Implementation of the strategy would require that institutions maintain a sufficient amount of available equity and unsecured debt to absorb losses and recapitalize operating subsidiaries. The FDIC has not issued any final statements on the single point of entry resolution strategy.

Critical Accounting Policies

Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report) 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. Five 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;
- the fair valuation of financial instruments; and
- income taxes.

Management and the Board's Audit and Examination committee have reviewed and approved these critical accounting policies.

Allowance for Credit Losses

We maintain an allowance for credit losses, which consists of the allowance for loan losses and the allowance for unfunded credit commitments, which is management's estimate of credit losses inherent in the loan portfolio, including unfunded credit commitments, at the balance sheet date, excluding loans carried at fair value. For a description of our related accounting policies, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Changes in the allowance for credit losses and, therefore, in the related provision for credit losses can materially affect net income. In applying the review and judgment required to determine the allowance for credit losses, management considers changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, economic factors or business decisions, such as the addition or liquidation of a loan product or business unit, may affect the loan portfolio, causing management to provide or release amounts from the allowance for credit losses. While our methodology attributes portions of the allowance to specific portfolio segments (commercial and consumer), the entire allowance for credit losses is available to absorb credit losses inherent in the total loan portfolio and unfunded credit commitments.

Judgment is specifically applied in:

- *Credit risk ratings applied to individual commercial loans and unfunded credit commitments*. We estimate the probability of default in accordance with the borrower's financial strength using a borrower quality rating and the severity of loss in the event of default using a collateral quality rating. Collectively, these ratings are referred to as credit risk ratings and are assigned to our commercial loans. Probability of default and severity at the time of default are statistically derived through historical observations of defaults and losses after default within each credit risk rating. Commercial loan risk ratings are evaluated based on each situation by experienced senior credit officers and are subject to periodic review by an internal team of credit specialists.
- *Economic assumptions applied to pools of consumer loans (statistically modeled)*. Losses are estimated using economic variables to represent our best estimate of inherent loss. Our forecasted losses are modeled using a range of economic scenarios.
- *Selection of a credit loss estimation model that fits the credit risk characteristics of its portfolio*. We use both internally developed and vendor supplied models in this process. We often use expected loss, roll rate, net flow, vintage maturation, behavior score, and time series or statistical trend models, most with economic correlations. Management must use judgment in establishing additional input metrics for the modeling processes, considering further stratification into reference data time series, sub-product, origination channel, vintage, loss type, geographic location and other predictive characteristics. The models used to determine the allowance are validated by an internal model validation group operating in accordance with Company policies.
- *Assessment of limitations to credit loss estimation models*. We apply our judgment to adjust or supplement our modeled estimates to reflect other risks that may be

identified from current conditions and developments in selected portfolios.

- *Identification and measurement of impaired loans, including loans modified in a TDR.* Our experienced senior credit officers may consider a loan impaired based on their evaluation of current information and events, including loans modified in a TDR. The measurement of impairment is typically based on an analysis of the present value of expected future cash flows. The development of these expectations requires significant management review and judgment.
- *An amount for imprecision or uncertainty which reflects management's overall estimate of the effect of quantitative and qualitative factors on inherent credit losses.* This amount represents management's judgment of risks inherent in the processes and assumptions used in establishing the allowance. This imprecision considers economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends and emerging risk assessments.

SENSITIVITY TO CHANGES Table 64 demonstrates the impact of the sensitivity of our estimates on our allowance for credit losses.

Table 64: Allowance Sensitivity Summary

	December 31, 2014
	Estimated increase / (decrease)
(in billions)	in allowance
Assumption:	
Favorable (1)	$ (2.5)
Adverse (2)	7.8

(1) Represents a one risk rating upgrade throughout our commercial portfolio segment and a more optimistic economic outlook for modeled losses on our consumer portfolio segment.
(2) Represents a one risk rating downgrade throughout our commercial portfolio segment, a more pessimistic economic outlook for modeled losses on our consumer portfolio segment, and incremental deterioration for PCI loans.

The sensitivity analyses provided in the previous table are hypothetical scenarios and are not considered probable. They do not represent management's view of inherent losses in the portfolio as of the balance sheet date. Because significant judgment is used, it is possible that others performing similar analyses could reach different conclusions. See the "Risk Management - Credit Risk Management - Allowance for Credit Losses" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for further discussion of our allowance for credit losses.

Purchased Credit-Impaired (PCI) Loans

Loans acquired with evidence of credit deterioration since their origination and where it is probable that we will not collect all contractually required principal and interest payments are PCI loans. Substantially all of our PCI loans were acquired in the Wachovia acquisition on December 31, 2008. For a description of our related accounting policies, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

We apply judgment for PCI loans in:

- identifying loans that meet the PCI criteria at acquisition based on our evaluation of credit quality deterioration using indicators such as past due and nonaccrual status, commercial risk ratings, recent borrower credit scores and recent loan-to-value percentages.
- determining initial fair value at acquisition, which is based on an estimate of cash flows, both principal and interest, expected to be collected, discounted at the prevailing market rate of interest. We estimate the cash flows expected to be collected at acquisition using our internal credit risk, interest rate risk and prepayment risk models, which incorporate our best estimate of current key assumptions, such as property values, default rates, loss severity and prepayment speeds. Our estimation includes the timing and amount of cash flows expected to be collected.
- regularly evaluating our estimates of cash flows expected to be collected, subsequent to acquisition. These evaluations, performed quarterly, require the continued usage of key assumptions and estimates, similar to our initial estimate of fair value. We must apply judgment to develop our estimates of cash flows for PCI loans given the impact of changes in value of underlying collateral such as home price and property value changes, changing loss severities, modification activity, and prepayment speeds.

The amount of cash flows expected to be collected and, accordingly, the appropriateness of the allowance for loan loss due to certain decreases in cash flows expected to be collected, is particularly sensitive to changes in loan credit quality. The sensitivity of the overall allowance for credit losses, including PCI loans, is presented in the preceding section, "Critical Accounting Policies - Allowance for Credit Losses."

See the "Risk Management - Credit Risk Management - Purchased Credit Impaired Loans" section and Note 6 (Loans and Allowance for Credit Losses - Purchased Credit Impaired Loans") to Financial Statements in this Report for further discussion of PCI loans.

Valuation of Residential Mortgage Servicing Rights (MSRs)

MSRs are assets that represent the rights to service mortgage loans for others. We recognize MSRs when we purchase servicing rights from third parties, or retain servicing rights in connection with the sale or securitization of loans we originate (asset transfers). We also have MSRs acquired in the past under co-issuer agreements that provide for us to service loans that were originated and securitized by third-party correspondents.

We carry our MSRs related to residential mortgage loans at fair value. Periodic changes in our residential MSRs and the economic hedges used to hedge our residential MSRs are reflected in earnings.

We use a model to estimate the fair value of our residential MSRs. The model is validated by an internal model validation group operating in accordance with Company policies. The model calculates the present value of estimated future net servicing income and incorporates inputs and assumptions that market participants use in estimating fair value. Certain significant inputs and assumptions are not observable in the market and require judgment to determine:

- *The mortgage loan prepayment speed used to estimate future net servicing income.* The prepayment speed is the annual rate at which borrowers are forecasted to repay their mortgage loan principal. Prepayment speeds are influenced by changes in mortgage interest rates and borrower behavior, including estimates for borrower default.
- *The discount rate used to present value estimated future net servicing income.* The discount rate is the required rate of return investors in the market would expect for an asset

with similar risk. To determine the discount rate, we consider the risk premium for uncertainties from servicing operations (e.g., possible changes in future servicing costs, ancillary income and earnings on escrow accounts).

- *The expected cost to service loans used to estimate future net servicing income.* The cost to service loans includes estimates for unreimbursed expenses, such as delinquency and foreclosure costs, which considers the number of defaulted loans as well as changes in servicing processes associated with default and foreclosure management.

Both prepayment speed and discount rate assumptions can, and generally will, change quarterly as market conditions and mortgage interest rates change. For example, an increase in either the prepayment speed or discount rate assumption results in a decrease in the fair value of the MSRs, while a decrease in either assumption would result in an increase in the fair value of the MSRs. In recent years, there have been significant market-driven fluctuations in loan prepayment speeds and the discount rate. These fluctuations can be rapid and may be significant in the future. Additionally, while our current valuation reflects our best estimate of servicing costs, future regulatory changes in servicing standards, as well as changes in individual state foreclosure legislation, may have an impact on our servicing cost assumption and our MSR valuation in future periods.

For a description of our valuation and sensitivity of MSRs, see Note 1 (Summary of Significant Accounting Policies), Note 8 (Securitizations and Variable Interest Entities), Note 9 (Mortgage Banking Activities) and Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Fair Value of Financial Instruments

Fair value represents the price that would be received to sell the financial asset or paid to transfer the financial liability in an orderly transaction between market participants at the measurement date.

We use fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures. For example, trading assets, securities available for sale, derivatives and substantially all of our residential MHFS are carried at fair value each period. Other financial instruments, such as certain MHFS and loans held for investment, are not carried at fair value each period but may require nonrecurring fair value adjustments due to application of lower-of-cost-or-market accounting or write-downs of individual assets. We also disclose our estimate of fair value for financial instruments not recorded at fair value, such as loans held for investment or issuances of long-term debt.

The accounting provisions for fair value measurements include a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data. For additional information on fair value levels, see Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

When developing fair value measurements, we maximize the use of observable inputs and minimize the use of unobservable inputs. When available, we use quoted prices in active markets to measure fair value. If quoted prices in active markets are not available, fair value measurement is based upon models that use primarily market-based or independently sourced market parameters, including interest rate yield curves, prepayment speeds, option volatilities and currency rates. However, in certain cases, when market observable inputs for model-based valuation techniques are not readily available, we are required to make judgments about assumptions market participants would use to estimate fair value. Additionally, we use third party pricing services to obtain fair values, which are used to either record the price of an instrument or to corroborate internally developed prices. For additional information on our use of pricing services, see Note 1 (Summary of Significant Accounting Policies) and Note 17 (Fair Value of Assets and Liabilities) to Financial Statements in this Report.

The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted prices in active markets or observable market parameters. For financial instruments with quoted market prices or observable market parameters in active markets, there is minimal subjectivity involved in measuring fair value. When quoted prices and observable data in active markets are not fully available, management judgment is necessary to estimate fair value. Changes in the market conditions, such as reduced liquidity in the capital markets or changes in secondary market activities, may reduce the availability and reliability of quoted prices or observable data used to determine fair value. When significant adjustments are required to price quotes or inputs, it may be appropriate to utilize an estimate based primarily on unobservable inputs. When an active market for a financial instrument does not exist, the use of management estimates that incorporate current market participant expectations of future cash flows, adjusted for an appropriate risk premium, is acceptable.

Significant judgment is also required to determine whether certain assets measured at fair value are classified as Level 2 or Level 3. When making this judgment, we consider available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, we use a predetermined percentage to evaluate the impact of fair value adjustments derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Otherwise, the classification of Level 2 or Level 3 is based upon the specific facts and circumstances of each instrument or instrument category and judgments are made regarding the significance of the Level 3 inputs to the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

Table 65 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 65: Fair Value Level 3 Summary

($ in billions)	December 31, 2014 Total balance	December 31, 2014 Level 3 (1)	December 31, 2013 Total balance	December 31, 2013 Level 3 (1)
Assets carried at fair value	**$ 378.1**	**32.3**	353.1	37.2
As a percentage of total assets	**22 %**	**2**	23	2
Liabilities carried at fair value	**$ 34.9**	**2.3**	22.7	3.7
As a percentage of total liabilities	**2 %**	*****	2	*

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

See Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for a complete discussion on our fair value of financial instruments, our related measurement techniques and the impact to our financial statements.

Income Taxes

We are subject to the income tax laws of the U.S., its states and municipalities and those of the foreign jurisdictions in which we operate. Our income tax expense consists of current and deferred income tax expense. Current income tax expense represents our estimated taxes to be paid or refunded for the current period and includes income tax expense related to our uncertain tax positions. We determine deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and recognizes enacted changes in tax rates and laws in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized subject to management's judgment that realization is "more likely than not." Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement. Tax benefits not meeting our realization criteria represent unrecognized tax benefits. Our unrecognized tax benefits on uncertain tax positions are reflected in Note 21 (Income Taxes) to Financial Statements in this Report. Foreign taxes paid are generally applied as credits to reduce federal income taxes payable. We account for interest and penalties as a component of income tax expense.

The income tax laws of the jurisdictions in which we operate are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of these inherently complex tax laws. We must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions by the government taxing authorities, both domestic and foreign. Our interpretations may be subjected to review during examination by taxing authorities and disputes may arise over the respective tax positions. We attempt to resolve these disputes during the tax examination and audit process and ultimately through the court systems when applicable.

We monitor relevant tax authorities and revise our estimate of accrued income taxes due to changes in income tax laws and their interpretation by the courts and regulatory authorities on a quarterly basis. Revisions of our estimate of accrued income taxes also may result from our own income tax planning and from the resolution of income tax controversies. Such revisions in our estimates may be material to our operating results for any given quarter.

See Note 21 (Income Taxes) to Financial Statements in this Report for a further description of our provision for income taxes and related income tax assets and liabilities.

Current Accounting Developments

The following table provides accounting pronouncements applicable to us that have been issued by the FASB but are not yet effective.

Standard	Description	Effective date and financial statement impact
Accounting Standards Update (ASU or Update) 2015-02 - Consolidation (Topic 810): *Amendments to the Consolidation Analysis*	The Update primarily amends the criteria companies use to evaluate whether they should consolidate certain variable interest entities that have fee arrangements and the criteria used to determine whether partnerships and similar entities are variable interest entities . The Update also excludes registered 2a-7 money market funds (including unregistered funds that operate in a similar manner) from the consolidation guidance.	The changes are effective for us in first quarter 2016 with early adoption permitted. We are evaluating the impact the Update will have on our consolidated financial statements.
ASU 2015-01 - *Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*	The Update removes the concept of extraordinary items from GAAP and eliminates the requirement for extraordinary items to be separately presented in the statement of income.	The Update is effective for us in first quarter 2016 with prospective or retrospective application. Early adoption is permitted. The Update will not have a material impact on our consolidated financial statements.
ASU 2014-16 - *Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or Equity*	The Update clarifies that the nature of host contracts in hybrid financial instruments that are issued in share form should be determined based on the entire instrument, including the embedded derivative.	The Update is effective for us in first quarter 2016 with retrospective application. The Update will not have a material impact on our consolidated financial statements.
ASU 2014-13 - *Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity*	The Update provides a measurement alternative to companies that consolidate collateralized financing entities (CFEs), such as collateralized debt obligation and collateralized loan obligation structures. Under the new guidance, companies can measure both the financial assets and financial liabilities of a CFE using the more observable fair value of the financial assets or of the financial liabilities.	These changes are effective for us in first quarter 2016 with early adoption permitted at the beginning of an annual period. The guidance can be applied either retrospectively or by a modified retrospective approach. The Update will not have a material impact on our consolidated financial statements.
ASU 2014-12 - *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period*	The Update provides accounting guidance for employee share-based payment awards with specific performance targets. The Update clarifies that performance targets should be treated as performance conditions if the targets affect vesting and could be achieved after the requisite service period.	The Update is effective for us in first quarter 2016 with early adoption permitted and can be applied prospectively or retrospectively. This Update will not have a material impact on our consolidated financial statements.
ASU 2014-11 - *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*	The Update requires repurchase-to-maturity transactions to be accounted for as secured borrowings versus sales. The guidance also requires separate accounting for transfers of financial assets that are executed contemporaneously with repurchase agreements. The Update also includes new disclosures for transfers accounted for as sales and for repurchase agreements and similar arrangements, such as classes of collateral pledged for gross obligations and the remaining contractual maturity of repurchase agreements.	The accounting changes are effective for us in first quarter 2015 with early adoption prohibited. The disclosures are required in first quarter 2015 for transfers accounted for as sales with the remaining disclosures required in second quarter 2015. This Update will not have a material impact on our consolidated financial statements.

Standard	Description	Effective date and financial statement impact
ASU 2014-09 - *Revenue from Contracts With Customers* (Topic 606)	The Update modifies the guidance companies use to recognize revenue from contracts with customers for transfers of goods or services and transfers of nonfinancial assets, unless those contracts are within the scope of other standards. The guidance also requires new qualitative and quantitative disclosures, including information about contract balances and performance obligations.	The Update is effective for us in first quarter 2017 with retrospective application. Early adoption is not permitted. We are evaluating the impact this Update will have on our consolidated financial statements.
ASU 2014-08 - *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*	The Update changes the definition and reporting requirements for discontinued operations. Under the new guidance, an entity's disposal of a component or group of components must be reported in discontinued operations if the disposal is a strategic shift that has or will have a significant effect on the entity's operations and financial results.	These changes are effective for us in first quarter 2015 with prospective application. Early adoption is permitted for disposals that have not been previously reported. This Update will not have a material impact on our consolidated financial statements.
ASU 2014-01 - *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*	The Update amends the accounting guidance for investments in affordable housing projects that qualify for the low-income housing tax credit. The Update allows companies to make an accounting policy election to amortize the cost of its investments in proportion to the tax benefits received if certain criteria are met and present the amortization as a component of income tax expense. Additionally, the Update requires incremental disclosures for all entities that invest in qualified affordable housing projects regardless of the policy election.	The new disclosure requirements are effective for us in first quarter 2015. We do not intend to adopt the accounting policy election permitted by the Update, and therefore, it will not affect our consolidated financial statements.

Forward-Looking Statements

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

Forward-looking statements are not based on historical facts but instead represent our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

- current and future economic and market conditions, including the effects of declines in housing prices, high unemployment rates, U.S. fiscal debt, budget and tax matters, geopolitical matters, and the overall slowdown in global economic growth;
- our capital and liquidity requirements (including under regulatory capital standards, such as the Basel III capital

standards) and our ability to generate capital internally or raise capital on favorable terms;
- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and other legislation and regulation relating to bank products and services;
- the extent of our success in our loan modification efforts, as well as the effects of regulatory requirements or guidance regarding loan modifications;
- the amount of mortgage loan repurchase demands that we receive and our ability to satisfy any such demands without having to repurchase loans related thereto or otherwise indemnify or reimburse third parties, and the credit quality of or losses on such repurchased mortgage loans;
- negative effects relating to our mortgage servicing and foreclosure practices, including our obligations under the settlement with the Department of Justice and other federal and state government entities, as well as changes in industry standards or practices, regulatory or judicial requirements, penalties or fines, increased servicing and other costs or obligations, including loan modification requirements, or delays or moratoriums on foreclosures;
- our ability to realize our efficiency ratio target as part of our expense management initiatives, including as a result of business and economic cyclicality, seasonality, changes in our business composition and operating environment, growth in our businesses and/or acquisitions, and unexpected expenses relating to, among other things, litigation and regulatory matters;
- the effect of the current low interest rate environment or changes in interest rates on our net interest income, net interest margin and our mortgage originations, mortgage servicing rights and mortgages held for sale;
- a recurrence of significant turbulence or disruption in the capital or financial markets, which could result in, among other things, reduced investor demand for mortgage loans, a reduction in the availability of funding or increased funding costs, and declines in asset values and/or recognition of other-than-temporary impairment on securities held in our investment securities portfolio;
- the effect of a fall in stock market prices on our investment banking business and our fee income from our brokerage, asset and wealth management businesses;
- reputational damage from negative publicity, protests, fines, penalties and other negative consequences from regulatory violations and legal actions;
- a failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors or other service providers, including as a result of cyber attacks;
- the effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin;
- fiscal and monetary policies of the Federal Reserve Board; and
- the other risk factors and uncertainties described under "Risk Factors" in this Report.

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

For more information about factors that could cause actual results to differ materially from our expectations, refer to our reports filed with the Securities and Exchange Commission, including the discussion under "Risk Factors" in this Report, as filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

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

Risk Factors

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. We discuss below risk factors that could adversely affect our financial results and condition, and the value of, and return on, an investment in the Company.

RISKS RELATED TO THE ECONOMY, FINANCIAL MARKETS, INTEREST RATES AND LIQUIDITY

As one of the largest lenders in the U.S. and a provider of financial products and services to consumers and businesses across the U.S. and internationally, our financial results have been, and will continue to be, materially affected by general economic conditions, particularly unemployment levels and home prices in the U.S., and a deterioration in economic conditions or in the financial markets may materially adversely affect our lending and other businesses and our financial results and condition. We generate revenue from the interest and fees we charge on the loans and other products and services we sell, and a substantial amount of our revenue and earnings comes from the net interest income and fee income that we earn from our consumer and commercial lending and banking businesses, including our mortgage banking business where we currently are the largest mortgage originator in the U.S. These businesses have been, and will continue to be, materially affected by the state of the U.S. economy, particularly unemployment levels and home prices. Although the U.S. economy has continued to gradually improve from the depressed levels of 2008 and early 2009, economic growth has been slow and uneven. In addition, the negative effects and continued uncertainty stemming from U.S. fiscal and political matters,

including concerns about deficit levels, taxes and U.S. debt ratings, have impacted and may continue to impact the continuing global economic recovery. Moreover, geopolitical matters, including international political unrest or disturbances, as well as continued concerns over energy prices and global economic difficulties, may impact the stability of financial markets and the global economy. A prolonged period of slow growth in the global economy, particularly in the U.S., or any deterioration in general economic conditions and/or the financial markets resulting from the above matters or any other events or factors that may disrupt or dampen the global economic recovery, could materially adversely affect our financial results and condition.

The improvement in the U.S. economy as well as higher home prices contributed to our strengthened credit performance and allowed us to release amounts from our allowance for credit losses, however there is no guarantee we will have allowance releases in the future. If unemployment levels worsen or if home prices fall we would expect to incur elevated charge-offs and provision expense from increases in our allowance for credit losses. These conditions may adversely affect not only consumer loan performance but also commercial and CRE loans, especially for those business borrowers that rely on the health of industries that may experience deteriorating economic conditions. The ability of these and other borrowers to repay their loans may deteriorate, causing us, as one of the largest commercial lenders and the largest CRE lender in the U.S., to incur significantly higher credit losses. In addition, weak or deteriorating economic conditions make it more challenging for us to increase our consumer and commercial loan portfolios by making loans to creditworthy borrowers at attractive yields. Although we have significant capacity to add loans to our balance sheet, weak economic conditions, as well as competition and/or increases in interest rates, could soften demand for our loans resulting in our retaining a much higher amount of lower yielding liquid assets on our balance sheet. If economic conditions do not continue to improve or if the economy worsens and unemployment rises, which also would likely result in a decrease in consumer and business confidence and spending, the demand for our credit products, including our mortgages, may fall, reducing our interest and noninterest income and our earnings.

A deterioration in business and economic conditions, which may erode consumer and investor confidence levels, and/or increased volatility of financial markets, also could adversely affect financial results for our fee-based businesses, including our investment advisory, mutual fund, securities brokerage, wealth management, and investment banking businesses. In 2014, approximately 26% of our revenue was fee income, which included trust and investment fees, card fees and other fees. We earn fee income from managing assets for others and providing brokerage and other investment advisory and wealth management services. Because investment management fees are often based on the value of assets under management, a fall in the market prices of those assets could reduce our fee income. Changes in stock market prices could affect the trading activity of investors, reducing commissions and other fees we earn from our brokerage business. The U.S. stock market experienced all-time highs in 2014 and there is no guarantee that those price levels will continue. Poor economic conditions and volatile or unstable financial markets also can negatively affect our debt and equity underwriting and advisory businesses, as well as our trading and venture capital businesses. Any deterioration in global financial markets and economies, including as a result of any international political unrest or disturbances, may adversely affect the revenues and earnings of our international operations, particularly our global financial institution and correspondent banking services.

For more information, refer to the "Risk Management – Asset/Liability Management" and "– Credit Risk Management" sections in this Report.

Changes in interest rates and financial market values could reduce our net interest income and earnings, including as a result of recognizing losses or OTTI on the securities that we hold in our portfolio or trade for our customers. Our net interest income is the interest we earn on loans, debt securities and other assets we hold less the interest we pay on our deposits, long-term and short-term debt, and other liabilities. Net interest income is a measure of both our net interest margin – the difference between the yield we earn on our assets and the interest rate we pay for deposits and our other sources of funding – and the amount of earning assets we hold. Changes in either our net interest margin or the amount or mix of earning assets we hold could affect our net interest income and our earnings. Changes in interest rates can affect our net interest margin. Although the yield we earn on our assets and our funding costs tend to move in the same direction in response to changes in interest rates, one can rise or fall faster than the other, causing our net interest margin to expand or contract. Our liabilities tend to be shorter in duration than our assets, so they may adjust faster in response to changes in interest rates. When interest rates rise, our funding costs may rise faster than the yield we earn on our assets, causing our net interest margin to contract until the asset yield increases.

The amount and type of earning assets we hold can affect our yield and net interest margin. We hold earning assets in the form of loans and investment securities, among other assets. As noted above, if the economy worsens we may see lower demand for loans by creditworthy customers, reducing our net interest income and yield. In addition, our net interest income and net interest margin can be negatively affected by a prolonged low interest rate environment, which as noted below is currently being experienced as a result of economic conditions and FRB monetary policies, as it may result in us holding short-term lower yielding loans and securities on our balance sheet, particularly if we are unable to replace the maturing higher yielding assets, including the loans in our non-strategic and liquidating loan portfolio, with similar higher yielding assets. Increases in interest rates, however, may negatively affect loan demand and could result in higher credit losses as borrowers may have more difficulty making higher interest payments. As described below, changes in interest rates also affect our mortgage business, including the value of our MSRs.

Changes in the slope of the "yield curve" – or the spread between short-term and long-term interest rates – could also reduce our net interest margin. Normally, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. Because our liabilities tend to be shorter in duration than our assets, when the yield curve flattens, as is the case in the current interest rate environment, or even inverts, our net interest margin could decrease as our cost of funds increases relative to the yield we can earn on our assets.

The interest we earn on our loans may be tied to U.S.-denominated interest rates such as the federal funds rate while the interest we pay on our debt may be based on international rates such as LIBOR. If the federal funds rate were to fall without a corresponding decrease in LIBOR, we might earn less on our loans without any offsetting decrease in our funding costs. This could lower our net interest margin and our net interest income.

We assess our interest rate risk by estimating the effect on our earnings under various scenarios that differ based on assumptions about the direction, magnitude and speed of interest rate changes and the slope of the yield curve. We hedge some of that interest rate risk with interest rate derivatives. We also rely on the "natural hedge" that our mortgage loan originations and servicing rights can provide.

We generally do not hedge all of our interest rate risk. There is always the risk that changes in interest rates could reduce our net interest income and our earnings in material amounts, especially if actual conditions turn out to be materially different than what we assumed. For example, if interest rates rise or fall faster than we assumed or the slope of the yield curve changes, we may incur significant losses on debt securities we hold as investments. To reduce our interest rate risk, we may rebalance our investment and loan portfolios, refinance our debt and take other strategic actions. We may incur losses when we take such actions.

We hold securities in our investment securities portfolio, including U.S. Treasury and federal agency securities and federal agency MBS, securities of U.S. states and political subdivisions, residential and commercial MBS, corporate debt securities, other asset-backed securities and marketable equity securities, including securities relating to our venture capital activities. We analyze securities held in our investment securities portfolio for OTTI on at least a quarterly basis. The process for determining whether impairment is other than temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving contractual principal and interest payments on the security. Because of changing economic and market conditions, as well as credit ratings, affecting issuers and the performance of the underlying collateral, we may be required to recognize OTTI in future periods. Our net income also is exposed to changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices in connection with our trading activities, which are conducted primarily to accommodate our customers in the management of their market price risk, as well as when we take positions based on market expectations or to benefit from differences between financial instruments and markets. The securities held in these activities are carried at fair value with realized and unrealized gains and losses recorded in noninterest income. As part of our business to support our customers, we trade public securities and these securities also are subject to market fluctuations with gains and losses recognized in net income when realized and periodically include OTTI charges. Although we have processes in place to measure and monitor the risks associated with our trading activities, including stress testing and hedging strategies, there can be no assurance that our processes and strategies will be effective in avoiding losses that could have a material adverse effect on our financial results.

The value of our public and private equity investments can fluctuate from quarter to quarter. Certain of these investments are carried under the cost or equity method, while others are carried at fair value with unrealized gains and losses reflected in earnings. Earnings from our equity investments may be volatile and hard to predict, and may have a significant effect on our earnings from period to period. When, and if, we recognize gains may depend on a number of factors, including general economic and market conditions, the prospects of the companies in which we invest, when a company goes public, the size of our position relative to the public float, and whether we are subject to any resale restrictions.

Our venture capital investments could result in significant OTTI losses for those investments carried under the cost or equity method. Our assessment for OTTI is based on a number of factors, including the then current market value of each investment compared with its carrying value. If we determine there is OTTI for an investment, we write-down the carrying value of the investment, resulting in a charge to earnings. The amount of this charge could be significant.

For more information, refer to the "Risk Management – Asset/Liability Management – Interest Rate Risk", "– Market Risk – Equity Investments", and "– Market Risk – Trading Activities" and the "Balance Sheet Analysis – Investment Securities" sections in this Report and Note 5 (Investment Securities) to Financial Statements in this Report.

Effective liquidity management, which ensures that we can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments, including principal and interest payments on our debt, efficiently under both normal operating conditions and other unpredictable circumstances of industry or financial market stress, is essential for the operation of our business, and our financial results and condition could be materially adversely affected if we do not effectively manage our liquidity. Our liquidity is essential for the operation of our business. We primarily rely on bank deposits to be a low cost and stable source of funding for the loans we make and the operation of our business. Core customer deposits, which include noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits, have historically provided us with a sizeable source of relatively stable and low-cost funds. In addition to customer deposits, our sources of liquidity include investments in our securities portfolio, our ability to sell or securitize loans in secondary markets and to pledge loans to access secured borrowing facilities through the FHLB and the FRB, and our ability to raise funds in domestic and international money through capital markets.

Our liquidity and our ability to fund and run our business could be materially adversely affected by a variety of conditions and factors, including financial and credit market disruption and volatility or a lack of market or customer confidence in financial markets in general similar to what occurred during the financial crisis in 2008 and early 2009, which may result in a loss of customer deposits or outflows of cash or collateral and/or our inability to access capital markets on favorable terms. Market disruption and volatility could impact our credit spreads, which are the amount in excess of the interest rate of U.S. Treasury securities, or other benchmark securities, of the same maturity that we need to pay to our funding providers. Increases in interest rates and our credit spreads could significantly increase our funding costs. Other conditions and factors that could materially adversely affect our liquidity and funding include a lack of market or customer confidence in the Company or negative news about the Company or the financial services industry generally which also may result in a loss of deposits and/or negatively affect our ability to access the capital markets; our inability to sell or securitize loans or other assets, and, as described below, reductions in one or more of our credit ratings. Many of the above conditions and factors may be caused by events over which we have little or no control. While market conditions have continued to improve since the financial crisis, there can be no assurance that significant disruption and volatility in the financial markets will not occur in the future. For example, concerns over geopolitical issues, commodity and

currency prices, as well as global economic conditions, may cause financial market volatility.

In addition, concerns regarding the potential failure to raise the U.S. government debt limit and any associated downgrade of U.S. government debt ratings may cause uncertainty and volatility as well. A failure to raise the U.S. debt limit in the future and/or additional downgrades of the sovereign debt ratings of the U.S. government or the debt ratings of related institutions, agencies or instrumentalities, as well as other fiscal or political events could, in addition to causing economic and financial market disruptions, materially adversely affect the market value of the U.S. government securities that we hold, the availability of those securities as collateral for borrowing, and our ability to access capital markets on favorable terms, as well as have other material adverse effects on the operation of our business and our financial results and condition.

As noted above, we rely heavily on bank deposits for our funding and liquidity. We compete with banks and other financial services companies for deposits. If our competitors raise the rates they pay on deposits our funding costs may increase, either because we raise our rates to avoid losing deposits or because we lose deposits and must rely on more expensive sources of funding. Higher funding costs reduce our net interest margin and net interest income. Checking and savings account balances and other forms of customer deposits may decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. When customers move money out of bank deposits and into other investments, we may lose a relatively low cost source of funds, increasing our funding costs and negatively affecting our liquidity.

If we are unable to continue to fund our assets through customer bank deposits or access capital markets on favorable terms or if we suffer an increase in our borrowing costs or otherwise fail to manage our liquidity effectively, our liquidity, net interest margin, financial results and condition may be materially adversely affected. As we did during the financial crisis, we may also need, or be required by our regulators, to raise additional capital through the issuance of common stock, which could dilute the ownership of existing stockholders, or reduce or even eliminate our common stock dividend to preserve capital or in order to raise additional capital**.**

For more information, refer to the "Risk Management – Asset/Liability Management" section in this Report.

Adverse changes in our credit ratings could have a material adverse effect on our liquidity, cash flows, financial results and condition. Our borrowing costs and ability to obtain funding are influenced by our credit ratings. Reductions in one or more of our credit ratings could adversely affect our ability to borrow funds and raise the costs of our borrowings substantially and could cause creditors and business counterparties to raise collateral requirements or take other actions that could adversely affect our ability to raise funding. Credit ratings and credit ratings agencies' outlooks are based on the ratings agencies' analysis of many quantitative and qualitative factors, such as our capital adequacy, liquidity, asset quality, business mix, the level and quality of our earnings, rating agency assumptions regarding the probability and extent of federal financial assistance or support, and other rating agency specific criteria. In addition to credit ratings, our borrowing costs are affected by various other external factors, including market volatility and concerns or perceptions about the financial services industry generally.

In light of industry changes and regulatory developments related to the Title II Orderly Liquidation Authority of the Dodd-Frank Act, rating agencies have proposed changes to various aspects of their ratings methodologies. Moody's Investors Service has proposed significant revisions to its rating methodology, with a focus on how each type of creditor would be affected in any bank failure. Standard and Poor's Ratings Services (S&P) is continuing its reassessment of whether to incorporate the likelihood of extraordinary government support into the ratings of certain bank holding companies, including the Parent. In addition, S&P has recently issued a proposal to incorporate into its bank-level rating methodology an assessment of additional capital available to absorb losses to reduce default risk. There can be no assurance that we will maintain our credit ratings and outlooks and that credit ratings downgrades in the future would not materially affect our ability to borrow funds and borrowing costs.

Downgrades in our credit ratings also may trigger additional collateral or funding obligations which could negatively affect our liquidity, including as a result of credit-related contingent features in certain of our derivative contracts. Although a one or two notch downgrade in our current credit ratings would not be expected to trigger a material increase in our collateral or funding obligations, a more severe credit rating downgrade of our long-term and short-term credit ratings could increase our collateral or funding obligations and the effect on our liquidity could be material. For information regarding additional collateral and funding obligations required of certain derivative instruments in the event our credit ratings were to fall below investment grade, see Note 16 (Derivatives) to Financial Statements in this Report.

We rely on dividends from our subsidiaries for liquidity, and federal and state law can limit those dividends. Wells Fargo & Company, the parent holding company, is a separate and distinct legal entity from its subsidiaries. It receives a significant portion of its funding and liquidity from dividends and other distributions from its subsidiaries. We generally use these dividends and distributions, among other things, to pay dividends on our common and preferred stock and interest and principal on our debt. Federal and state laws limit the amount of dividends and distributions that our bank and some of our nonbank subsidiaries, including our broker-dealer subsidiaries, may pay to our parent holding company. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors.

For more information, refer to the "Regulation and Supervision – Dividend Restrictions" and "– Holding Company Structure" sections in our 2014 Form 10-K and to Note 3 (Cash, Loan and Dividend Restrictions) and Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

RISKS RELATED TO FINANCIAL REGULATORY REFORM AND OTHER LEGISLATION AND REGULATIONS

Enacted legislation and regulation, including the Dodd-Frank Act, as well as future legislation and/or regulation, could require us to change certain of our business practices, reduce our revenue and earnings, impose additional costs on us or otherwise adversely affect our business operations and/or competitive position. Our parent company, our subsidiary banks and many

of our nonbank subsidiaries such as those related to our brokerage and mutual fund businesses, are subject to significant regulation under state and federal laws in the U.S., as well as the applicable laws of the various jurisdictions outside of the U.S. where we conduct business. These regulations protect depositors, federal deposit insurance funds, consumers, investors and the banking and financial system as a whole, not necessarily our stockholders. Economic, market and political conditions during the past few years have led to a significant amount of new legislation and regulation in the U.S. and abroad, as well as heightened expectations and scrutiny of financial services companies from banking regulators. These laws and regulations may affect the manner in which we do business and the products and services that we provide, affect or restrict our ability to compete in our current businesses or our ability to enter into or acquire new businesses, reduce or limit our revenue in businesses or impose additional fees, assessments or taxes on us, intensify the regulatory supervision of us and the financial services industry, and adversely affect our business operations or have other negative consequences.

On July 21, 2010, the Dodd-Frank Act, the most significant financial reform legislation since the 1930s, became law. The Dodd-Frank Act, among other things, (i) established the Financial Stability Oversight Council to monitor systemic risk posed by financial firms and imposes additional and enhanced FRB regulations, including capital and liquidity requirements, on certain large, interconnected bank holding companies such as Wells Fargo and systemically significant nonbanking firms intended to promote financial stability; (ii) creates a liquidation framework for the resolution of covered financial companies, the costs of which would be paid through assessments on surviving covered financial companies; (iii) makes significant changes to the structure of bank and bank holding company regulation and activities in a variety of areas, including prohibiting proprietary trading and private fund investment activities, subject to certain exceptions; (iv) creates a new framework for the regulation of over-the-counter derivatives and new regulations for the securitization market and strengthens the regulatory oversight of securities and capital markets by the SEC; (v) established the Consumer Financial Protection Bureau (CFPB) within the FRB, which has sweeping powers to administer and enforce a new federal regulatory framework of consumer financial regulation; (vi) may limit the existing pre-emption of state laws with respect to the application of such laws to national banks, makes federal pre-emption no longer applicable to operating subsidiaries of national banks, and gives state authorities, under certain circumstances, the ability to enforce state laws and federal consumer regulations against national banks; (vii) provides for increased regulation of residential mortgage activities; (viii) revised the FDIC's assessment base for deposit insurance by changing from an assessment base defined by deposit liabilities to a risk-based system based on total assets; (ix) phases out over three years beginning January 2013 the Tier 1 capital treatment of trust preferred securities; (x) permitted banks to pay interest on business checking accounts beginning on July 1, 2011; (xi) authorized the FRB under the Durbin Amendment to adopt regulations that limit debit card interchange fees received by debit card issuers; and (xii) includes several corporate governance and executive compensation provisions and requirements, including mandating an advisory stockholder vote on executive compensation.

The Dodd-Frank Act and many of its provisions became effective in July 2010 and July 2011. However, a number of its provisions still require final rulemaking, guidance, and interpretation by regulatory authorities. Accordingly, in many respects the ultimate impact of the Dodd-Frank Act and its effects on the U.S. financial system and the Company still remain uncertain. Nevertheless, the Dodd-Frank Act, including current and future rules implementing its provisions and the interpretation of those rules, could result in a loss of revenue, require us to change certain of our business practices, limit our ability to pursue certain business opportunities, increase our capital requirements and impose additional assessments and costs on us and otherwise adversely affect our business operations and have other negative consequences.

Our consumer businesses, including our mortgage, credit card and other consumer lending and non-lending businesses, may be negatively affected by the activities of the CFPB, which has broad rulemaking powers and supervisory authority over consumer financial products and services. Although the full impact of the CFPB on our businesses is uncertain, the CFPB's activities may increase our compliance costs and require changes in our business practices as a result of new regulations and requirements which could limit or negatively affect the products and services that we currently offer our customers. For example, in 2013, the CFPB issued a number of new rules impacting residential mortgage lending practices. As a result of greater regulatory scrutiny of our consumer businesses, we have become subject to more and expanded regulatory examinations and/or investigations, which also could result in increased costs and harm to our reputation in the event of a failure to comply with the increased regulatory requirements.

The Dodd-Frank Act's proposed prohibitions or limitations on proprietary trading and private fund investment activities, known as the "Volcker Rule," also may reduce our revenue and earnings, although proprietary trading has not been significant to our financial results. Rules to implement the requirements of the Volcker Rule were first proposed in 2011, and final rules were issued in December 2013. Pursuant to an order of the FRB, banking entities are required to make good faith planning efforts to come into compliance with the Volcker Rule's restrictions by July 21, 2015. The FRB announced that it intends to exercise its authority to give banking entities two additional one-year extensions to conform their ownership interests in and sponsorships of covered funds under the rule. Companies with $50 billion or more in trading assets and liabilities such as Wells Fargo were required to report trading metrics beginning June 30, 2014. Wells Fargo has begun submitting such metrics to the Volcker supervisory regulators. Wells Fargo will also be subject to enhanced compliance program requirements.

In addition, the Dodd-Frank Act established a comprehensive framework for regulating over-the-counter derivatives and authorized the CFTC and SEC to regulate swaps and security-based swaps, respectively. The CFTC and SEC have adopted various rules to implement this framework, including rules requiring extensive regulatory and public reporting of swaps, certain swaps to be centrally cleared and traded on exchanges or other multilateral platforms, and comprehensive internal and external business conduct standards. Also included in this regulatory framework are so-called push-out provisions requiring certain swap activities to be conducted through an affiliate. All of these rules, as well as others proposed or currently being considered by regulators in the U.S. and other jurisdictions, may negatively impact customer demand for over-the-counter derivatives and may increase our costs for engaging in swaps and other derivatives activities.

The Dodd-Frank Act also imposes changes on the ABS markets by requiring sponsors of ABS to hold at least a 5% ownership stake in the ABS. Exemptions from the requirement include qualified residential mortgages and FHA/VA loans.

Federal regulatory agencies have finalized rules to implement this credit risk retention requirement, which have only included limited exemptions. We continue to evaluate the final rules and assess their impact on our ability to issue certain ABS or otherwise participate in various securitization transactions.

In order to address the perceived risks that money market mutual funds may pose to the financial stability of the United States, the SEC adopted rules in July 2014 that, among other things, require significant structural changes to these funds, including requiring institutional prime money market funds to maintain a variable net asset value and providing for the imposition of liquidity fees and redemption gates for all non-governmental money market funds during periods in which they experience liquidity impairments of a certain magnitude. The SEC has provided a period of two years following the effective date of the rule for funds to comply with these structural changes. Certain of our money market mutual funds may see a decline in assets under management in response to implementation of these structural changes.

Federal banking regulators also continue to implement the provisions of the Dodd-Frank Act addressing the risks to the financial system posed by the failure of a systemically important financial institution. Pursuant to rules adopted by the FRB and the FDIC, Wells Fargo has prepared and filed a resolution plan, a so-called "living will," that is designed to facilitate our resolution in the event of material distress or failure. There can be no assurance that the FRB or FDIC will respond favorably to the Company's resolution plans. If the FRB and FDIC determine that our resolution plan is deficient, the Dodd-Frank Act authorizes the FRB and FDIC to impose more stringent capital, leverage or liquidity requirements on us or restrict our growth or activities until we submit a plan remedying the deficiencies. If the FRB and FDIC ultimately determine that we have been unable to remedy the deficiencies, they could order us to divest assets or operations in order to facilitate our orderly resolution in the event of our material distress or failure. Our national bank subsidiary, Wells Fargo Bank, N.A., is also required to prepare and submit a resolution plan to the FDIC under separate regulatory authority.

The Dodd-Frank Act also establishes an orderly liquidation process which allows for the appointment of the FDIC as a receiver of a systemically important financial institution that is in default or in danger of default. The FDIC has issued rules to implement its orderly liquidation authority and released a notice and request for comment regarding a proposed resolution strategy, known as "single point of entry," designed to resolve a large financial institution in a manner that would, among other things, impose losses on shareholders and creditors in accordance with statutory priorities, without imposing a cost on U.S. taxpayers. Implementation of the strategy would require that institutions maintain a sufficient amount of available equity and unsecured debt to absorb losses and recapitalize operating subsidiaries. The FDIC has not issued any final statements on the single point of entry resolution strategy.

Other future regulatory initiatives that could significantly affect our business include proposals to reform the housing finance market in the United States. These proposals, among other things, consider winding down the GSEs and reducing or eliminating over time the role of the GSEs in guaranteeing mortgages and providing funding for mortgage loans, as well as the implementation of reforms relating to borrowers, lenders, and investors in the mortgage market, including reducing the maximum size of a loan that the GSEs can guarantee, phasing in a minimum down payment requirement for borrowers, improving underwriting standards, and increasing accountability and transparency in the securitization process. Congress also may consider the adoption of legislation to reform the mortgage financing market in an effort to assist borrowers experiencing difficulty in making mortgage payments or refinancing their mortgages. The extent and timing of any regulatory reform or the adoption of any legislation regarding the GSEs and/or the home mortgage market, as well as any effect on the Company's business and financial results, are uncertain.

Any other future legislation and/or regulation, if adopted, also could significantly change our regulatory environment and increase our cost of doing business, limit the activities we may pursue or affect the competitive balance among banks, savings associations, credit unions, and other financial services companies, and have a material adverse effect on our financial results and condition.

For more information, refer to the "Regulatory Reform" section in this Report and the "Regulation and Supervision" section in our 2014 Form 10-K.

Bank regulations, including Basel capital and liquidity standards and FRB guidelines and rules, may require higher capital and liquidity levels, limiting our ability to pay common stock dividends, repurchase our common stock, invest in our business, or provide loans or other products and services to our customers. Federal banking regulators continually monitor the capital position of banks and bank holding companies. In December 2010, the Basel Committee on Banking Supervision (BCBS) finalized a set of international guidelines for determining regulatory capital known as Basel III. These guidelines are designed to address many of the weaknesses identified in the previous Basel standards and in the banking sector as contributing to the financial crisis of 2008 and 2009 by, among other things, increasing minimum capital requirements, increasing the quality of capital, increasing the risk coverage of the capital framework, increasing liquidity buffers, and increasing standards for the supervisory review process and public disclosure. When fully phased in, the Basel III guidelines require bank holding companies to maintain a minimum ratio of Common Equity Tier 1 (CET1) to risk-weighted assets of at least 7.0%.

U.S. regulatory authorities have been considering the BCBS capital guidelines and related proposals, and in July 2013, U.S. banking regulators approved final and interim final rules to implement the Basel III capital guidelines for U.S. banks. These final capital rules, among other things:

- implement in the United States the Basel III regulatory capital reforms including those that revise the definition of capital, increase minimum capital ratios, and introduce a minimum CET1 ratio of 4.5% and a capital conservation buffer of 2.5% (for a total minimum CET1 ratio of 7.0%) and a potential countercyclical buffer of up to 2.5%, which would be imposed by regulators at their discretion if it is determined that a period of excessive credit growth is contributing to an increase in systemic risk;
- require a Tier 1 capital to average total consolidated assets ratio of 4% and introduce, for large and internationally active bank holding companies (BHCs), a Tier 1 supplementary leverage ratio of 3% that incorporates off-balance sheet exposures;
- revise "Basel I" rules for calculating risk-weighted assets to enhance risk sensitivity under a standardized approach;
- modify the existing Basel II advanced approaches rules for calculating risk-weighted assets to implement Basel III;

- deduct certain assets from CET1, such as deferred tax assets that could not be realized through net operating loss carry-backs, significant investments in non-consolidated financial entities, and mortgage servicing rights, to the extent any one category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1;
- eliminate the accumulated other comprehensive income or loss filter that applies under risk-based capital rules over a five-year phase in period beginning in 2014; and
- comply with the Dodd-Frank Act provision prohibiting the reliance on external credit ratings.

The final capital rules became effective for Wells Fargo in January 2014, with certain provisions subject to phase-in periods. The Basel III capital rules are scheduled to be fully phased in by January 1, 2022.

In April 2014, federal banking regulators finalized a rule that enhances the supplementary leverage ratio requirements provided in the final capital rules for large BHCs, like Wells Fargo, and their insured depository institutions. The rule, which becomes effective on January 1, 2018, will require a covered BHC to maintain a supplementary leverage ratio of at least 5% to avoid restrictions on capital distributions and discretionary bonus payments and require that its insured depository institutions maintain a supplementary leverage ratio of 6% to be considered well capitalized. In addition, in September 2014, federal banking regulators issued a final rule that implements a quantitative liquidity requirement consistent with the liquidity coverage ratio (LCR) originally established by the BCBS. The rule requires banking institutions, such as Wells Fargo, to hold high-quality liquid assets, such as central bank reserves and government and corporate debt that can be converted easily and quickly into cash, in an amount equal to or greater than its projected net cash outflows during a 30-day stress period. The final LCR rule will be phased in beginning January 1, 2015, and requires full compliance with a minimum 100% LCR by January 1, 2017. The FRB also recently finalized rules imposing enhanced liquidity management standards on large BHCs such as Wells Fargo.

The FRB has also indicated that it is in the process of considering new rules to address the amount of equity and unsecured debt a company must hold to facilitate its orderly liquidation, often referred to as Total Loss Absorbing Capacity (TLAC). In November 2014, the Financial Stability Board (FSB) issued for public consultation policy proposals on TLAC. Under the FSB's TLAC proposal, global systemically important banks (G-SIBs) would be required to hold loss absorbing equity and unsecured debt of 16-20% of RWAs, with at least 33% of this total being unsecured debt rather than equity. The FRB will likely propose related rules sometime after the FSB's public consultation on the TLAC proposal ends.

In addition, in December 2014, the FRB proposed rules to implement an additional CET1 capital surcharge on those U.S. banking organizations, such as the Company, that have been designated by the FSB as G-SIBs. The G-SIB surcharge would be in addition to the minimum Basel III 7.0% CET1 requirement. Under the FRB proposal, estimated surcharges for G-SIBs would range from 1.0 to 4.5 percent of a firm's RWAs depending on methodologies that look at, among other things, the firm's systemic importance and use of short-term wholesale funding. The G-SIB surcharge would be phased in beginning on January 1, 2016 and become fully effective on January 1, 2019.

The ultimate impact of all of these finalized and proposed or contemplated rules on our capital and liquidity requirements will depend on final rulemaking and regulatory interpretation of the rules as we, along with our regulatory authorities, apply the final rules during the implementation process.

As part of its obligation to impose enhanced capital and risk-management standards on large financial firms pursuant to the Dodd-Frank Act, the FRB issued a final capital plan rule that became effective December 30, 2011. The final capital plan rule requires top-tier BHCs, including the Company, to submit annual capital plans for review and to obtain regulatory approval before making capital distributions. There can be no assurance that the FRB would respond favorably to the Company's future capital plans. The FRB has also finalized a number of regulations implementing enhanced prudential requirements for large BHCs like Wells Fargo regarding risk-based capital and leverage, risk and liquidity management, and imposing debt-to-equity limits on any BHC that regulators determine poses a grave threat to the financial stability of the United States. The FRB and OCC have also finalized rules implementing stress testing requirements for large BHCs and national banks. The FRB has also proposed, but not yet finalized, remediation requirements for large BHCs experiencing financial distress that would restrict capital distributions upon the occurrence of capital, stress test, or risk and liquidity management triggers. The OCC, under separate authority, has also established heightened governance and risk management standards for large national banks, such as Wells Fargo Bank, N.A.

The Basel standards and FRB regulatory capital and liquidity requirements may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases, and may require us to increase our capital and/or liquidity. Any requirement that we increase our regulatory capital, regulatory capital ratios or liquidity could require us to liquidate assets or otherwise change our business, product offerings and/or investment plans, which may negatively affect our financial results. Although not currently anticipated, proposed capital requirements and/or our regulators may require us to raise additional capital in the future. Issuing additional common stock may dilute the ownership of existing stockholders. In addition, federal banking regulations may increase our compliance costs as well as limit our ability to invest in our business or provide loans or other products and services to our customers. For more information, refer to the "Capital Management" and "Regulatory Reform" sections in this Report and the "Regulation and Supervision" section of our 2014 Form 10-K.

FRB policies, including policies on interest rates, can significantly affect business and economic conditions and our financial results and condition. The FRB regulates the supply of money in the United States. Its policies determine in large part our cost of funds for lending and investing and the return we earn on those loans and investments, both of which affect our net interest income and net interest margin. The FRB's interest rate policies also can materially affect the value of financial instruments we hold, such as debt securities and MSRs. In addition, its policies can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in FRB policies are beyond our control and can be hard to predict. The FRB recently reaffirmed the target range for the federal funds rate at near zero as it continues to assess U.S. unemployment rates and the FRB's two percent inflation target. The FRB has indicated that it will consider a wide range of information, such as additional labor market and financial market conditions, in its determination of how long to maintain the current target range. The FRB has stated that it intends to be patient before beginning to increase

the level of the federal funds rate. As noted above, a declining or low interest rate environment and a flattening yield curve which may result from the FRB's actions could negatively affect our net interest income and net interest margin as it may result in us holding lower yielding loans and investment securities on our balance sheet.

RISKS RELATED TO CREDIT AND OUR MORTGAGE BUSINESS

As one of the largest lenders in the U.S., increased credit risk, including as a result of a deterioration in economic conditions, could require us to increase our provision for credit losses and allowance for credit losses and could have a material adverse effect on our results of operations and financial condition. When we loan money or commit to loan money we incur credit risk, or the risk of losses if our borrowers do not repay their loans. As one of the largest lenders in the U.S., the credit performance of our loan portfolios significantly affects our financial results and condition. As noted above, if the current economic environment were to deteriorate, more of our customers may have difficulty in repaying their loans or other obligations which could result in a higher level of credit losses and provision for credit losses. We reserve for credit losses by establishing an allowance through a charge to earnings. The amount of this allowance is based on our assessment of credit losses inherent in our loan portfolio (including unfunded credit commitments). The process for determining the amount of the allowance is critical to our financial results and condition. It requires difficult, subjective and complex judgments about the future, including forecasts of economic or market conditions that might impair the ability of our borrowers to repay their loans. We might increase the allowance because of changing economic conditions, including falling home prices and higher unemployment, significant loan growth, or other factors. For example, if oil prices remain low for a prolonged period of time, we may have to increase the allowance, particularly to cover potential losses on loans to customers in the energy sector. Additionally, the regulatory environment or external factors, such as natural disasters, also can influence recognition of credit losses in our loan portfolios and impact our allowance for credit losses.

Reflecting the continued improved credit performance in our loan portfolios, our provision for credit losses was $1.6 billion and $2.2 billion less than net charge-offs in 2014 and 2013, respectively, which had a positive effect on our earnings. Future allowance levels may increase or decrease based on a variety of factors, including loan growth, portfolio performance and general economic conditions. While we believe that our allowance for credit losses was appropriate at December 31, 2014, there is no assurance that it will be sufficient to cover future credit losses, especially if housing and employment conditions worsen. In the event of significant deterioration in economic conditions or if we experience significant loan growth, we may be required to build reserves in future periods, which would reduce our earnings.

For more information, refer to the "Risk Management – Credit Risk Management" and "Critical Accounting Policies – Allowance for Credit Losses" sections in this Report.

We may have more credit risk and higher credit losses to the extent our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. Our credit risk and credit losses can increase if our loans are concentrated to borrowers engaged in the same or similar activities or to borrowers who as a group may be uniquely or disproportionately affected by economic or market conditions. We experienced the effect of concentration risk in 2009 and 2010 when we incurred greater than expected losses in our residential real estate loan portfolio due to a housing slowdown and greater than expected deterioration in residential real estate values in many markets, including the Central Valley California market and several Southern California metropolitan statistical areas. As California is our largest banking state in terms of loans and deposits, deterioration in real estate values and underlying economic conditions in those markets or elsewhere in California could result in materially higher credit losses. In addition, deterioration in macro-economic conditions generally across the country could result in materially higher credit losses, including for our residential real estate loan portfolio. We may experience higher delinquencies and higher loss rates as our consumer real estate secured lines of credit reach their contractual end of draw period and begin to amortize. Additionally, we may experience higher delinquencies and higher loss rates as borrowers in our consumer Pick-a-Pay portfolio reach their recast trigger, particularly if interest rates increase significantly which may cause more borrowers to experience a payment increase of more than 7.5% upon recast.

We are currently the largest CRE lender in the U.S. A deterioration in economic conditions that negatively affects the business performance of our CRE borrowers, including increases in interest rates and/or declines in commercial property values, could result in materially higher credit losses and have a material adverse effect on our financial results and condition.

Challenging economic conditions in Europe have increased our foreign credit risk. Although our foreign loan exposure represented only approximately 6% of our total consolidated outstanding loans and 3% of our total assets at December 31, 2014, continued European economic difficulties could indirectly have a material adverse effect on our credit performance and results of operations and financial condition to the extent it negatively affects the U.S. economy and/or our borrowers who have foreign operations.

For more information, refer to the "Risk Management – Credit Risk Management" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

We may incur losses on loans, securities and other acquired assets of Wachovia that are materially greater than reflected in our fair value adjustments. We accounted for the Wachovia merger under the purchase method of accounting, recording the acquired assets and liabilities of Wachovia at fair value. All PCI loans acquired in the merger were recorded at fair value based on the present value of their expected cash flows. We estimated cash flows using internal credit, interest rate and prepayment risk models using assumptions about matters that are inherently uncertain. We may not realize the estimated cash flows or fair value of these loans. In addition, although the difference between the pre-merger carrying value of the credit-impaired loans and their expected cash flows – the "nonaccretable difference" – is available to absorb future charge-offs, we may be required to increase our allowance for credit losses and related provision expense because of subsequent additional credit deterioration in these loans.

For more information, refer to the "Critical Accounting Policies – Purchased Credit-Impaired (PCI) Loans" and "Risk Management – Credit Risk Management" sections in this Report.

Our mortgage banking revenue can be volatile from quarter to quarter, including as a result of changes in interest rates and the value of our MSRs and MHFS, and we rely on the GSEs to purchase our conforming loans to reduce our credit risk and provide liquidity to fund new mortgage loans. We were the largest mortgage originator and residential mortgage servicer in the U.S. as of December 31, 2014, and we earn revenue from fees we receive for originating mortgage loans and for servicing mortgage loans. As a result of our mortgage servicing business, we have a sizeable portfolio of MSRs. An MSR is the right to service a mortgage loan – collect principal, interest and escrow amounts – for a fee. We acquire MSRs when we keep the servicing rights after we sell or securitize the loans we have originated or when we purchase the servicing rights to mortgage loans originated by other lenders. We initially measure and carry all our residential MSRs using the fair value measurement method. Fair value is the present value of estimated future net servicing income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers. Changes in interest rates can affect prepayment assumptions and thus fair value. When interest rates fall, borrowers are usually more likely to prepay their mortgage loans by refinancing them at a lower rate. As the likelihood of prepayment increases, the fair value of our MSRs can decrease. Each quarter we evaluate the fair value of our MSRs, and any decrease in fair value reduces earnings in the period in which the decrease occurs. We also measure at fair value MHFS for which an active secondary market and readily available market prices exist. In addition, we measure at fair value certain other interests we hold related to residential loan sales and securitizations. Similar to other interest-bearing securities, the value of these MHFS and other interests may be negatively affected by changes in interest rates. For example, if market interest rates increase relative to the yield on these MHFS and other interests, their fair value may fall.

When rates rise, the demand for mortgage loans usually tends to fall, reducing the revenue we receive from loan originations. Under the same conditions, revenue from our MSRs can increase through increases in fair value. When rates fall, mortgage originations usually tend to increase and the value of our MSRs usually tends to decline, also with some offsetting revenue effect. Even though they can act as a "natural hedge," the hedge is not perfect, either in amount or timing. For example, the negative effect on revenue from a decrease in the fair value of residential MSRs is generally immediate, but any offsetting revenue benefit from more originations and the MSRs relating to the new loans would generally accrue over time. It is also possible that, because of economic conditions and/or a weak or deteriorating housing market, even if interest rates were to fall or remain low, mortgage originations may also fall or any increase in mortgage originations may not be enough to offset the decrease in the MSRs value caused by the lower rates.

We typically use derivatives and other instruments to hedge our mortgage banking interest rate risk. We may not hedge all of our risk, and we may not be successful in hedging any of the risk. Hedging is a complex process, requiring sophisticated models and constant monitoring, and is not a perfect science. We may use hedging instruments tied to U.S. Treasury rates, LIBOR or Eurodollars that may not perfectly correlate with the value or income being hedged. We could incur significant losses from our hedging activities. There may be periods where we elect not to use derivatives and other instruments to hedge mortgage banking interest rate risk.

We rely on GSEs to purchase mortgage loans that meet their conforming loan requirements and on the Federal Housing Authority (FHA) to insure loans that meet their policy requirements. These loans are then securitized into either GSE or GNMA securities that are sold to investors. In order to meet customer needs, we also originate loans that do not conform to either GSE or FHA standards, which are referred to as "nonconforming" loans. We generally retain these nonconforming loans on our balance sheet. When we retain a loan on our balance sheet not only do we forgo fee revenue and keep the credit risk of the loan but we also do not receive any sale proceeds that could be used to generate new loans. If we were unable or unwilling to continue retaining nonconforming loans on our balance sheet, whether due to regulatory, business or other reasons, our ability to originate new mortgage loans may be reduced, thereby reducing the fees we earn from originating and servicing loans. Similarly, if the GSEs or the FHA were to limit or reduce their purchases of loans, our ability to fund, and thus originate new mortgage loans, could also be reduced. We cannot assure that the GSEs or the FHA will not materially limit their purchases of conforming loans or change their criteria for what constitutes a conforming loan (e.g., maximum loan amount or borrower eligibility). Each of the GSEs is currently in conservatorship, with its primary regulator, the Federal Housing Finance Agency acting as conservator. We cannot predict if, when or how the conservatorship will end, or any associated changes to the GSEs business structure and operations that could result. As noted above, there are various proposals to reform the housing finance market in the U.S., including the role of the GSEs in the housing finance market. The impact of any such regulatory reform regarding the housing finance market and the GSEs, including whether the GSEs will continue to exist in their current form, as well as any effect on the Company's business and financial results, are uncertain.

For more information, refer to the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" and "Critical Accounting Policies" sections in this Report.

We may be required to repurchase mortgage loans or reimburse investors and others as a result of breaches in contractual representations and warranties, and we may incur other losses as a result of real or alleged violations of statutes or regulations applicable to the origination of our residential mortgage loans. The origination of residential mortgage loans is governed by a variety of federal and state laws and regulations, including the Truth in Lending Act of 1968 and various anti-fraud and consumer protection statutes, which are complex and frequently changing. We often sell residential mortgage loans that we originate to various parties, including GSEs, SPEs that issue private label MBS, and other financial institutions that purchase mortgage loans for investment or private label securitization. We may also pool FHA-insured and VA-guaranteed mortgage loans which back securities guaranteed by GNMA. The agreements under which we sell mortgage loans and the insurance or guaranty agreements with the FHA and VA contain various representations and warranties regarding the origination and characteristics of the mortgage loans, including ownership of the loan, compliance with loan criteria set forth in the applicable agreement, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, and compliance with applicable origination laws. We may be required to repurchase mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the

securitization trust, investor or insurer for credit losses incurred on loans 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. Contracts for mortgage loan sales to the GSEs include various types of specific remedies and penalties that could be applied to inadequate responses to repurchase requests. Similarly, the agreements under which we sell mortgage loans require us to deliver various documents to the securitization trust or investor, and we may be obligated to repurchase any mortgage loan as to which the required documents are not delivered or are defective. We may negotiate global settlements in order to resolve a pipeline of demands in lieu of repurchasing the loans. We establish a mortgage repurchase liability related to the various representations and warranties that reflect management's estimate of losses for loans which we have a repurchase obligation. Our mortgage repurchase liability represents management's best estimate of the probable loss that we may expect to incur for the representations and warranties in the contractual provisions of our sales of mortgage loans. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. As a result 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. If economic conditions and the housing market do not continue to improve or future investor repurchase demand and our success at appealing repurchase requests differ from past experience, we could continue to have increased repurchase obligations and increased loss severity on repurchases, requiring material additions to the repurchase liability.

Additionally, for residential mortgage loans that we originate, borrowers may allege that the origination of the loans did not comply with applicable laws or regulations in one or more respects and assert such violation as an affirmative defense to payment or to the exercise by us of our remedies, including foreclosure proceedings, or in an action seeking statutory and other damages in connection with such violation. If we are not successful in demonstrating that the loans in dispute were originated in accordance with applicable statutes and regulations, we could become subject to monetary damages and other civil penalties, including the loss of certain contractual payments or the inability to exercise certain remedies under the loans.

For more information, refer to the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section in this Report.

We may be terminated as a servicer or master servicer, be required to repurchase a mortgage loan or reimburse investors for credit losses on a mortgage loan, or incur costs, liabilities, fines and other sanctions if we fail to satisfy our servicing obligations, including our obligations with respect to mortgage loan foreclosure actions. We act as servicer and/or master servicer for mortgage loans included in securitizations and for unsecuritized mortgage loans owned by investors. As a servicer or master servicer for those loans we have certain contractual obligations to the securitization trusts, investors or other third parties, including, in our capacity as a servicer, foreclosing on defaulted mortgage loans or, to the extent consistent with the applicable securitization or other investor agreement, considering alternatives to foreclosure such as loan modifications or short sales and, in our capacity as a master servicer, overseeing the servicing of mortgage loans by the servicer. If we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period of time following notice, which can generally be given by the securitization trustee or a specified percentage of security holders, causing us to lose servicing income. In addition, we may be required to indemnify the securitization trustee against losses from any failure by us, as a servicer or master servicer, to perform our servicing obligations or any act or omission on our part that involves willful misfeasance, bad faith or gross negligence. For certain investors and/or certain transactions, we may be contractually obligated to repurchase a mortgage loan or reimburse the investor for credit losses incurred on the loan as a remedy for servicing errors with respect to the loan. If we have increased repurchase obligations because of claims that we did not satisfy our obligations as a servicer or master servicer, or increased loss severity on such repurchases, we may have a significant reduction to net servicing income within mortgage banking noninterest income.

We may incur costs if we are required to, or if we elect to, re-execute or re-file documents or take other action in our capacity as a servicer in connection with pending or completed foreclosures. We may incur litigation costs if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, we may have liability to the borrower and/or to any title insurer of the property sold in foreclosure if the required process was not followed. These costs and liabilities may not be legally or otherwise reimbursable to us, particularly to the extent they relate to securitized mortgage loans. In addition, if certain documents required for a foreclosure action are missing or defective, we could be obligated to cure the defect or repurchase the loan. We may incur liability to securitization investors relating to delays or deficiencies in our processing of mortgage assignments or other documents necessary to comply with state law governing foreclosures. The fair value of our MSRs may be negatively affected to the extent our servicing costs increase because of higher foreclosure costs. We may be subject to fines and other sanctions imposed by Federal or state regulators as a result of actual or perceived deficiencies in our foreclosure practices or in the foreclosure practices of other mortgage loan servicers. Any of these actions may harm our reputation or negatively affect our residential mortgage origination or servicing business. In particular, on February 28, 2013, we entered into amendments to an April 2011 Consent Order with both the OCC and the FRB, which effectively ceased the Independent Foreclosure Review program created by such Consent Order and replaced it with an accelerated remediation commitment to provide foreclosure prevention actions on $1.2 billion of residential mortgage loans, subject to a process to be administered by the OCC and the FRB. During 2014, we believe we reported sufficient foreclosure prevention actions to the monitor of the accelerated remediation process to meet the $1.2 billion commitment, but are awaiting monitor approval. As noted above, any increase in our servicing costs from changes in our foreclosure and other servicing practices, including resulting

from consent orders, negatively affects the fair value of our MSRs.

In addition, 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, the Executive Office of the U.S. Trustee, the Consumer Financial Protection Bureau, a task force of Attorneys General, Wells Fargo, and four other servicers related to investigations of mortgage industry servicing and foreclosure practices. Under the terms of this settlement, we agreed to certain programmatic commitments, consisting of three components totaling approximately $5.3 billion. As announced on March 18, 2014, we have successfully fulfilled our remaining commitments (and state-level sub-commitments) in accordance with the terms of this settlement.

As part of the settlement, the Company was released from claims and allegations relating to servicing, modification and foreclosure practices; however, the settlement does not release the Company from any claims arising out of securitization activities, including representations made to investors respecting mortgage-backed securities; criminal claims; repurchase demands from the GSEs; and inquiries into MERS, among other items. Any investigations or litigation relating to any of the Company's mortgage servicing and foreclosure practices that are not covered or released by the settlement could result in material fines, penalties, equitable remedies, or other enforcement actions.

For more information, refer to the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" and "– Risks Relating to Servicing Activities," and "Critical Accounting Policies – Valuation of Residential Mortgage Servicing Rights" sections and Note 14 (Guarantees, Pledged Assets and Collateral) and Note 15 (Legal Actions) to Financial Statements in this Report.

Financial difficulties or credit downgrades of mortgage and bond insurers may negatively affect our servicing and investment portfolios. Our servicing portfolio includes certain mortgage loans that carry some level of insurance from one or more mortgage insurance companies. To the extent that any of these companies experience financial difficulties or credit downgrades, we may be required, as servicer of the insured loan on behalf of the investor, to obtain replacement coverage with another provider, possibly at a higher cost than the coverage we would replace. We may be responsible for some or all of the incremental cost of the new coverage for certain loans depending on the terms of our servicing agreement with the investor and other circumstances, although we do not have an additional risk of repurchase loss associated with claim amounts for loans sold to third-party investors. Similarly, some of the mortgage loans we hold for investment or for sale carry mortgage insurance. If a mortgage insurer is unable to meet its credit obligations with respect to an insured loan, we might incur higher credit losses if replacement coverage is not obtained. For example, in October 2011, PMI Mortgage Insurance Co. (PMI), one of our providers of mortgage insurance, was seized by its regulator. We previously utilized PMI to provide mortgage insurance on certain loans originated and held in our portfolio and on loans originated and sold to third-party investors. We also hold a small amount of residential MBS, which are backed by mortgages with a limited amount of insurance provided by PMI. PMI has announced that it will pay 50% of insurance claim amounts in cash with the rest deferred. Although we do not expect PMI's situation to have a material adverse effect on our financial results because of the limited amount of loans and securities held in our portfolios with PMI insurance support, we cannot be certain that any such future events involving one of our other mortgage insurance company providers will not materially adversely affect our mortgage business and/or financial results. We also have investments in municipal bonds that are guaranteed against loss by bond insurers. The value of these bonds and the payment of principal and interest on them may be negatively affected by financial difficulties or credit downgrades experienced by the bond insurers.

For more information, refer to the "Earnings Performance – Balance Sheet Analysis – Investment Securities" and "Risk Management – Credit Risk Management– Liability for Mortgage Loan Repurchase Losses" sections in this Report.

OPERATIONAL AND LEGAL RISK

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, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses. As a large financial institution that serves over 70 million customers through over 8,700 locations, 12,500 ATMs, the Internet and other distribution channels across the U.S. and internationally, we depend on our ability to process, record and monitor a large number of customer transactions on a continuous basis. As our customer base and locations have expanded throughout the U.S. and internationally, and as customer, public, legislative and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns. Our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control. For example, there could be sudden increases in customer transaction volume; electrical or telecommunications outages; degradation or loss of public internet domain; climate change related impacts and natural disasters such as earthquakes, tornados, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and, as described below, cyber attacks. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our businesses and customers.

Information security risks for large financial institutions such as Wells Fargo have generally increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties, including foreign state-sponsored parties. Those parties also may attempt to fraudulently induce employees, customers, or other users of our systems to disclose confidential information in order to gain access to our data or that of our customers. As noted above, our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. Our banking, brokerage, investment advisory, and capital markets businesses rely on our digital technologies, computer and email systems, software, and networks to conduct their operations. In

addition, to access our products and services, our customers may use personal smartphones, tablet PC's, and other mobile devices that are beyond our control systems. Although we believe we have robust information security procedures and controls, our technologies, systems, networks, and our customers' devices may become the target of cyber attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of Wells Fargo's or our customers' confidential, proprietary and other information, or otherwise disrupt Wells Fargo's or its customers' or other third parties' business operations. For example, various retailers have reported they were victims of cyber attacks in which large amounts of their customers' data, including debit and credit card information, was obtained. In these situations we generally incur costs to replace compromised cards and address fraudulent transaction activity affecting our customers.

Third parties with which we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries or vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

To date we have not experienced any material losses relating to cyber attacks or other information security breaches, but there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the prominent size and scale of Wells Fargo and its role in the financial services industry, our plans to continue to implement our Internet banking and mobile banking channel strategies and develop additional remote connectivity solutions to serve our customers when and how they want to be served, our expanded geographic footprint and international presence, the outsourcing of some of our business operations, and the current global economic and political environment. For example, Wells Fargo and other financial institutions continue to be the target of various evolving and adaptive cyber attacks, including malware and denial-of-service, as part of an effort to disrupt the operations of financial institutions, potentially test their cybersecurity capabilities, or obtain confidential, proprietary or other information. As a result, cybersecurity and the continued development and enhancement of our controls, processes and systems designed to protect our networks, computers, software and data from attack, damage or unauthorized access remain a priority for Wells Fargo. We are also proactively involved in industry cybersecurity efforts and working with other parties, including our third-party service providers and governmental agencies, to continue to enhance defenses and improve resiliency to cybersecurity threats. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of the networks, systems or devices that our customers use to access our products and services could result in customer attrition, financial losses, the inability of our customers to transact business with us, violations of applicable privacy and other laws, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition.

Our framework for managing risks may not be effective in mitigating risk and loss to us. Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. In certain instances, we rely on models to measure, monitor and predict risks, such as market and interest rate risks, however there is no assurance that these models will appropriately capture all relevant risks or accurately predict future events or exposures. In addition, we rely on data to aggregate and assess our various risk exposures and any issues with the quality or effectiveness of our data aggregation and validation procedures could result in ineffective risk management practices or inaccurate risk reporting. The recent financial and credit crisis and resulting regulatory reform highlighted both the importance and some of the limitations of managing unanticipated risks, and our regulators remain focused on ensuring that financial institutions build and maintain robust risk management policies. If our risk management framework proves ineffective, we could suffer unexpected losses which could materially adversely affect our results of operations or financial condition.

We may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations. We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations. However, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there was in place at the time systems and procedures designed to ensure compliance. For example, we are subject to regulations issued by the Office of Foreign Assets Control (OFAC) that prohibit financial institutions from participating in the transfer of property belonging to the governments of certain foreign countries and designated nationals of those countries. OFAC may impose penalties for inadvertent or unintentional violations even if reasonable processes are in place to prevent the violations. There may be other negative consequences resulting from a finding of noncompliance, including restrictions on certain activities. Such a finding may also damage our reputation as described below and could restrict the ability of institutional investment managers to invest in our securities.

Under the Iran Threat Reduction and Syria Human Rights Act of 2012, we are required to make certain disclosures in our periodic reports filed with the SEC relating to certain activities that we or our worldwide affiliates knowingly engaged in involving Iran during the quarterly period covered by the report. If we or an affiliate were to engage in a reportable transaction, we must also file a separate notice regarding the activity with the SEC, which the SEC will make publicly available on its website. The SEC will be required to forward the report to the President, the Senate Committees on Foreign Relations and Banking, Housing and Urban Affairs, and the House of Representatives Committees on Foreign Affairs and Financial Services. The President will then be required to initiate an investigation into the reported activity and within 180 days make a determination as to whether to impose sanctions on us. The scope of the

reporting requirement is broad and covers any domestic or foreign entity or person that may be deemed to be an affiliate of ours. The potential sanctions and reputational harm for engaging in a reportable activity may be significant.

Negative publicity, including as a result of protests, could damage our reputation and business. Reputation risk, or the risk to our business, earnings and capital from negative public opinion, is inherent in our business and has increased substantially because of the financial crisis and our size and profile in the financial services industry. The reputation of the financial services industry in general has been damaged as a result of the financial crisis and other matters affecting the financial services industry, and negative public opinion about the financial services industry generally or Wells Fargo specifically could adversely affect our ability to keep and attract customers. Negative public opinion could result from our actual or alleged conduct in any number of activities, including mortgage lending practices, servicing and foreclosure activities, corporate governance, regulatory compliance, mergers and acquisitions, and disclosure, sharing or inadequate protection of customer information, and from actions taken by government regulators and community or other organizations in response to that conduct. Because we conduct most of our businesses under the "Wells Fargo" brand, negative public opinion about one business could affect our other businesses and also could negatively affect our "cross-sell" strategy. The proliferation of social media websites utilized by Wells Fargo and other third parties, as well as the personal use of social media by our team members and others, including personal blogs and social network profiles, also may increase the risk that negative, inappropriate or unauthorized information may be posted or released publicly that could harm our reputation or have other negative consequences, including as a result of our team members interacting with our customers in an unauthorized manner in various social media outlets.

As a result of the financial crisis, Wells Fargo and other financial institutions have been targeted from time to time by protests and demonstrations, which have included disrupting the operation of our retail banking stores and have resulted in negative public commentary about financial institutions, including the fees charged for various products and services. There can be no assurance that continued protests and negative publicity for the Company or large financial institutions generally will not harm our reputation and adversely affect our business and financial results.

Risks Relating to Legal Proceedings. Wells Fargo and some of its subsidiaries are involved in judicial, regulatory and arbitration proceedings or investigations concerning matters arising from our business activities. Although we believe we have a meritorious defense in all significant litigation pending against us, there can be no assurance as to the ultimate outcome. We establish reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. The ultimate resolution of a pending legal proceeding, depending on the remedy sought and granted, could materially adversely affect our results of operations and financial condition.

For more information, refer to Note 15 (Legal Actions) to Financial Statements in this Report.

RISKS RELATED TO OUR INDUSTRY'S COMPETITIVE OPERATING ENVIRONMENT

We face significant and increasing competition in the rapidly evolving financial services industry. We compete with other financial institutions in a highly competitive industry that is undergoing significant changes as a result of financial regulatory reform and increased public scrutiny stemming from the financial crisis and continued challenging economic conditions. Wells Fargo generally competes on the basis of the quality of our customer service, the wide variety of products and services that we can offer our customers and the ability of those products and services to satisfy our customers' needs, the pricing of our products and services, the extensive distribution channels available for our customers, our innovation, and our reputation. Continued and increased competition in any one or all of these areas may negatively affect our market share and results of operations and/or cause us to increase our capital investment in our businesses in order to remain competitive. Given the current economic, regulatory, and political environment for large financial institutions such as Wells Fargo, and possible public backlash to bank fees, there is increased competitive pressure to provide products and services at current or lower prices. Consequently, our ability to reposition or reprice our products and services from time to time may be limited and could be influenced significantly by the actions of our competitors who may or may not charge similar fees for their products and services. Any changes in the types of products and services that we offer our customers and/or the pricing for those products and services could result in a loss of customers and market share and could materially adversely affect our results of operations.

Continued technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions and other companies to provide electronic and internet-based financial solutions, including electronic payment solutions. We may not respond effectively to these competitive threats from existing and new competitors and may be forced to increase our investment in our business to modify or adapt our existing products and services or develop new products and services to respond to our customers' needs.

Our "cross-selling" efforts to increase the number of products our customers buy from us and offer our customers all of the financial products that fulfill their needs is a key part of our growth strategy, and our failure to execute this strategy effectively could have a material adverse effect on our revenue growth and financial results. Selling more products to our customers – "cross-selling" – is very important to our business model and key to our ability to grow revenue and earnings especially during the current environment of slow economic growth and regulatory reform initiatives. Many of our competitors also focus on cross-selling, especially in retail banking and mortgage lending. This can limit our ability to sell more products to our customers or influence us to sell our products at lower prices, reducing our net interest income and revenue from our fee-based products. It could also affect our ability to keep existing customers. New technologies could require us to spend more to modify or adapt our products to attract and retain customers. Our cross-sell strategy also is dependent on earning more business from our Wachovia customers, and increasing our cross-sell ratio – or the average number of products sold to existing customers – may

become more challenging and we might not attain our goal of selling an average of eight products to each customer.

Our ability to attract and retain qualified team members is critical to the success of our business and failure to do so could adversely affect our business performance, competitive position and future prospects. The success of Wells Fargo is heavily dependent on the talents and efforts of our team members, and in many areas of our business, including the commercial banking, brokerage, investment advisory, and capital markets businesses, the competition for highly qualified personnel is intense. In order to attract and retain highly qualified team members, we must provide competitive compensation. As a large financial institution we may be subject to limitations on compensation by our regulators that may adversely affect our ability to attract and retain these qualified team members. Some of our competitors may not be subject to these same compensation limitations, which may further negatively affect our ability to attract and retain highly qualified team members.

RISKS RELATED TO OUR FINANCIAL STATEMENTS

Changes in accounting policies or accounting standards, and changes in how accounting standards are interpreted or applied, could materially affect how we report our financial results and condition. Our accounting policies are fundamental to determining and understanding our financial results and condition. As described below, some of these policies require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Any changes in our accounting policies could materially affect our financial statements.

From time to time the FASB and the SEC change the financial accounting and reporting standards that govern the preparation of our external financial statements. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, SEC, banking regulators and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond our control, can be hard to predict and could materially affect how we report our financial results and condition. We may be required to apply a new or revised standard retroactively or apply an existing standard differently, also retroactively, in each case potentially resulting in our restating prior period financial statements in material amounts.

Our financial statements are based in part on assumptions and estimates which, if wrong, could cause unexpected losses in the future, and our financial statements depend on our internal controls over financial reporting. Pursuant to U.S. GAAP, we are required to use certain assumptions and estimates in preparing our financial statements, including in determining credit loss reserves, reserves for mortgage repurchases, reserves related to litigation and the fair value of certain assets and liabilities, among other items. Several of our accounting 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. For a description of these policies, refer to the "Critical Accounting Policies" section in this Report. If assumptions or estimates underlying our financial statements are incorrect, we may experience material losses.

Certain of our financial instruments, including trading assets and liabilities, investment securities, certain loans, MSRs, private equity investments, structured notes and certain repurchase and resale agreements, among other items, require a determination of their fair value in order to prepare our financial statements. Where quoted market prices are not available, we may make fair value determinations based on internally developed models or other means which ultimately rely to some degree on management judgment, and there is no assurance that our models will capture or appropriately reflect all relevant inputs required to accurately determine fair value. Some of these and other assets and liabilities may have no direct observable price levels, making their valuation particularly subjective, being based on significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain loans and securities may make it more difficult to value certain balance sheet items, which may lead to the possibility that such valuations will be subject to further change or adjustment and could lead to declines in our earnings.

The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) requires our management to evaluate the Company's disclosure controls and procedures and its internal control over financial reporting and requires our auditors to issue a report on our internal control over financial reporting. We are required to disclose, in our annual report on Form 10-K, the existence of any "material weaknesses" in our internal controls. We cannot assure that we will not identify one or more material weaknesses as of the end of any given quarter or year, nor can we predict the effect on our stock price of disclosure of a material weakness. Sarbanes-Oxley also limits the types of non-audit services our outside auditors may provide to us in order to preserve their independence from us. If our auditors were found not to be "independent" of us under SEC rules, we could be required to engage new auditors and re-file financial statements and audit reports with the SEC. We could be out of compliance with SEC rules until new financial statements and audit reports were filed, limiting our ability to raise capital and resulting in other adverse consequences.

RISKS RELATED TO ACQUISITIONS

Acquisitions could reduce our stock price upon announcement and reduce our earnings if we overpay or have difficulty integrating them. We regularly explore opportunities to acquire companies in the financial services industry. We cannot predict the frequency, size or timing of our acquisitions, and we typically do not comment publicly on a possible acquisition until we have signed a definitive agreement. When we do announce an acquisition, our stock price may fall depending on the size of the acquisition, the type of business to be acquired, the purchase price, and the potential dilution to existing stockholders or our earnings per share if we issue common stock in connection with the acquisition.

We generally must receive federal regulatory approvals before we can acquire a bank, bank holding company or certain other financial services businesses depending on the size of the financial services business to be acquired. In deciding whether to approve a proposed acquisition, federal bank regulators will consider, among other factors, the effect of the acquisition on competition and the risk to the stability of the U.S. banking or financial system, our financial condition and future prospects including current and projected capital ratios and levels, the competence, experience, and integrity of management and

record of compliance with laws and regulations, the convenience and needs of the communities to be served, including our record of compliance under the Community Reinvestment Act, and our effectiveness in combating money laundering. As a result of the Dodd-Frank Act and concerns regarding the large size of financial institutions such as Wells Fargo, the regulatory process for approving acquisitions has become more complex and regulatory approvals may be more difficult to obtain. We cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. We might be required to sell banks, branches and/or business units or assets or issue additional equity as a condition to receiving regulatory approval for an acquisition. In addition, federal law prohibits regulatory approval of any transaction that would create an institution holding more than 10% of total U.S. insured deposits, or of any transaction (whether or not subject to prior approval) that would create a financial company with more than 10% of the liabilities of all financial companies in the U.S. As of September 30, 2014, we believe we already held more than 10% of total U.S. insured deposits. As a result, our size may limit our bank acquisition opportunities in the future.

Difficulty in integrating an acquired company may cause us not to realize expected revenue increases, cost savings, increases in geographic or product presence, and other projected benefits from the acquisition. The integration could result in higher than expected deposit attrition, loss of key team members, disruption of our business or the business of the acquired company, or otherwise harm our ability to retain customers and team members or achieve the anticipated benefits of the acquisition. Time and resources spent on integration may also impair our ability to grow our existing businesses. Also, the negative effect of any divestitures required by regulatory authorities in acquisitions or business combinations may be greater than expected. Many of the foregoing risks may be increased if the acquired company operates internationally or in a geographic location where we do not already have significant business operations and/or team members.

* * *

Any factor described in this Report or in any of our other SEC filings could by itself, or together with other factors, adversely affect our financial results and condition. Refer to our quarterly reports on Form 10-Q filed with the SEC in 2015 for material changes to the above discussion of risk factors. There are factors not discussed above or elsewhere in this Report that could adversely affect our financial results and condition.

Controls and Procedures

Disclosure Controls and Procedures

The Company's management evaluated the effectiveness, as of December 31, 2014, 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 December 31, 2014.

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 any quarter in 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Managements' report on internal control over financial reporting is set forth below and should be read with these limitations in mind.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework (1992)*. Based on this assessment, management concluded that as of December 31, 2014, the Company's internal control over financial reporting was effective.

KPMG LLP, the independent registered public accounting firm that audited the Company's financial statements included in this Annual Report, issued an audit report on the Company's internal control over financial reporting. KPMG's audit report appears on the following page.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Wells Fargo & Company:

We have audited Wells Fargo & Company and Subsidiaries' (the Company) internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) 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. Also, 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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 25, 2015, expressed an unqualified opinion on those consolidated financial statements.

San Francisco, California
February 25, 2015

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Income

(in millions, except per share amounts)	Year ended December 31, 2014	2013	2012
Interest income			
Trading assets	**$ 1,685**	1,376	1,358
Investment securities	**8,438**	8,116	8,098
Mortgages held for sale	**767**	1,290	1,825
Loans held for sale	**78**	13	41
Loans	**35,652**	35,571	36,482
Other interest income	**932**	723	587
Total interest income	**47,552**	47,089	48,391
Interest expense			
Deposits	**1,096**	1,337	1,727
Short-term borrowings	**59**	60	79
Long-term debt	**2,488**	2,585	3,110
Other interest expense	**382**	307	245
Total interest expense	**4,025**	4,289	5,161
Net interest income	**43,527**	42,800	43,230
Provision for credit losses	**1,395**	2,309	7,217
Net interest income after provision for credit losses	**42,132**	40,491	36,013
Noninterest income			
Service charges on deposit accounts	**5,050**	5,023	4,683
Trust and investment fees	**14,280**	13,430	11,890
Card fees	**3,431**	3,191	2,838
Other fees	**4,349**	4,340	4,519
Mortgage banking	**6,381**	8,774	11,638
Insurance	**1,655**	1,814	1,850
Net gains from trading activities	**1,161**	1,623	1,707
Net gains (losses) on debt securities (1)	**593**	(29)	(128)
Net gains from equity investments (2)	**2,380**	1,472	1,485
Lease income	**526**	663	567
Other	**1,014**	679	1,807
Total noninterest income	**40,820**	40,980	42,856
Noninterest expense			
Salaries	**15,375**	15,152	14,689
Commission and incentive compensation	**9,970**	9,951	9,504
Employee benefits	**4,597**	5,033	4,611
Equipment	**1,973**	1,984	2,068
Net occupancy	**2,925**	2,895	2,857
Core deposit and other intangibles	**1,370**	1,504	1,674
FDIC and other deposit assessments	**928**	961	1,356
Other	**11,899**	11,362	13,639
Total noninterest expense	**49,037**	48,842	50,398
Income before income tax expense	**33,915**	32,629	28,471
Income tax expense	**10,307**	10,405	9,103
Net income before noncontrolling interests	**23,608**	22,224	19,368
Less: Net income from noncontrolling interests	**551**	346	471
Wells Fargo net income	**$ 23,057**	21,878	18,897
Less: Preferred stock dividends and other	**1,236**	989	898
Wells Fargo net income applicable to common stock	**$ 21,821**	20,889	17,999
Per share information			
Earnings per common share	**$ 4.17**	3.95	3.40
Diluted earnings per common share	**4.10**	3.89	3.36
Dividends declared per common share	**1.35**	1.15	0.88
Average common shares outstanding	**5,237.2**	5,287.3	5,287.6
Diluted average common shares outstanding	**5,324.4**	5,371.2	5,351.5

(1) Total other-than-temporary impairment (OTTI) losses were $18 million, $39 million and $3 million for the year ended December 31, 2014, 2013 and 2012, respectively. Of total OTTI, losses of $49 million, $158 million and $240 million were recognized in earnings, and reversal of losses of $(31) million, $(119) million and $(237) million were recognized as non-credit-related OTTI in other comprehensive income for the year ended December 31, 2014, 2013 and 2012, respectively.
(2) Includes OTTI losses of $273 million, $186 million and $176 million for the year ended December 31, 2014, 2013 and 2012, respectively.

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Comprehensive Income

		Year ended December 31,	
(in millions)	**2014**	2013	2012
Wells Fargo net income	**$ 23,057**	21,878	18,897
Other comprehensive income (loss), before tax:			
Investment securities:			
Net unrealized gains (losses) arising during the period	**5,426**	(7,661)	5,143
Reclassification of net gains to net income	**(1,532)**	(285)	(271)
Derivatives and hedging activities:			
Net unrealized gains (losses) arising during the period	**952**	(32)	52
Reclassification of net gains on cash flow hedges to net income	**(545)**	(296)	(388)
Defined benefit plans adjustments:			
Net actuarial gains (losses) arising during the period	**(1,116)**	1,533	(775)
Amortization of net actuarial loss, settlements and other to net income	**74**	276	144
Foreign currency translation adjustments:			
Net unrealized losses arising during the period	**(60)**	(44)	(6)
Reclassification of net (gains) losses to net income	**6**	(12)	(10)
Other comprehensive income (loss), before tax	**3,205**	(6,521)	3,889
Income tax (expense) benefit related to other comprehensive income	**(1,300)**	2,524	(1,442)
Other comprehensive income (loss), net of tax	**1,905**	(3,997)	2,447
Less: Other comprehensive income (loss) from noncontrolling interests	**(227)**	267	4
Wells Fargo other comprehensive income (loss), net of tax	**2,132**	(4,264)	2,443
Wells Fargo comprehensive income	**25,189**	17,614	21,340
Comprehensive income from noncontrolling interests	**324**	613	475
Total comprehensive income	**$ 25,513**	18,227	21,815

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Balance Sheet

(in millions, except shares)		Dec 31, 2014	Dec 31, 2013
Assets			
Cash and due from banks	$	**19,571**	19,919
Federal funds sold, securities purchased under resale agreements and other short-term investments		**258,429**	213,793
Trading assets		**78,255**	62,813
Investment securities:			
Available-for-sale, at fair value		**257,442**	252,007
Held-to-maturity, at cost (fair value $56,359 and $12,247)		**55,483**	12,346
Mortgages held for sale (includes $15,565 and $13,879 carried at fair value) (1)		**19,536**	16,763
Loans held for sale (includes $1 and $1 carried at fair value) (1)		**722**	133
Loans (includes $5,788 and $5,995 carried at fair value) (1)(2)		**862,551**	822,286
Allowance for loan losses		**(12,319)**	(14,502)
Net loans (2)		**850,232**	807,784
Mortgage servicing rights:			
Measured at fair value		**12,738**	15,580
Amortized		**1,242**	1,229
Premises and equipment, net		**8,743**	9,156
Goodwill		**25,705**	25,637
Other assets (includes $2,512 and $1,386 carried at fair value) (1)		**99,057**	86,342
Total assets (2)(3)	$	**1,687,155**	1,523,502
Liabilities			
Noninterest-bearing deposits	$	**321,963**	288,117
Interest-bearing deposits		**846,347**	791,060
Total deposits		**1,168,310**	1,079,177
Short-term borrowings		**63,518**	53,883
Accrued expenses and other liabilities (2)		**86,122**	66,436
Long-term debt		**183,943**	152,998
Total liabilities (2)(4)		**1,501,893**	1,352,494
Equity			
Wells Fargo stockholders' equity:			
Preferred stock		**19,213**	16,267
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		**60,537**	60,296
Retained earnings		**107,040**	92,361
Cumulative other comprehensive income		**3,518**	1,386
Treasury stock – 311,462,276 shares and 224,648,769 shares		**(13,690)**	(8,104)
Unearned ESOP shares		**(1,360)**	(1,200)
Total Wells Fargo stockholders' equity		**184,394**	170,142
Noncontrolling interests		**868**	866
Total equity		**185,262**	171,008
Total liabilities and equity (2)	$	**1,687,155**	1,523,502

(1) Parenthetical amounts represent assets and liabilities for which we have elected the fair value option.
(2) Financial information for certain periods prior to 2014 was revised to reflect our determination that certain factoring arrangements did not qualify as loans. See Note 1 (Summary of Significant Accounting Policies) for more information.
(3) Our consolidated assets at December 31, 2014 and December 31, 2013, 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, $117 million and $165 million; Trading assets, $0 million and $162 million; Investment securities, $875 million and $1.4 billion; Mortgages held for sale, $0 million and $38 million; Net loans, $4.5 billion and $6.1 billion; Other assets, $316 million and $347 million, and Total assets, $5.8 billion and $8.1 billion, respectively.
(4) Our consolidated liabilities at December 31, 2014 and December 31, 2013, include the following VIE liabilities for which the VIE creditors do not have recourse to Wells Fargo: Short-term borrowings, $0 million and $29 million; Accrued expenses and other liabilities, $49 million and $90 million; Long-term debt, $1.6 billion and $2.3 billion; and Total liabilities, $1.7 billion and $2.4 billion, respectively.

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity

	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			*97,267,538*	162
Common stock repurchased (1)			*(119,586,873)*	
Preferred stock issued to ESOP	*940,000*	940		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(887,825)*	(888)	*26,021,875*	43
Common stock warrants repurchased				
Preferred stock issued	*56,000*	1,400		
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	*108,175*	1,452	*3,702,540*	205
Balance December 31, 2012	*10,558,865*	$ 12,883	*5,266,314,176*	$ 9,136
Balance January 1, 2013	*10,558,865*	12,883	*5,266,314,176*	9,136
Net income				
Other comprehensive loss, net of tax				
Noncontrolling interests				
Common stock issued			*89,392,517*	
Common stock repurchased (1)			*(124,179,383)*	
Preferred stock issued to ESOP	*1,200,000*	1,200		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(1,005,270)*	(1,006)	*25,635,395*	
Common stock warrants repurchased/exercised				
Preferred stock issued	*127,600*	3,190		
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	*322,330*	3,384	*(9,151,471)*	—
Balance December 31, 2013	*10,881,195*	$ 16,267	*5,257,162,705*	$ 9,136

(1) For the year ended December 31, 2012, includes $200 million related to a private forward repurchase transaction entered into in fourth quarter 2012 that settled in first quarter 2013 for 6 million shares of common stock. For the year ended December 31, 2013, includes $500 million related to a private forward repurchase transaction entered into in fourth quarter 2013 that settled in first quarter 2014 for 11.1 million shares of common stock. See Note 1 (Summary of Significant Accounting Policies) for additional information.

The accompanying notes are an integral part of these statements.

(continued on following pages)

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
	18,897				18,897	471	19,368
		2,443			2,443	4	2,447
(16)					(16)	(564)	(580)
2,326					2,488		2,488
(50)			(3,868)		(3,918)		(3,918)
88				(1,028)	—		—
(80)				968	888		888
845					—		—
(1)					(1)		(1)
(23)					1,377		1,377
55	(4,713)				(4,658)		(4,658)
	(892)				(892)		(892)
230					230		230
560					560		560
(89)			2		(87)		(87)
3,845	13,292	2,443	(3,866)	(60)	17,311	(89)	17,222
59,802	77,679	5,650	(6,610)	(986)	157,554	1,357	158,911
59,802	77,679	5,650	(6,610)	(986)	157,554	1,357	158,911
	21,878				21,878	346	22,224
		(4,264)			(4,264)	267	(3,997)
28					28	(1,104)	(1,076)
(2)	(10)		2,745		2,733		2,733
(300)			(5,056)		(5,356)		(5,356)
108				(1,308)	—		—
(88)				1,094	1,006		1,006
191			815		—		—
					—		—
(45)					3,145		3,145
83	(6,169)				(6,086)		(6,086)
	(1,017)				(1,017)		(1,017)
269					269		269
725					725		725
(475)			2		(473)		(473)
494	14,682	(4,264)	(1,494)	(214)	12,588	(491)	12,097
60,296	92,361	1,386	(8,104)	(1,200)	170,142	866	171,008

(continued from previous pages)

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity

	Preferred stock		Common stock	
(in millions, except shares)	*Shares*	Amount	*Shares*	Amount
Balance December 31, 2013	*10,881,195*	**$ 16,267**	*5,257,162,705*	**$ 9,136**
Balance January 1, 2014	*10,881,195*	**16,267**	*5,257,162,705*	**9,136**
Net income				
Other comprehensive income, net of tax				
Noncontrolling interests				
Common stock issued			*75,340,898*	
Common stock repurchased (1)			*(183,146,803)*	
Preferred stock issued to ESOP	*1,217,000*	**1,217**		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(1,071,377)*	**(1,071)**	*20,992,398*	
Common stock warrants repurchased/exercised				
Preferred stock issued	*112,000*	**2,800**		
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	*257,623*	**2,946**	*(86,813,507)*	**—**
Balance December 31, 2014	*11,138,818*	**$ 19,213**	*5,170,349,198*	**$ 9,136**

(1) For the year ended December 31, 2014, includes $750 million related to a private forward repurchase transaction that settled in first quarter 2015 for 14.3 million shares of common stock. See Note 1 (Summary of Significant Accounting Policies) for additional information.

The accompanying notes are an integral part of these statements.

					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
60,296	**92,361**	**1,386**	**(8,104)**	**(1,200)**	**170,142**	**866**	**171,008**
60,296	**92,361**	**1,386**	**(8,104)**	**(1,200)**	**170,142**	**866**	**171,008**
	23,057				**23,057**	**551**	**23,608**
		2,132			**2,132**	**(227)**	**1,905**
(7)					**(7)**	**(322)**	**(329)**
(273)			**2,756**		**2,483**		**2,483**
(250)			**(9,164)**		**(9,414)**		**(9,414)**
108				**(1,325)**	**—**		**—**
(94)				**1,165**	**1,071**		**1,071**
251			**820**		**—**		**—**
(9)					**(9)**		**(9)**
(25)					**2,775**		**2,775**
76	**(7,143)**				**(7,067)**		**(7,067)**
	(1,235)				**(1,235)**		**(1,235)**
453					**453**		**453**
858					**858**		**858**
(847)			**2**		**(845)**		**(845)**
241	**14,679**	**2,132**	**(5,586)**	**(160)**	**14,252**	**2**	**14,254**
60,537	**107,040**	**3,518**	**(13,690)**	**(1,360)**	**184,394**	**868**	**185,262**

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Cash Flows

(in millions)		2014	Year ended December 31, 2013	2012
Cash flows from operating activities:				
Net income before noncontrolling interests	$	**23,608**	22,224	19,368
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses		**1,395**	2,309	7,217
Changes in fair value of MSRs, MHFS and LHFS carried at fair value		**1,820**	(3,229)	(2,307)
Depreciation, amortization and accretion		**2,515**	3,293	2,807
Other net gains		**(3,760)**	(9,384)	(3,661)
Stock-based compensation		**1,912**	1,920	1,698
Excess tax benefits related to stock incentive compensation		**(453)**	(271)	(226)
Originations of MHFS		**(144,812)**	(317,054)	(483,835)
Proceeds from sales of and principal collected on mortgages originated for sale		**117,097**	311,431	421,623
Originations of LHFS		**—**	—	(15)
Proceeds from sales of and principal collected on LHFS		**207**	575	9,383
Purchases of LHFS		**(154)**	(291)	(7,975)
Net change in:				
Trading assets		**11,186**	43,638	105,440
Deferred income taxes		**2,354**	4,977	(1,297)
Accrued interest receivable		**(372)**	(13)	293
Accrued interest payable		**119**	(32)	(84)
Other assets		**(10,681)**	4,693	2,064
Other accrued expenses and liabilities		**15,548**	(7,145)	(11,953)
Net cash provided by operating activities		**17,529**	57,641	58,540
Cash flows from investing activities:				
Net change in:				
Federal funds sold, securities purchased under resale agreements and other short-term investments		**(41,778)**	(78,184)	(92,946)
Available-for-sale securities:				
Sales proceeds		**6,089**	2,837	5,210
Prepayments and maturities		**37,257**	50,737	59,712
Purchases		**(44,807)**	(89,474)	(64,756)
Held-to-maturity securities:				
Paydowns and maturities		**5,168**	30	—
Purchases		**(47,012)**	(5,782)	—
Nonmarketable equity investments:				
Sales proceeds		**3,161**	2,577	2,279
Purchases		**(3,087)**	(3,273)	(2,619)
Loans:				
Loans originated by banking subsidiaries, net of principal collected		**(65,162)**	(43,744)	(53,381)
Proceeds from sales (including participations) of loans originated for investment		**21,564**	7,694	6,811
Purchases (including participations) of loans		**(6,424)**	(11,563)	(9,040)
Principal collected on nonbank entities' loans		**13,589**	19,955	25,080
Loans originated by nonbank entities		**(13,570)**	(17,311)	(23,555)
Net cash paid for acquisitions		**(174)**	—	(4,322)
Proceeds from sales of foreclosed assets and short sales (1)		**7,697**	11,021	12,690
Net cash from purchases and sales of MSRs		**(150)**	407	116
Other, net		**(741)**	581	(1,169)
Net cash used by investing activities		**(128,380)**	(153,492)	(139,890)
Cash flows from financing activities:				
Net change in:				
Deposits		**89,133**	76,342	82,762
Short-term borrowings		**8,035**	(3,390)	7,699
Long-term debt:				
Proceeds from issuance		**42,154**	53,227	27,695
Repayment		**(15,829)**	(25,423)	(28,093)
Preferred stock:				
Proceeds from issuance		**2,775**	3,145	1,377
Cash dividends paid		**(1,235)**	(1,017)	(892)
Common stock:				
Proceeds from issuance		**1,840**	2,224	2,091
Repurchased		**(9,414)**	(5,356)	(3,918)
Cash dividends paid		**(6,908)**	(5,953)	(4,565)
Common stock warrants repurchased		**—**	—	(1)
Excess tax benefits related to stock incentive compensation		**453**	271	226
Net change in noncontrolling interests		**(552)**	(296)	(611)
Other, net		**51**	136	—
Net cash provided by financing activities		**110,503**	93,910	83,770
Net change in cash due from banks		**(348)**	(1,941)	2,420
Cash and due from banks at beginning of year		**19,919**	21,860	19,440
Cash and due from banks at end of year	$	**19,571**	19,919	21,860
Supplemental cash flow disclosures:				
Cash paid for interest	$	**3,906**	4,321	5,245
Cash paid for income taxes		**8,808**	7,132	8,024

(1) Includes proceeds received for the settlement of claims on certain government guaranteed residential real estate mortgage loans in foreclosure that are reported as accounts receivables. During fourth quarter 2014, we adopted Accounting Standards Update (ASU) 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure*, effective as of January 1, 2014. This ASU requires that certain government guaranteed residential real estate mortgage loans be recognized as other receivables upon foreclosure; previously, these were included in foreclosed assets.

The accompanying notes are an integral part of these statements. See Note 1 (Summary of Significant Accounting Policies) for noncash activities.

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 6 (Loans and Allowance for Credit Losses)), valuations of residential mortgage servicing rights (MSRs) (Note 8 (Securitizations and Variable Interest Entities) and Note 9 (Mortgage Banking Activities)) and financial instruments (Note 17 (Fair Values of Assets and Liabilities)) and income taxes (Note 21 (Income Taxes)). Actual results could differ from those estimates.

Accounting for Certain Factored Loan Receivable Arrangements

The Company determined that certain factoring arrangements previously included within commercial loans, which were recorded with a corresponding obligation in other liabilities, did not qualify as loan purchases under Accounting Standard Codification (ASC) Topic 860 (Transfers and Servicing of Financial Assets) based on interpretations of the specific arrangements. Accordingly, we revised our commercial loan balances for year-end 2012 and each of the quarters in 2013 in order to present the Company's lending trends on a comparable basis over this period. This revision, which resulted in a reduction to total commercial loans and a corresponding decrease to other liabilities, did not impact the Company's consolidated net income or total cash flows. We reduced our commercial loans by $3.5 billion, $3.2 billion, $2.1 billion, $1.6 billion, and $1.2 billion at December 31, September 30, June 30 and March 31, 2013, and December 31, 2012, respectively, which represented less than 1% of total commercial loans and less than 0.5% of our total loan portfolio. We also appropriately revised other affected financial information, including financial guarantees and financial ratios, to reflect this revision.

Accounting Standards Adopted in 2014

In 2014, we adopted the following new accounting guidance:

- Accounting Standards Update (ASU) 2014-17, *Business Combinations (Topic 805): Pushdown Accounting;*
- ASU 2014-14, *Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure;*
- ASU 2014-04, *Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure;*
- ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists;* and
- ASU 2013-08, *Financial Services - Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements*.

ASU 2014-17 provides an acquired entity with the option to apply pushdown accounting in its separate financial statements. We adopted the guidance in fourth quarter 2014 with prospective application. This Update did not have a material effect on our consolidated financial statements.

ASU 2014-14 requires certain government-guaranteed mortgage loans to be classified as other receivables upon foreclosure and measured based on the loan balance expected to be recovered from the guarantor. We early adopted this guidance in fourth quarter 2014, effective as of January 1, 2014, through a modified retrospective transition. Our adoption of this Update did not have a material effect on our consolidated financial statements. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets).

ASU 2014-04 clarifies the timing of when a creditor has taken physical possession of residential real estate collateral for a consumer mortgage loan, resulting in the reclassification of the loan receivable to real estate owned. The guidance also requires disclosure of the amount of foreclosed residential real estate property held by the creditor and the recorded investment in residential real estate mortgage loans that are in process of foreclosure. We adopted this guidance in first quarter 2014. This Update did not have a material effect on our consolidated financial statements as this guidance was consistent with our prior practice. See Note 6 (Loans and Allowance for Credit Losses).

ASU 2013-11 provides guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward exists. We adopted this guidance in first quarter 2014 with prospective application to all existing unrecognized tax benefits at the effective date. This Update did not have a material effect on our consolidated financial statements.

ASU 2013-08 changes the criteria companies use to assess whether an entity is an investment company and requires new disclosures for investment companies. We adopted this guidance

in first quarter 2014. This Update did not have a material effect on our consolidated financial statements.

Consolidation
Our consolidated financial statements include the accounts of the Parent and our majority-owned subsidiaries and variable interest entities (VIEs) (defined below) in which we are the primary beneficiary. Significant intercompany accounts and transactions are eliminated in consolidation. When we have significant influence over operating and financing decisions for a company but do not own a majority of the voting equity interests, we account for the investment using the equity method of accounting, which requires us to recognize our proportionate share of the company's earnings. If we do not have significant influence, we recognize the equity investment at cost except for (1) marketable equity securities, which we recognize at fair value with changes in fair value included in OCI, and (2) nonmarketable equity investments for which we have elected the fair value option. Investments accounted for under the equity or cost method are included in Other Assets.

We are a variable interest holder in certain entities in which equity investors do not have the characteristics of a controlling financial interest or where the entity does not have enough equity at risk to finance its activities without additional subordinated financial support from other parties (referred to as VIEs). Our variable interest arises from contractual, ownership or other monetary interests in the entity, which change with fluctuations in the fair value of the entity's net assets. We consolidate a VIE if we are the primary beneficiary, defined as the party that has both the power to direct the activities that most significantly impact the VIE and a variable interest that potentially could be significant to the VIE. To determine whether or not a variable interest we hold could potentially be significant to the VIE, we consider both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIE. We assess whether or not we are the primary beneficiary of a VIE on an ongoing basis.

Cash and Due From Banks
Cash and cash equivalents include cash on hand, cash items in transit, and amounts due from the Federal Reserve Bank and other depository institutions.

Trading Assets
Trading assets are predominantly securities, including corporate debt, U.S. government agency obligations and other securities that we acquire for short-term appreciation or other trading purposes, certain loans held for market-making purposes to support the buying and selling demands of our customers and derivatives primarily held for customer accommodation purposes or risk mitigation and hedging. Interest-only strips and other retained interests in securitizations that can be contractually prepaid or otherwise settled in a way that the holder would not recover substantially all of its recorded investment are classified as trading assets. Trading assets are carried at fair value, with changes in fair value recorded in earnings. For securities and loans in trading assets, interest and dividend income are recorded in interest income, and realized and unrealized gains and losses recorded in noninterest income. For other trading assets, including derivatives, the entire change in fair value is recorded in noninterest income.

Investments
Our investments include various debt and marketable equity securities and nonmarketable equity investments. We classify debt and marketable equity securities as available-for-sale or held-to-maturity securities based on our intent to hold to maturity. Our nonmarketable equity investments are reported in Other Assets.

AVAILABLE-FOR-SALE SECURITIES Debt securities that we might not hold until maturity and marketable equity securities are classified as available-for-sale securities and reported at fair value. Unrealized gains and losses, after applicable income taxes, are reported in cumulative OCI.

We conduct other-than-temporary impairment (OTTI) analysis on a quarterly basis or more often if a potential loss-triggering event occurs. The initial indicator of OTTI for both debt and equity securities is a decline in fair value below the amount recorded for an investment and the severity and duration of the decline.

For a debt security for which there has been a decline in the fair value below amortized cost basis, we recognize OTTI if we (1) have the intent to sell the security, (2) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis, or (3) we do not expect to recover the entire amortized cost basis of the security.

Estimating recovery of the amortized cost basis of a debt security is based upon an assessment of the cash flows expected to be collected. If the present value of cash flows expected to be collected, discounted at the security's effective yield, is less than amortized cost, OTTI is considered to have occurred. In performing an assessment of the cash flows expected to be collected, we consider all relevant information including:

- the length of time and the extent to which the fair value has been less than the amortized cost basis;
- the historical and implied volatility of the fair value of the security;
- the cause of the price decline, such as the general level of interest rates or adverse conditions specifically related to the security, an industry or a geographic area;
- the issuer's financial condition, near-term prospects and ability to service the debt;
- the payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future;
- for asset-backed securities, the credit performance of the underlying collateral, including delinquency rates, level of non-performing assets, cumulative losses to date, collateral value and the remaining credit enhancement compared with expected credit losses;
- any change in rating agencies' credit ratings at evaluation date from acquisition date and any likely imminent action;
- independent analyst reports and forecasts, sector credit ratings and other independent market data; and
- recoveries or additional declines in fair value subsequent to the balance sheet date.

If we intend to sell the security, or if it is more likely than not we will be required to sell the security before recovery, an OTTI write-down is recognized in earnings equal to the entire difference between the amortized cost basis and fair value of the security. For debt securities that are considered other-than-temporarily impaired that we do not intend to sell or it is more likely than not that we will not be required to sell before recovery, the OTTI write-down is separated into an amount representing the credit loss, which is recognized in earnings, and

the amount related to all other factors, which is recognized in OCI. The measurement of the credit loss component is equal to the difference between the debt security's amortized cost basis and the present value of its expected future cash flows discounted at the security's effective yield. The remaining difference between the security's fair value and the present value of future expected cash flows is due to factors that are not credit-related and, therefore, is recognized in OCI. We believe that we will fully collect the carrying value of securities on which we have recorded a non-credit-related impairment in OCI.

We hold investments in perpetual preferred securities (PPS) that are structured in equity form, but have many of the characteristics of debt instruments, including periodic cash flows in the form of dividends, call features, ratings that are similar to debt securities and pricing like long-term callable bonds.

Because of the hybrid nature of these securities, we evaluate PPS for OTTI using a model similar to the model we use for debt securities as described above. Among the factors we consider in our evaluation of PPS are whether there is any evidence of deterioration in the credit of the issuer as indicated by a decline in cash flows or a rating agency downgrade to below investment grade and the estimated recovery period. Additionally, in determining if there was evidence of credit deterioration, we evaluate: (1) the severity of decline in market value below cost, (2) the period of time for which the decline in fair value has existed, and (3) the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer. We consider PPS to be other-than-temporarily impaired if cash flows expected to be collected are insufficient to recover our investment or if we no longer believe the security will recover within the estimated recovery period. OTTI write-downs of PPS are recognized in earnings equal to the difference between the cost basis and fair value of the security. Based upon the factors considered in our OTTI evaluation, we believe our investments in PPS currently rated investment grade will be fully realized and, accordingly, have not recognized OTTI on such securities.

For marketable equity securities other than PPS, OTTI evaluations focus on whether evidence exists that supports recovery of the unrealized loss within a timeframe consistent with temporary impairment. This evaluation considers the severity of and length of time fair value is below cost, our intent and ability to hold the security until forecasted recovery of the fair value of the security, and the investee's financial condition, capital strength, and near-term prospects.

We recognize realized gains and losses on the sale of investment securities in noninterest income using the specific identification method.

Unamortized premiums and discounts are recognized in interest income over the contractual life of the security using the interest method. As principal repayments are received on securities (i.e., primarily mortgage-backed securities (MBS)) a proportionate amount of the related premium or discount is recognized in income so that the effective interest rate on the remaining portion of the security continues unchanged.

HELD-TO-MATURITY SECURITIES Debt securities for which the Company has the positive intent and ability to hold to maturity are reported at historical cost adjusted for amortization of premiums and accretion of discounts. We recognize OTTI when there is a decline in fair value and we do not expect to recover the entire amortized cost basis of the debt security. The amortized cost is written-down to fair value with the credit loss component recorded to earnings and the remaining component recognized in OCI. The OTTI assessment related to whether we expect recovery of the amortized cost basis and determination of any credit loss component recognized in earnings for held-to-maturity securities is the same as described for available-for-sale securities. Security transfers to the held-to-maturity classification are recorded at fair value. Unrealized gains or losses from the transfer of available-for-sale securities continue to be reported in cumulative OCI and are amortized into earnings over the remaining life of the security using the effective interest method.

NONMARKETABLE EQUITY INVESTMENTS Nonmarketable equity investments include low income housing tax credit investments, equity securities that are not publicly traded and securities acquired for various purposes, such as to meet regulatory requirements (for example, Federal Reserve Bank and Federal Home Loan Bank (FHLB) stock). We have elected the fair value option for some of these investments with the remainder of these investments accounted for under the cost or equity method, which we review at least quarterly for possible OTTI. Our review typically includes an analysis of the facts and circumstances of each investment, the expectations for the investment's cash flows and capital needs, the viability of its business model and our exit strategy. We reduce the asset value when we consider declines in value to be other than temporary. We recognize the estimated loss as a loss from equity investments in noninterest income.

Securities Purchased and Sold Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are accounted for as collateralized financing transactions and are recorded at the acquisition or sale price plus accrued interest. We monitor the fair value of securities purchased and sold, and obtain collateral from or return it to counterparties when appropriate. These financing transactions do not create material credit risk given the collateral provided and the related monitoring process.

Mortgages and Loans Held for Sale

Mortgages held for sale (MHFS) include commercial and residential mortgages originated for sale and securitization in the secondary market, which is our principal market, or for sale as whole loans. We elect the fair value option for substantially all residential MHFS (see Note 17 (Fair Values of Assets and Liabilities)). The remaining residential MHFS are held at the lower of cost or fair value (LOCOM), and are valued on an aggregate portfolio basis. Commercial MHFS are held at LOCOM and are valued on an individual loan basis.

Loans held for sale (LHFS) are carried at LOCOM. Generally, consumer loans are valued on an aggregate portfolio basis, and commercial loans are valued on an individual loan basis.

Gains and losses on MHFS are recorded in mortgage banking noninterest income. Gains and losses on LHFS are recorded in other noninterest income. Direct loan origination costs and fees for MHFS and LHFS under the fair value option are recognized in income at origination. For MHFS and LHFS recorded at LOCOM, loan costs and fees are deferred at origination and are recognized in income at time of sale. Interest income on MHFS and LHFS is calculated based upon the note rate of the loan and is recorded to interest income.

Our lines of business are authorized to originate held-for-investment loans that meet or exceed established loan product profitability criteria, including minimum positive net interest margin spreads in excess of funding costs. When a determination is made at the time of commitment to originate

loans as held for investment, it is our intent to hold these loans to maturity or for the "foreseeable future," subject to periodic review under our management evaluation processes, including corporate asset/liability management. In determining the "foreseeable future" for loans, management considers (1) the current economic environment and market conditions, (2) our business strategy and current business plans, (3) the nature and type of the loan receivable, including its expected life, and (4) our current financial condition and liquidity demands. If subsequent changes, including changes in interest rates significantly impact the ongoing profitability of certain loan products, we may subsequently change our intent to hold these loans, and we would take actions to sell such loans. Upon such management determination, we immediately transfer these loans to the MHFS or LHFS portfolio at LOCOM.

Loans

Loans are reported at their outstanding principal balances net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans and unamortized premiums or discounts on purchased loans. PCI loans are reported net of any remaining purchase accounting adjustments. See the "Purchased Credit-Impaired Loans" section in this Note for our accounting policy for PCI loans.

Unearned income, deferred fees and costs, and discounts and premiums are amortized to interest income over the contractual life of the loan using the interest method. Loan commitment fees are generally deferred and amortized into noninterest income on a straight-line basis over the commitment period.

We have private label and co-brand credit card loans through a program agreement that involves our active participation in the operating activity of the program with a third party. We share in the economic results of the loans subject to this agreement. We consider the program to be a collaborative arrangement and therefore report our share of revenue and losses on a net basis in interest income for loans, other noninterest income and provision for credit losses as applicable. Our net share of revenue from this activity represented less than 1% of our total revenues for 2014.

Loans also include direct financing leases that are recorded at the aggregate of minimum lease payments receivable plus the estimated residual value of the leased property, less unearned income. Leveraged leases, which are a form of direct financing leases, are recorded net of related non-recourse debt. Leasing income is recognized as a constant percentage of outstanding lease financing balances over the lease terms in interest income.

NONACCRUAL AND PAST DUE LOANS 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 (including loans discharged in bankruptcy);
- for junior lien mortgages, we have evidence that the related first lien mortgage may be 120 days past due or in the process of foreclosure regardless of the junior lien delinquency status; or
- performing consumer loans are discharged in bankruptcy, regardless of their delinquency status.

PCI loans are written down at acquisition to fair value using an estimate of cash flows deemed to be collectible. Accordingly, such loans are no longer classified as nonaccrual even though they may be contractually past due because we expect to fully collect the new carrying values of such loans (that is, the new cost basis arising out of purchase accounting).

When we place a loan on nonaccrual status, we reverse the accrued unpaid interest receivable against interest income and amortization of any net deferred fees is suspended. If the ultimate collectability of the recorded loan balance is in doubt on a nonaccrual loan, the cost recovery method is used and cash collected is applied to first reduce the carrying value of the loan. Otherwise, interest income may be recognized to the extent cash is received. Generally, we return a loan to accrual status when all delinquent interest and principal become current under the terms of the loan agreement and collectability of remaining principal and interest is no longer doubtful.

For modified loans, we re-underwrite at the time of a restructuring to determine if there is sufficient evidence of sustained repayment capacity based on the borrower's financial strength, including documented income, debt to income ratios and other factors. 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. When a loan classified as a troubled debt restructuring (TDR) performs in accordance with its modified terms, the loan either continues to accrue interest (for performing loans) or will return to accrual status after the borrower demonstrates a sustained period of performance (generally six consecutive months of payments, or equivalent, inclusive of consecutive payments made prior to the modification). Loans will be placed on nonaccrual status and a corresponding charge-off is recorded if we believe it is probable that principal and interest contractually due under the modified terms of the agreement will not be collectible.

Our loans are considered past due when contractually required principal or interest payments have not been made on the due dates.

LOAN CHARGE-OFF POLICIES For commercial loans, we generally fully charge off or charge down to net realizable value (fair value of collateral, less estimated costs to sell) for loans secured by collateral when:

- management judges the loan to be uncollectible;
- repayment is deemed to be protracted beyond reasonable time frames;
- the loan has been classified as a loss by either our internal loan review process or our banking regulatory agencies;
- the customer has filed bankruptcy and the loss becomes evident owing to a lack of assets; or
- the loan is 180 days past due unless both well-secured and in the process of collection.

For consumer loans, we fully charge off or charge down to net realizable value when deemed uncollectible due to bankruptcy discharge or other factors, or no later than reaching a defined number of days past due, as follows:

- 1-4 family first and junior lien mortgages – We generally charge down to net realizable value when the loan is 180 days past due.

- Auto loans – We generally fully charge off when the loan is 120 days past due.
- Credit card loans – We generally fully charge off when the loan is 180 days past due.
- Unsecured loans (closed end) – We generally fully charge off when the loan is 120 days past due.
- Unsecured loans (open end) – We generally fully charge off when the loan is 180 days past due.
- Other secured loans – We generally fully or partially charge down to net realizable value when the loan is 120 days past due.

IMPAIRED LOANS We consider a loan to be impaired when, based on current information and events, we determine that we will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. This evaluation is generally based on delinquency information, an assessment of the borrower's financial condition and the adequacy of collateral, if any. Our impaired loans predominantly include loans on nonaccrual status for commercial and industrial, commercial real estate (CRE) and any loans modified in a TDR, on both accrual and nonaccrual status.

When we identify a loan as impaired, we generally measure the impairment, if any, based on the difference between the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount) and the present value of expected future cash flows, discounted at the loan's effective interest rate. When the value of an impaired loan is calculated by discounting expected cash flows, interest income is recognized using the loan's effective interest rate over the remaining life of the loan. When collateral is the sole source of repayment for the impaired loan, rather than the borrower's income or other sources of repayment, we charge down to net realizable value.

TROUBLED DEBT RESTRUCTURINGS In situations where, for economic or legal reasons related to a borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a TDR. These modified terms may include rate reductions, principal forgiveness, term extensions, payment forbearance and other actions intended to minimize our economic loss and to avoid foreclosure or repossession of the collateral. For modifications where we forgive principal, the entire amount of such principal forgiveness is immediately charged off. Loans classified as TDRs, including loans in trial payment periods (trial modifications), are considered impaired loans. Other than resolutions such as foreclosures, sales and transfers to held-for-sale, we may remove loans held for investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

PURCHASED CREDIT-IMPAIRED 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. Some loans that otherwise meet the definition as credit-impaired are specifically excluded from the PCI loan portfolios, such as revolving loans where the borrower still has revolving privileges.

Evidence of credit quality deterioration as of the purchase date may include statistics such as past due and nonaccrual status, commercial risk ratings, recent borrower credit scores and recent loan-to-value percentages. Generally, acquired loans that meet our definition for nonaccrual status are considered to be credit-impaired.

Substantially all commercial PCI loans are accounted for as individual loans. Conversely, consumer PCI loans have been aggregated into pools based on common risk characteristics. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Accounting for PCI loans involves estimating fair value, at acquisition, using the principal and interest cash flows expected to be collected discounted at the prevailing market rate of interest. The excess of cash flows expected to be collected over the carrying value (estimated fair value at acquisition date) is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the loan, or pool of loans, in situations where there is a reasonable expectation about the timing and amount of cash flows to be collected. The difference between contractually required payments and the cash flows expected to be collected at acquisition, considering the impact of prepayments, is referred to as the nonaccretable difference.

Subsequent to acquisition, we regularly evaluate our estimates of cash flows expected to be collected. If we have probable decreases in cash flows expected to be collected (other than due to decreases in interest rate indices and changes in prepayment assumptions), we charge the provision for credit losses, resulting in an increase to the allowance for loan losses. If we have probable and significant increases in cash flows expected to be collected, we first reverse any previously established allowance for loan losses and then increase interest income as a prospective yield adjustment over the remaining life of the loan, or pool of loans. Estimates of cash flows are impacted by changes in interest rate indices for variable rate loans and prepayment assumptions, both of which are treated as prospective yield adjustments included in interest income.

Resolutions of loans may include sales of loans to third parties, receipt of payments in settlement with the borrower, or foreclosure of the collateral. For individual PCI loans, gains or losses on sales to third parties are included in noninterest income, and gains or losses as a result of a settlement with the borrower are included in interest income. Our policy is to remove an individual loan from a pool based on comparing the amount received from its resolution with its contractual amount. Any difference between these amounts is absorbed by the nonaccretable difference for the entire pool. This removal method assumes that the amount received from resolution approximates pool performance expectations. The remaining accretable yield balance is unaffected and any material change in remaining effective yield caused by this removal method is addressed by our quarterly cash flow evaluation process for each pool. For loans that are resolved by payment in full, there is no release of the nonaccretable difference for the pool because there is no difference between the amount received at resolution and the contractual amount of the loan. Modified PCI loans are not removed from a pool even if those loans would otherwise be deemed TDRs. Modified PCI loans that are accounted for individually are considered TDRs, and removed from PCI accounting if there has been a concession granted in excess of the original nonaccretable difference. We include these TDRs in our impaired loans.

FORECLOSED ASSETS Foreclosed assets obtained through our lending activities primarily include real estate. Generally, loans

have been written down to their net realizable value prior to foreclosure. Any further reduction to their net realizable value is recorded with a charge to the allowance for credit losses at foreclosure. We allow up to 90 days after foreclosure to finalize determination of net realizable value. Thereafter, changes in net realizable value are recorded to noninterest expense. The net realizable value of these assets is reviewed and updated periodically depending on the type of property. See the discussion earlier in this Note about classification changes for certain government-guaranteed loan foreclosures that resulted from our adoption of ASU 2014-14 this year.

ALLOWANCE FOR CREDIT LOSSES (ACL) The allowance for credit losses is management's estimate of credit losses inherent in the loan portfolio, including unfunded credit commitments, at the balance sheet date. We have an established process to determine the appropriateness of the allowance for credit losses that assesses the losses inherent in our portfolio and related unfunded credit commitments. We develop and document our allowance methodology at the portfolio segment level - commercial loan portfolio and consumer loan portfolio. While we attribute portions of the allowance to our respective commercial and consumer portfolio segments, the entire allowance is available to absorb credit losses inherent in the total loan portfolio and unfunded credit commitments.

Our process involves procedures to appropriately consider the unique risk characteristics of our commercial and consumer loan portfolio segments. For each portfolio segment, losses are estimated collectively for groups of loans with similar characteristics, individually or pooled for impaired loans or, for PCI loans, based on the changes in cash flows expected to be collected.

Our allowance levels are influenced by loan volumes, loan grade migration or delinquency status, historic loss experience and other conditions influencing loss expectations, such as economic conditions.

COMMERCIAL PORTFOLIO SEGMENT ACL METHODOLOGY Generally, commercial loans are assessed for estimated losses by grading each loan using various risk factors as identified through periodic reviews. Our estimation approach for the commercial portfolio reflects the estimated probability of default in accordance with the borrower's financial strength, and the severity of loss in the event of default, considering the quality of any underlying collateral. Probability of default and severity at the time of default are statistically derived through historical observations of default and losses after default within each credit risk rating. These estimates are adjusted as appropriate based on additional analysis of long-term average loss experience compared to previously forecasted losses, external loss data or other risks identified from current economic conditions and credit quality trends. The estimated probability of default and severity at the time of default are applied to loan equivalent exposures to estimate losses for unfunded credit commitments.

The allowance also includes an amount for the estimated impairment on nonaccrual commercial loans and commercial loans modified in a TDR, whether on accrual or nonaccrual status.

CONSUMER PORTFOLIO SEGMENT ACL METHODOLOGY For consumer loans that are not identified as a TDR, we determine the allowance predominantly on a collective basis utilizing forecasted losses to represent our best estimate of inherent loss. We pool loans, generally by product types with similar risk characteristics, such as residential real estate mortgages and credit cards. As appropriate and to achieve greater accuracy, we may further stratify selected portfolios by sub-product, origination channel, vintage, loss type, geographic location and other predictive characteristics. Models designed for each pool are utilized to develop the loss estimates. We use assumptions for these pools in our forecast models, such as historic delinquency and default, loss severity, home price trends, unemployment trends, and other key economic variables that may influence the frequency and severity of losses in the pool.

In determining the appropriate allowance attributable to our residential mortgage portfolio, we take into consideration portfolios determined to be at elevated risk, such as junior lien mortgages behind delinquent first lien mortgages and junior lien lines of credit subject to near term significant payment increases. We incorporate the default rates and high severity of loss for these higher risk portfolios, including the impact of our established loan modification programs. When modifications occur or are probable to occur, our allowance considers the impact of these modifications, taking into consideration the associated credit cost, including re-defaults of modified loans and projected loss severity. Accordingly, the loss content associated with the effects of existing and probable loan modifications and higher risk portfolios has been captured in our allowance methodology.

We separately estimate impairment for consumer loans that have been modified in a TDR (including trial modifications), whether on accrual or nonaccrual status.

OTHER ACL MATTERS The allowance for credit losses for both portfolio segments includes an amount for imprecision or uncertainty that may change from period to period. This amount represents management's judgment of risks inherent in the processes and assumptions used in establishing the allowance. This imprecision considers economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends and emerging risk assessments.

Securitizations and Beneficial Interests

In certain asset securitization transactions that meet the applicable criteria to be accounted for as a sale, assets are sold to an entity referred to as an SPE, which then issues beneficial interests in the form of senior and subordinated interests collateralized by the assets. In some cases, we may retain beneficial interests issued by the entity. Additionally, from time to time, we may also re-securitize certain assets in a new securitization transaction.

The assets and liabilities transferred to an SPE are excluded from our consolidated balance sheet if the transfer qualifies as a sale and we are not required to consolidate the SPE.

For transfers of financial assets recorded as sales, we recognize and initially measure at fair value all assets obtained (including beneficial interests) and liabilities incurred. We record a gain or loss in noninterest income for the difference between the carrying amount and the fair value of the assets sold. Fair values are based on quoted market prices, quoted market prices for similar assets, or if market prices are not available, then the fair value is estimated using discounted cash flow analyses with assumptions for credit losses, prepayments and discount rates that are corroborated by and verified against market observable data, where possible. Retained interests and liabilities incurred from securitizations with off-balance sheet entities, including SPEs and VIEs, where we are not the primary beneficiary, are classified as investment securities, trading

account assets, loans, MSRs or other liabilities (including liabilities for mortgage repurchase losses) and are accounted for as described herein.

Mortgage Servicing Rights (MSRs)
We recognize the rights to service mortgage loans for others, or MSRs, as assets whether we purchase the MSRs or the MSRs result from a sale or securitization of loans we originate (asset transfers). We initially record all of our MSRs at fair value. Subsequently, residential loan MSRs are carried at fair value. All of our MSRs related to our commercial mortgage loans are subsequently measured at LOCOM. The valuation and sensitivity of MSRs is discussed further in Note 8 (Securitizations and Variable Interest Entities), Note 9 (Mortgage Banking Activities) and Note 17 (Fair Values of Assets and Liabilities).

For MSRs carried at fair value, changes in fair value are reported in noninterest income in the period in which the change occurs. MSRs subsequently measured at LOCOM are amortized in proportion to, and over the period of, estimated net servicing income. The amortization of MSRs is reported in noninterest income, analyzed monthly and adjusted to reflect changes in prepayment speeds, as well as other factors.

MSRs accounted for at LOCOM are periodically evaluated for impairment based on the fair value of those assets. For purposes of impairment evaluation and measurement, we stratify MSRs based on the predominant risk characteristics of the underlying loans, including investor and product type. If, by individual stratum, the carrying amount of these MSRs exceeds fair value, a valuation allowance is established. The valuation reserve is adjusted as the fair value changes.

Premises and Equipment
Premises and equipment are carried at cost less accumulated depreciation and amortization. Capital leases, where we are the lessee, are included in premises and equipment at the capitalized amount less accumulated amortization.

We primarily use the straight-line method of depreciation and amortization. Estimated useful lives range up to 40 years for buildings, up to 10 years for furniture and equipment, and the shorter of the estimated useful life (up to 8 years) or the lease term for leasehold improvements. We amortize capitalized leased assets on a straight-line basis over the lives of the respective leases.

Goodwill and Identifiable Intangible Assets
Goodwill is recorded in business combinations under the purchase method of accounting when the purchase price is higher than the fair value of net assets, including identifiable intangible assets.

We assess goodwill for impairment at a reporting unit level on an annual basis or more frequently in certain circumstances. We have determined that our reporting units are one level below the operating segments. We have the option of performing a qualitative assessment of goodwill. We may also elect to bypass the qualitative test and proceed directly to a quantitative test. We initially perform a qualitative assessment of goodwill to test for impairment. If, based on our qualitative review, we conclude that more likely than not a reporting unit's fair value is less than its carrying amount, then we complete quantitative steps as described below to determine if there is goodwill impairment. If we conclude that a reporting unit's fair value is not less than its carrying amount, quantitative tests are not required. We assess goodwill for impairment on a reporting unit level and apply various quantitative valuation methodologies when required to compare the estimated fair value to the carrying value of each reporting unit. Valuation methodologies include discounted cash flow and earnings multiple approaches. If the fair value is less than the carrying amount, an additional test is required to measure the amount of impairment. We recognize impairment losses as a charge to noninterest expense (unless related to discontinued operations) and an adjustment to the carrying value of the goodwill asset. Subsequent reversals of goodwill impairment are prohibited.

We amortize core deposit and other customer relationship intangibles on an accelerated basis over useful lives not exceeding 10 years. We review such intangibles for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated if the sum of undiscounted estimated future net cash flows is less than the carrying value of the asset. Impairment is permanently recognized by writing down the asset to the extent that the carrying value exceeds the estimated fair value.

Operating Lease Assets
Operating lease rental income for leased assets is recognized in other income on a straight-line basis over the lease term. Related depreciation expense is recorded on a straight-line basis over the estimated useful life, considering the estimated residual value of the leased asset. The useful life may be adjusted to the term of the lease depending on our plans for the asset after the lease term. On a periodic basis, leased assets are reviewed for impairment. Impairment loss is recognized if the carrying amount of leased assets exceeds fair value and is not recoverable. The carrying amount of leased assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the lease payments and the estimated residual value upon the eventual disposition of the equipment.

Liability for Mortgage Loan Repurchase Losses
In connection with our sales and securitization of residential mortgage loans to various parties, we establish a mortgage repurchase liability, initially at fair value, related to various representations and warranties that reflect management's estimate of losses for loans for which we could have a repurchase obligation, whether or not we currently service those loans, based on a combination of factors. Such factors include default expectations, expected investor repurchase demands (influenced by current and expected mortgage loan file requests and mortgage insurance rescission notices, as well as estimated levels of origination defects) and appeals success rates (where the investor rescinds the demand based on a cure of the defect or acknowledges that the loan satisfies the investor's applicable representations and warranties), reimbursement by correspondent and other third party originators, and projected loss severity. We continually update our mortgage repurchase liability estimate during the life of the loans.

The liability for mortgage loan repurchase losses is included in other liabilities. For additional information on our repurchase liability, see Note 9 (Mortgage Banking Activities).

Pension Accounting
We account for our defined benefit pension plans using an actuarial model. Two principal assumptions in determining net periodic pension cost are the discount rate and the expected long term rate of return on plan assets.

A discount rate is used to estimate the present value of our future pension benefit obligations. We use a consistent methodology to determine the discount rate based upon the yields on multiple portfolios of bonds with maturity dates that closely match the estimated timing and amounts of the expected

benefit payments for our plans. Such portfolios are derived from a broad-based universe of high quality corporate bonds as of the measurement date.

Our determination of the reasonableness of our expected long-term rate of return on plan assets is highly quantitative by nature. We evaluate the current asset allocations and expected returns under two sets of conditions: projected returns using several forward-looking capital market assumptions, and historical returns for the main asset classes dating back to 1970 or the earliest period for which historical data was readily available for the asset classes included. Using long term historical data allows us to capture multiple economic environments, which we believe is relevant when using historical returns. We place greater emphasis on the forward-looking return and risk assumptions than on historical results. We use the resulting projections to derive a base line expected rate of return and risk level for the Cash Balance Plan's prescribed asset mix. We evaluate the portfolio based on: (1) the established target asset allocations over short term (one-year) and longer term (ten-year) investment horizons, and (2) the range of potential outcomes over these horizons within specific standard deviations. We perform the above analyses to assess the reasonableness of our expected long-term rate of return on plan assets. We consider the expected rate of return to be a long-term average view of expected returns. The use of an expected long term rate of return on plan assets may cause us to recognize pension income returns that are greater or less than the actual returns of plan assets in any given year. Differences between expected and actual returns in each year, if any, are included in our net actuarial gain or loss amount, which is recognized in OCI. We generally amortize net actuarial gain or loss in excess of a 5% corridor from accumulated OCI into net periodic pension cost over the estimated average remaining participation period, which at December 31, 2014, is 21 years. See Note 20 (Employee Benefits and Other Expenses) for additional information on our pension accounting.

Income Taxes

We file consolidated and separate company federal income tax returns, foreign tax returns and various combined and separate company state tax returns.

We evaluate two components of income tax expense: current and deferred. Current income tax expense represents our estimated taxes to be paid or refunded for the current period and includes income tax expense related to our uncertain tax positions. We determine deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and recognizes enacted changes in tax rates and laws in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized subject to management's judgment that realization is "more likely than not." Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement. Tax benefits not meeting our realization criteria represent unrecognized tax benefits. Foreign taxes paid are generally applied as credits to reduce federal income taxes payable. We account for interest and penalties as a component of income tax expense.

Stock-Based Compensation

We have stock-based employee compensation plans as more fully discussed in Note 19 (Common Stock and Stock Plan). Our Long-Term Incentive Compensation Plan provides for awards of incentive and nonqualified stock options, stock appreciation rights, restricted shares, restricted share rights (RSRs), performance share awards (PSAs) and stock awards without restrictions. For most awards, we measure the cost of employee services received in exchange for an award of equity instruments, such as stock options, RSRs or PSAs, based on the fair value of the award on the grant date. The cost is normally recognized in our income statement over the vesting period of the award; awards with graded vesting are expensed on a straight line method. Awards that continue to vest after retirement are expensed over the shorter of the period of time between the grant date and the final vesting period or between the grant date and when a team member becomes retirement eligible; awards to team members who are retirement eligible at the grant date are subject to immediate expensing upon grant.

Beginning in 2013, certain RSRs and all PSAs granted include discretionary performance based vesting conditions and are subject to variable accounting. For these awards, the associated compensation expense fluctuates with changes in our stock price. For PSAs, compensation expense also fluctuates based on the estimated outcome of meeting the performance conditions.

Earnings Per Common Share

We compute earnings per common share by dividing net income (after deducting dividends on preferred stock) by the average number of common shares outstanding during the year. We compute diluted earnings per common share by dividing net income (after deducting dividends and related accretion on preferred stock) by the average number of common shares outstanding during the year, plus the effect of common stock equivalents (for example, stock options, restricted share rights, convertible debentures and warrants) that are dilutive.

Fair Value of Financial Instruments

We use fair value measurements in our fair value disclosures and to record certain assets and liabilities at fair value on a recurring basis, such as trading assets, or on a nonrecurring basis such as measuring impairment on assets carried at amortized cost.

DETERMINATION OF FAIR VALUE We base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These fair value measurements are based on exit prices and determined by maximizing the use of observable inputs. However, for certain instruments we must utilize unobservable inputs in determining fair value due to the lack of observable inputs in the market, which requires greater judgment in measuring fair value.

In instances where there is limited or no observable market data, fair value measurements for assets and liabilities are based primarily upon our own estimates or combination of our own estimates and third-party vendor or broker pricing, and the measurements are often calculated based on current pricing for products we offer or issue, the economic and competitive environment, the characteristics of the asset or liability and other such factors. As with any valuation technique used to estimate fair value, changes in underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values.

Accordingly, these fair value estimates may not be realized in an actual sale or immediate settlement of the asset or liability.

We incorporate lack of liquidity into our fair value measurement based on the type of asset or liability measured and the valuation methodology used. For example, for certain residential MHFS and certain securities where the significant inputs have become unobservable due to illiquid markets and vendor or broker pricing is not used, we use a discounted cash flow technique to measure fair value. This technique incorporates forecasting of expected cash flows (adjusted for credit loss assumptions and estimated prepayment speeds) discounted at an appropriate market discount rate to reflect the lack of liquidity in the market that a market participant would consider. For other securities where vendor or broker pricing is used, we use either unadjusted broker quotes or vendor prices or vendor or broker prices adjusted by weighting them with internal discounted cash flow techniques to measure fair value. These unadjusted vendor or broker prices inherently reflect any lack of liquidity in the market, as the fair value measurement represents an exit price from a market participant viewpoint.

Where markets are inactive and transactions are not orderly, transaction or quoted prices for assets or liabilities in inactive markets may require adjustment due to the uncertainty of whether the underlying transactions are orderly. For items that use price quotes in inactive markets, we analyze the degree of market inactivity and distressed transactions to determine the appropriate adjustment to the price quotes.

We continually assess the level and volume of market activity in our investment security classes in determining adjustments, if any, to price quotes. Given market conditions can change over time, our determination of which securities markets are considered active or inactive can change. If we determine a market to be inactive, the degree to which price quotes require adjustment, can also change. See Note 17 (Fair Values of Assets and Liabilities) for discussion of the fair value hierarchy and valuation methodologies applied to financial instruments to determine fair value.

Derivatives and Hedging Activities

We recognize all derivatives on the balance sheet at fair value. On the date we enter into a derivative contract, we designate the derivative as (1) a hedge of the fair value of a recognized asset or liability, including hedges of foreign currency exposure ("fair value hedge"), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), or (3) held for trading, customer accommodation or asset/liability risk management purposes, including economic hedges not qualifying for hedge accounting. For a fair value hedge, we record changes in the fair value of the derivative and, to the extent that it is effective, changes in the fair value of the hedged asset or liability attributable to the hedged risk, in current period earnings in the same financial statement category as the hedged item. For a cash flow hedge, we record changes in the fair value of the derivative to the extent that it is effective in OCI, with any ineffectiveness recorded in current period earnings. We subsequently reclassify these changes in fair value to net income in the same period(s) that the hedged transaction affects net income in the same financial statement category as the hedged item. For derivatives not designated as a fair value or cash flow hedge, we report changes in the fair values in current period noninterest income.

For fair value and cash flow hedges qualifying for hedge accounting, we formally document at inception the relationship between hedging instruments and hedged items, our risk management objective, strategy and our evaluation of effectiveness for our hedge transactions. This includes linking all derivatives designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific forecasted transactions. Periodically, as required, we also formally assess whether the derivative we designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair values or cash flows of the hedged item using the regression analysis method.

We discontinue hedge accounting prospectively when (1) a derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item, (2) a derivative expires or is sold, terminated or exercised, (3) we elect to discontinue the designation of a derivative as a hedge, or (4) in a cash flow hedge, a derivative is de-designated because it is not probable that a forecasted transaction will occur.

When we discontinue fair value hedge accounting, we no longer adjust the previously hedged asset or liability for changes in fair value, and cumulative adjustments to the hedged item are accounted for in the same manner as other components of the carrying amount of the asset or liability. If the derivative continues to be held after fair value hedge accounting ceases, we carry the derivative on the balance sheet at its fair value with changes in fair value included in earnings.

When we discontinue cash flow hedge accounting and it is not probable that the forecasted transaction will not occur, the accumulated amount reported in OCI at the de-designation date continues to be reported in OCI until the forecasted transaction affects earnings. If cash flow hedge accounting is discontinued and it is probable the forecasted transaction will not occur, the accumulated amount reported in OCI at the de-designation date is immediately recognized in earnings. If the derivative continues to be held after cash flow hedge accounting ceases, we carry the derivative on the balance sheet at its fair value with future changes in fair value included in earnings.

We may purchase or originate financial instruments that contain an embedded derivative. At inception of the financial instrument, we assess (1) if the economic characteristics of the embedded derivative are not clearly and closely related to the economic characteristics of the financial instrument (host contract), (2) if the financial instrument that embodies both the embedded derivative and the host contract is not measured at fair value with changes in fair value reported in earnings, and (3) if a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative. If the embedded derivative meets all of these conditions, we separate it from the host contract by recording the bifurcated derivative at fair value and the remaining host contract at the difference between the basis of the hybrid instrument and the fair value of the bifurcated derivative. The bifurcated derivative is carried at fair value with changes recorded in current period earnings.

By using derivatives, we are exposed to counterparty credit risk, which is the risk that counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to legally enforceable master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent derivatives subject to master netting arrangements meet the applicable requirements, including determining the legal

enforceability of the arrangement, it is our policy to present derivatives balances and related cash collateral amounts net on the balance sheet. Counterparty credit risk related to derivatives is considered in determining fair value and our assessment of hedge effectiveness.

Private Share Repurchases

During 2014 and 2013, we repurchased approximately 66 million shares and 40 million shares of our common stock, respectively, under private forward repurchase contracts. We enter into these transactions with unrelated third parties to complement our open-market common stock repurchase strategies, to allow us to manage our share repurchases in a manner consistent with our capital plans, currently submitted under the 2014 Comprehensive Capital Analysis and Review (CCAR), and to provide an economic benefit to the Company.

Our payments to the counterparties for these private share repurchase contracts are recorded in permanent equity in the quarter paid and are not subject to re-measurement. The classification of the up-front payments as permanent equity assures that we have appropriate repurchase timing consistent with our 2014 capital plan, which contemplated a fixed dollar amount available per quarter for share repurchases pursuant to Federal Reserve Board (FRB) supervisory guidance. In return, the counterparty agrees to deliver a variable number of shares based on a per share discount to the volume-weighted average stock price over the contract period. There are no scenarios where the contracts would not either physically settle in shares or allow us to choose the settlement method.

In fourth quarter 2014, we entered into a private forward repurchase contract and paid $750 million to an unrelated third party. This contract settled in first quarter 2015 for 14.3 million shares of common stock. At December 31, 2013, we had a $500 million private forward repurchase contract outstanding that settled in first quarter 2014 for 11.1 million shares of common stock. Our total number of outstanding shares of common stock is not reduced until settlement of the private share repurchase contract.

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

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Trading assets retained from securitizations of MHFS	**$ 28,604**	47,198	85,108
Capitalization of MSRs from sale of MHFS	**1,302**	3,616	4,988
Transfers from loans to MHFS	**11,021**	7,610	7,584
Transfers from loans to LHFS	**9,849**	274	143
Transfers from loans to foreclosed and other assets (1)	**4,094**	4,470	6,114
Transfers from available-for-sale to held-to-maturity securities	**1,810**	6,042	—

(1) Includes $2.5 billion, $2.7 billion and $3.5 billion in transfers of government insured/guaranteed loans for the years ended December 31, 2014, 2013 and 2012, respectively. During fourth quarter 2014, we adopted Accounting Standards Update (ASU) 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure*, effective as of January 1, 2014, resulting in the transfer of these loans to accounts receivables for the year ended December 31, 2014.

SUBSEQUENT EVENTS We have evaluated the effects of events that have occurred subsequent to December 31, 2014, and there have been no material events that would require recognition in our 2014 consolidated financial statements or disclosure in the Notes to the consolidated financial statements.

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 14 (Guarantees, Pledged Assets and Collateral).

During 2014, we completed an acquisition of a railcar and locomotive leasing business with combined total assets of $422 million. We had no pending business combinations as of December 31, 2014. Additionally, no business combinations were completed in 2013. Business combinations completed in 2014 and 2012 are presented below.

(in millions)	Date		Assets
2014			
Helm Financial Corporation	**April 15**	**$**	**422**
2012			
EverKey Global Partners Limited / EverKey Global Management LLC / EverKey Global Partners (GP), LLC / EverKey Global Focus (GP), LLC – Bahamas/New York, New York	January 1	$	7
Burdale Financial Holdings Limited / Certain Assets of Burdale Capital Finance, Inc. – England/Stamford, Connecticut	February 1		874
Energy Lending Business of BNP Paribas, SA – Houston, Texas	April 20		3,639
Merlin Securities, LLC / Merlin Canada LTD. / Certain Assets & Liabilities of Merlin Group Holdings, LLC – San Francisco, California/Toronto, Ontario	August 1		281
		$	4,801

Note 3: Cash, Loan and Dividend Restrictions

Federal Reserve Board (FRB) regulations require that each of our subsidiary banks maintain reserve balances on deposit with the Federal Reserve Banks. The total daily average required reserve balance for all our subsidiary banks was $12.9 billion in 2014 and $11.8 billion in 2013.

Federal law restricts the amount and the terms of both credit and non-credit transactions between a bank and its nonbank affiliates. They may not exceed 10% of the bank's capital and surplus (which for this purpose represents Tier 1 and Tier 2 capital, as calculated under the risk-based capital (RBC) guidelines, plus the balance of the allowance for credit losses excluded from Tier 2 capital) with any single nonbank affiliate and 20% of the bank's capital and surplus with all its nonbank affiliates. Transactions that are extensions of credit may require collateral to be held to provide added security to the bank. For further discussion of RBC, see Note 26 (Regulatory and Agency Capital Requirements) in this Report.

Dividends paid by our subsidiary banks are subject to various federal and state regulatory limitations. Dividends that may be paid by a national bank without the express approval of the Office of the Comptroller of the Currency (OCC) are limited to that bank's retained net profits for the preceding two calendar years plus retained net profits up to the date of any dividend declaration in the current calendar year. Retained net profits, as defined by the OCC, consist of net income less dividends declared during the period.

We also have a state-chartered subsidiary bank that is subject to state regulations that limit dividends. Under these provisions and regulatory limitations, our national and state-chartered subsidiary banks could have declared additional dividends of $15.6 billion at December 31, 2014,without obtaining prior regulatory approval. We have elected to retain capital at our national and state-chartered subsidiary banks to meet internal capital policy minimums and regulatory requirements associated with the implementation of Basel III. Our nonbank subsidiaries are also limited by certain federal and state statutory provisions and regulations covering the amount of dividends that may be paid in any given year. Based on retained earnings at December 31, 2014, our nonbank subsidiaries could have declared additional dividends of $8.6 billion at December 31, 2014, without obtaining prior approval.

The FRB published clarifying supervisory guidance in first quarter 2009, SR 09-4 Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies, pertaining to FRB's criteria, assessment and approval process for reductions in capital. The FRB supplemented this guidance with the Capital Plan Rule issued in fourth quarter 2011 (codified at 12 CFR 225.8 of Regulation Y) that establishes capital planning and prior notice and approval requirements for capital distributions including dividends by certain bank holding companies. The effect of this guidance is to require the approval of the FRB (or specifically under the Capital Plan Rule, a notice of non-objection) for the Company to repurchase or redeem common or perpetual preferred stock as well as to raise the per share quarterly dividend from its current level of $0.35 per share as declared by the Company’s Board of Directors on January 27, 2015, payable on March 1, 2015.

Note 4: 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 December 31, 2014 and 2013, were held at the Federal Reserve.

(in millions)		**Dec. 31, 2014**	Dec. 31, 2013
Federal funds sold and securities purchased under resale agreements	**$**	**36,856**	25,801
Interest-earning deposits		**219,220**	186,249
Other short-term investments		**2,353**	1,743
Total	**$**	**258,429**	213,793

As part of maintaining our memberships in certain clearing organizations, we are required to stand ready to provide liquidity meant to sustain market clearing activity in the event unforeseen events occur or are deemed likely to occur. This includes commitments we have entered into to purchase securities under resale agreements from a central clearing organization that, at its option, require us to provide funding under such agreements. We do not have any outstanding amounts funded, and the amount of our unfunded contractual commitment was $2.6 billion and $3.1 billion as of December 31, 2014 and 2013, respectively.

We have classified securities purchased under long-term resale agreements (generally one year or more), which totaled $14.9 billion and $10.1 billion at December 31, 2014 and 2013, 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 14 (Guarantees, Pledged Assets and Collateral).

Note 5: Investment Securities

The following table provides the amortized cost and fair value by major categories of available-for-sale securities, which are carried at fair value, and held-to-maturity debt securities, which are carried at amortized cost. The net unrealized gains (losses) for available-for-sale securities are reported on an after-tax basis as a component of cumulative OCI.

(in millions)		Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2014					
Available-for-sale securities:					
Securities of U.S. Treasury and federal agencies	**$**	**25,898**	**44**	**(138)**	**25,804**
Securities of U.S. states and political subdivisions		**43,939**	**1,504**	**(499)**	**44,944**
Mortgage-backed securities:					
Federal agencies		**107,850**	**2,990**	**(751)**	**110,089**
Residential		**8,213**	**1,080**	**(24)**	**9,269**
Commercial		**16,248**	**803**	**(57)**	**16,994**
Total mortgage-backed securities		**132,311**	**4,873**	**(832)**	**136,352**
Corporate debt securities		**14,211**	**745**	**(170)**	**14,786**
Collateralized loan and other debt obligations (1)		**25,137**	**408**	**(184)**	**25,361**
Other (2)		**6,251**	**295**	**(27)**	**6,519**
Total debt securities		**247,747**	**7,869**	**(1,850)**	**253,766**
Marketable equity securities:					
Perpetual preferred securities		**1,622**	**148**	**(70)**	**1,700**
Other marketable equity securities		**284**	**1,694**	**(2)**	**1,976**
Total marketable equity securities		**1,906**	**1,842**	**(72)**	**3,676**
Total available-for-sale securities		**249,653**	**9,711**	**(1,922)**	**257,442**
Held-to-maturity securities:					
Securities of U.S. Treasury and federal agencies		**40,886**	**670**	**(8)**	**41,548**
Securities of U.S. states and political subdivisions		**1,962**	**27**	**—**	**1,989**
Federal agency mortgage-backed securities		**5,476**	**165**	**—**	**5,641**
Collateralized loans and other debt obligations (1)		**1,404**	**—**	**(13)**	**1,391**
Other (2)		**5,755**	**35**	**—**	**5,790**
Total held-to-maturity securities		**55,483**	**897**	**(21)**	**56,359**
Total (3)	**$**	**305,136**	**10,608**	**(1,943)**	**313,801**
December 31, 2013					
Available-for-sale securities:					
Securities of U.S. Treasury and federal agencies	$	6,592	17	(329)	6,280
Securities of U.S. states and political subdivisions		42,171	1,092	(727)	42,536
Mortgage-backed securities:					
Federal agencies		119,303	1,902	(3,614)	117,591
Residential		11,060	1,433	(40)	12,453
Commercial		17,689	1,173	(115)	18,747
Total mortgage-backed securities		148,052	4,508	(3,769)	148,791
Corporate debt securities		20,391	976	(140)	21,227
Collateralized loan and other debt obligations (1)		19,610	642	(93)	20,159
Other (2)		9,232	426	(29)	9,629
Total debt securities		246,048	7,661	(5,087)	248,622
Marketable equity securities:					
Perpetual preferred securities		1,703	222	(60)	1,865
Other marketable equity securities		336	1,188	(4)	1,520
Total marketable equity securities		2,039	1,410	(64)	3,385
Total available-for-sale-securities		248,087	9,071	(5,151)	252,007
Held-to-maturity securities:					
Federal agency mortgage-backed securities		6,304	—	(99)	6,205
Other (2)		6,042	—	—	6,042
Total held-to-maturity securities		12,346	—	(99)	12,247
Total (3)	$	260,433	9,071	(5,250)	264,254

(1) The available-for-sale portfolio includes collateralized debt obligations (CDOs) with a cost basis and fair value of $364 million and $500 million, respectively, at December 31, 2014, and $509 million and $693 million, respectively at December 31, 2013. The held-to-maturity portfolio only includes collateralized loan obligations.

(2) The "Other" category of available-for-sale securities predominantly includes asset-backed securities collateralized by credit cards, student loans, home equity loans and auto leases or loans and cash. Included in the "Other" category of held-to-maturity securities are asset-backed securities collateralized by auto leases or loans and cash with a cost basis and fair value of $3.8 billion each at December 31, 2014, and $4.3 billion each at December 31, 2013. Also included in the "Other" category of held-to-maturity securities are asset-backed securities collateralized by dealer floorplan loans with a cost basis of $1.9 billion and fair value of $2.0 billion at December 31, 2014, and $1.7 billion each at December 31, 2013.

(3) At December 31, 2014 and 2013, we held no securities of any single issuer (excluding the U.S. Treasury and federal agencies) with a book value that exceeded 10% of stockholders' equity.

Gross Unrealized Losses and Fair Value

The following table shows the gross unrealized losses and fair value of securities in the investment securities 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
December 31, 2014						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**$ (16)**	**7,138**	**(122)**	**5,719**	**(138)**	**12,857**
Securities of U.S. states and political subdivisions	**(198)**	**10,228**	**(301)**	**3,725**	**(499)**	**13,953**
Mortgage-backed securities:						
Federal agencies	**(16)**	**1,706**	**(735)**	**37,854**	**(751)**	**39,560**
Residential	**(18)**	**946**	**(6)**	**144**	**(24)**	**1,090**
Commercial	**(9)**	**2,202**	**(48)**	**1,532**	**(57)**	**3,734**
Total mortgage-backed securities	**(43)**	**4,854**	**(789)**	**39,530**	**(832)**	**44,384**
Corporate debt securities	**(102)**	**1,674**	**(68)**	**1,265**	**(170)**	**2,939**
Collateralized loan and other debt obligations	**(99)**	**12,755**	**(85)**	**3,958**	**(184)**	**16,713**
Other	**(23)**	**708**	**(4)**	**277**	**(27)**	**985**
Total debt securities	**(481)**	**37,357**	**(1,369)**	**54,474**	**(1,850)**	**91,831**
Marketable equity securities:						
Perpetual preferred securities	**(2)**	**92**	**(68)**	**633**	**(70)**	**725**
Other marketable equity securities	**(2)**	**41**	**—**	**—**	**(2)**	**41**
Total marketable equity securities	**(4)**	**133**	**(68)**	**633**	**(72)**	**766**
Total available-for-sale securities	**(485)**	**37,490**	**(1,437)**	**55,107**	**(1,922)**	**92,597**
Held-to-maturity securities:						
Securities of U.S. Treasury and federal agencies	**(8)**	**1,889**	**—**	**—**	**(8)**	**1,889**
Collateralized loan and other debt obligations	**(13)**	**1,391**	**—**	**—**	**(13)**	**1,391**
Total held-to-maturity securities	**(21)**	**3,280**	**—**	**—**	**(21)**	**3,280**
Total	**$ (506)**	**40,770**	**(1,437)**	**55,107**	**(1,943)**	**95,877**
December 31, 2013						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	$ (329)	5,786	—	—	(329)	5,786
Securities of U.S. states and political subdivisions	(399)	9,238	(328)	4,120	(727)	13,358
Mortgage-backed securities:						
Federal agencies	(3,562)	67,045	(52)	1,132	(3,614)	68,177
Residential	(18)	1,242	(22)	232	(40)	1,474
Commercial	(15)	2,128	(100)	2,027	(115)	4,155
Total mortgage-backed securities	(3,595)	70,415	(174)	3,391	(3,769)	73,806
Corporate debt securities	(85)	2,542	(55)	428	(140)	2,970
Collateralized loan and other debt obligations	(55)	7,202	(38)	343	(93)	7,545
Other	(11)	1,690	(18)	365	(29)	2,055
Total debt securities	(4,474)	96,873	(613)	8,647	(5,087)	105,520
Marketable equity securities:						
Perpetual preferred securities	(28)	424	(32)	308	(60)	732
Other marketable equity securities	(4)	34	—	—	(4)	34
Total marketable equity securities	(32)	458	(32)	308	(64)	766
Total available-for-sale securities	(4,506)	97,331	(645)	8,955	(5,151)	106,286
Held-to-maturity securities:						
Federal agency mortgage-backed securities	(99)	6,153	—	—	(99)	6,153
Total held-to-maturity securities	(99)	6,153	—	—	(99)	6,153
Total	$ (4,605)	103,484	(645)	8,955	(5,250)	112,439

We have assessed each security with gross unrealized losses included in the previous table for credit impairment. As part of that assessment we evaluated and concluded that we do not intend to sell any of the securities and that it is more likely than not that we will not be required to sell prior to recovery of the amortized cost basis. 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 securities for impairment, see Note 1 (Summary of Significant Accounting Policies) and below.

SECURITIES OF U.S. TREASURY AND FEDERAL AGENCIES AND FEDERAL AGENCY MORTGAGE-BACKED SECURITIES (MBS) The unrealized losses associated with U.S. Treasury and federal agency securities and federal agency MBS are primarily driven by changes in interest rates and not due to credit losses given the explicit or implicit guarantees provided by the U.S. government.

SECURITIES OF U.S. STATES AND POLITICAL SUBDIVISIONS The unrealized losses associated with securities of U.S. states and political subdivisions are primarily driven by changes in the relationship between municipal and term funding credit curves rather than by changes to the credit quality of the underlying securities. Substantially all of these investments are investment grade. The securities were generally underwritten in accordance with our own investment standards prior to the decision to purchase. Some of these securities are guaranteed by a bond insurer, but we did not rely on this guarantee when making our investment decision. These investments will continue to be monitored as part of our ongoing impairment analysis but are expected to perform, even if the rating agencies reduce the credit rating of the bond insurers. As a result, we expect to recover the entire amortized cost basis of these securities.

RESIDENTIAL AND COMMERCIAL MBS The unrealized losses associated with private residential MBS and commercial MBS are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and/or prepayment rates. We estimate losses to a security by forecasting the underlying mortgage loans in each transaction. We use forecasted loan performance to project cash flows to the various tranches in the structure. We also consider cash flow forecasts and, as applicable, independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

CORPORATE DEBT SECURITIES The unrealized losses associated with corporate debt securities are primarily related to unsecured debt obligations issued by various corporations. We evaluate the financial performance of each issuer on a quarterly basis to determine if the issuer can make all contractual principal and interest payments. Based upon this assessment, we expect to recover the entire amortized cost basis of these securities.

COLLATERALIZED LOAN AND OTHER DEBT OBLIGATIONS The unrealized losses associated with collateralized loan and other debt obligations relate to securities primarily backed by commercial, residential or other consumer collateral. The unrealized losses are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and prepayment rates. We also consider cash flow forecasts and, as applicable, independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

OTHER DEBT SECURITIES The unrealized losses associated with other debt securities predominantly relate to other asset-backed securities. The losses are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and prepayment rates. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

MARKETABLE EQUITY SECURITIES Our marketable equity securities include investments in perpetual preferred securities, which provide attractive tax-equivalent yields. We evaluate these hybrid financial instruments with investment-grade ratings for impairment using an evaluation methodology similar to that used for debt securities. Perpetual preferred securities are not considered to be other-than-temporarily impaired if there is no evidence of credit deterioration or investment rating downgrades of any issuers to below investment grade, and we expect to continue to receive full contractual payments. We will continue to evaluate the prospects for these securities for recovery in their market value in accordance with our policy for estimating OTTI. We have recorded impairment write-downs on perpetual preferred securities where there was evidence of credit deterioration.

OTHER INVESTMENT SECURITIES MATTERS The fair values of our investment securities could decline in the future if the underlying performance of the collateral for the residential and commercial MBS or other securities deteriorate, and our credit enhancement levels do not provide sufficient protection to our contractual principal and interest. As a result, there is a risk that significant OTTI may occur in the future.

The following table shows the gross unrealized losses and fair value of debt and perpetual preferred investment securities 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 our 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 $25 million and $1.6 billion, respectively, at December 31, 2014, and $18 million and $1.9 billion, respectively, at December 31, 2013. 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
December 31, 2014					
Available-for-sale securities:					
Securities of U.S. Treasury and federal agencies	**$**	**(138)**	**12,857**	**—**	**—**
Securities of U.S. states and political subdivisions		**(459)**	**13,600**	**(40)**	**353**
Mortgage-backed securities:					
Federal agencies		**(751)**	**39,560**	**—**	**—**
Residential		**—**	**139**	**(24)**	**951**
Commercial		**(24)**	**3,366**	**(33)**	**368**
Total mortgage-backed securities		**(775)**	**43,065**	**(57)**	**1,319**
Corporate debt securities		**(39)**	**1,807**	**(131)**	**1,132**
Collateralized loan and other debt obligations		**(172)**	**16,609**	**(12)**	**104**
Other		**(23)**	**782**	**(4)**	**203**
Total debt securities		**(1,606)**	**88,720**	**(244)**	**3,111**
Perpetual preferred securities		**(70)**	**725**	**—**	**—**
Total available-for-sale securities		**(1,676)**	**89,445**	**(244)**	**3,111**
Held-to-maturity securities:					
Securities of U.S. Treasury and federal agencies		**(8)**	**1,889**	**—**	**—**
Collateralized loan and other debt obligations		**(13)**	**1,391**	**—**	**—**
Total held-to-maturity securities		**(21)**	**3,280**	**—**	**—**
Total	**$**	**(1,697)**	**92,725**	**(244)**	**3,111**
December 31, 2013					
Available-for-sale securities:					
Securities of U.S. Treasury and federal agencies	$	(329)	5,786	—	—
Securities of U.S. states and political subdivisions		(671)	12,915	(56)	443
Mortgage-backed securities:					
Federal agencies		(3,614)	68,177	—	—
Residential		(2)	177	(38)	1,297
Commercial		(46)	3,364	(69)	791
Total mortgage-backed securities		(3,662)	71,718	(107)	2,088
Corporate debt securities		(96)	2,343	(44)	627
Collateralized loan and other debt obligations		(72)	7,376	(21)	169
Other		(19)	1,874	(10)	181
Total debt securities		(4,849)	102,012	(238)	3,508
Perpetual preferred securities		(60)	732	—	—
Total available-for-sale securities		(4,909)	102,744	(238)	3,508
Held-to-maturity securities:					
Federal agency mortgage-backed securities		(99)	6,153	—	—
Total held-to-maturity securities		(99)	6,153	—	—
Total	$	(5,008)	108,897	(238)	3,508

Contractual Maturities

The following table shows the remaining contractual maturities and contractual weighted-average yields (taxable-equivalent basis) of available-for-sale debt securities. 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							
					After one year		After five years			
	Total		Within one year		through five years		through ten years		After ten years	
(in millions)	amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
December 31, 2014										
Available-for-sale securities (1):										
Securities of U.S. Treasury and federal agencies	**$ 25,804**	**1.49%**	**$ 181**	**1.47%**	**$ 22,348**	**1.44%**	**$ 3,275**	**1.83%**	**$ —**	**—%**
Securities of U.S. states and political subdivisions	**44,944**	**5.66**	**3,568**	**1.71**	**7,050**	**2.19**	**3,235**	**5.13**	**31,091**	**6.96**
Mortgage-backed securities:										
Federal agencies	**110,089**	**3.27**	**—**	**—**	**276**	**2.86**	**1,011**	**3.38**	**108,802**	**3.27**
Residential	**9,269**	**4.50**	**—**	**—**	**9**	**4.81**	**83**	**5.63**	**9,177**	**4.49**
Commercial	**16,994**	**5.16**	**1**	**0.28**	**62**	**2.71**	**5**	**1.30**	**16,926**	**5.17**
Total mortgage-backed securities	**136,352**	**3.59**	**1**	**0.28**	**347**	**2.88**	**1,099**	**3.54**	**134,905**	**3.59**
Corporate debt securities	**14,786**	**4.90**	**600**	**4.32**	**7,634**	**4.54**	**5,209**	**5.30**	**1,343**	**5.70**
Collateralized loan and other debt obligations	**25,361**	**1.83**	**23**	**1.95**	**944**	**0.71**	**8,472**	**1.67**	**15,922**	**1.99**
Other	**6,519**	**1.79**	**274**	**1.55**	**1,452**	**2.56**	**1,020**	**1.32**	**3,773**	**1.64**
Total available-for-sale debt securities at fair value	**$ 253,766**	**3.60%**	**$ 4,647**	**2.03%**	**$ 39,775**	**2.20%**	**$ 22,310**	**3.12%**	**$187,034**	**3.99%**
December 31, 2013										
Available-for-sale securities (1):										
Securities of U.S. Treasury and federal agencies	$ 6,280	1.66 %	$ 86	0.54 %	$ 701	1.45 %	$ 5,493	1.71 %	$ —	— %
Securities of U.S. states and political subdivisions	42,536	5.30	4,915	1.84	7,901	2.19	3,151	5.19	26,569	6.89
Mortgage-backed securities:										
Federal agencies	117,591	3.33	1	7.14	398	2.71	956	3.46	116,236	3.33
Residential	12,453	4.31	—	—	—	—	113	5.43	12,340	4.30
Commercial	18,747	5.24	—	—	52	3.33	59	0.96	18,636	5.26
Total mortgage-backed securities	148,791	3.65	1	7.14	450	2.78	1,128	3.52	147,212	3.66
Corporate debt securities	21,227	4.18	6,136	2.06	7,255	4.22	6,528	5.80	1,308	5.77
Collateralized loan and other debt obligations	20,159	1.59	40	0.25	1,100	0.63	7,750	1.29	11,269	1.89
Other	9,629	1.80	906	2.53	2,977	1.74	1,243	1.64	4,503	1.73
Total available-for-sale debt securities at fair value	$ 248,622	3.69 %	$ 12,084	1.99 %	$ 20,384	2.75 %	$ 25,293	3.14 %	$ 190,861	3.97 %

(1) Weighted-average yields displayed by maturity bucket are weighted based on fair value and predominantly represent contractual coupon rates without effect for any related hedging derivatives.

The following table shows the amortized cost and weighted-average yields of held-to-maturity debt securities by contractual maturity.

			Remaining contractual maturity							
					After one year		After five years			
	Total		Within one year		through five years		through ten years		After ten years	
(in millions)	amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
December 31, 2014										
Held-to-maturity securities (1):										
Amortized cost:										
Securities of U.S. Treasury and federal agencies	**$ 40,886**	**2.12%**	**$ —**	**—%**	**$ —**	**—%**	**$ 40,886**	**2.12%**	**$ —**	**—%**
Securities of U.S. states and political subdivisions	**1,962**	**5.60**	**—**	**—**	**—**	**—**	**9**	**6.60**	**1,953**	**5.59**
Federal agency mortgage-backed securities	**5,476**	**3.89**	**—**	**—**	**—**	**—**	**—**	**—**	**5,476**	**3.89**
Collateralized loan and other debt obligations	**1,404**	**1.96**	**—**	**—**	**—**	**—**	**—**	**—**	**1,404**	**1.96**
Other	**5,755**	**1.64**	**192**	**1.61**	**4,214**	**1.72**	**1,349**	**1.41**	**—**	**—**
Total held-to-maturity debt securities at amortized cost	**$ 55,483**	**2.37%**	**$ 192**	**1.61%**	**$ 4,214**	**1.72%**	**$ 42,244**	**2.10%**	**$ 8,833**	**3.96%**
December 31, 2013										
Held-to-maturity securities (1):										
Amortized cost:										
Federal agency mortgage-backed securities	$ 6,304	3.90 %	$ —	— %	$ —	— %	$ —	— %	$ 6,304	3.90 %
Other	6,042	1.89	195	1.72	4,468	1.87	1,379	1.98	—	—
Total held-to-maturity debt securities at amortized cost	$ 12,346	2.92 %	$ 195	1.72 %	$ 4,468	1.87 %	$ 1,379	1.98 %	$ 6,304	3.90 %

(1) Weighted-average yields displayed by maturity bucket are weighted based on amortized cost and predominantly represent contractual coupon rates.

The following table shows the fair value of held-to-maturity debt securities by contractual maturity.

		Remaining contractual maturity			
			After one year	After five years	
	Total	Within one year	through five years	through ten years	After ten years
(in millions)	amount	Amount	Amount	Amount	Amount
December 31, 2014					
Held-to-maturity securities:					
Fair value:					
Securities of U.S. Treasury and federal agencies	**$ 41,548**	**$ —**	**$ —**	**$ 41,548**	**$ —**
Securities of U.S. states and political subdivisions	**1,989**	**—**	**—**	**9**	**1,980**
Federal agency mortgage-backed securities	**5,641**	**—**	**—**	**—**	**5,641**
Collateralized loan and other debt obligations	**1,391**	**—**	**—**	**—**	**1,391**
Other	**5,790**	**193**	**4,239**	**1,358**	**—**
Total held-to-maturity debt securities at fair value	**$ 56,359**	**$ 193**	**$ 4,239**	**$ 42,915**	**$ 9,012**
December 31, 2013					
Held-to-maturity securities:					
Fair Value:					
Federal agency mortgage-backed securities	$ 6,205	$ —	$ —	$ —	$ 6,205
Other	6,042	195	4,468	1,379	—
Total held-to-maturity debt securities at fair value	$ 12,247	$ 195	$ 4,468	$ 1,379	$ 6,205

Realized Gains and Losses

The following table shows the gross realized gains and losses on sales and OTTI write-downs related to the available-for-sale securities portfolio, which includes marketable equity securities, as well as net realized gains and losses on nonmarketable equity investments (see Note 7 (Premises, Equipment, Lease Commitments and Other Assets)).

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Gross realized gains	**$ 1,560**	492	600
Gross realized losses	**(14)**	(24)	(73)
OTTI write-downs	**(52)**	(183)	(256)
Net realized gains from available-for-sale securities	**1,494**	285	271
Net realized gains from nonmarketable equity investments	**1,479**	1,158	1,086
Net realized gains from debt securities and equity investments	**$ 2,973**	1,443	1,357

Other-Than-Temporary Impairment

The following table shows the detail of total OTTI write-downs included in earnings for available-for-sale debt securities, marketable equity securities and nonmarketable equity investments. There were no OTTI write-downs on held-to-maturity securities during the years ended December 31, 2014 and 2013. There were no held-to-maturity securities in our investment securities portfolio for the year ended December 31, 2012.

	Year ended December 31,		
(in millions)	**2014**	2013	2012
OTTI write-downs included in earnings			
Debt securities:			
Securities of U.S. states and political subdivisions	**$ 11**	2	16
Mortgage-backed securities:			
Federal agencies	**—**	1	—
Residential	**26**	72	84
Commercial	**9**	53	86
Corporate debt securities	**1**	4	11
Collateralized loan and other debt obligations	**2**	—	1
Other debt securities	**—**	26	42
Total debt securities	**49**	158	240
Equity securities:			
Marketable equity securities:			
Perpetual preferred securities	**—**	—	12
Other marketable equity securities	**3**	25	4
Total marketable equity securities	**3**	25	16
Total investment securities	**52**	183	256
Nonmarketable equity investments	**270**	161	160
Total OTTI write-downs included in earnings	**$ 322**	344	416

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

	Year ended December 31,		
(in millions)	**2014**	2013	2012
OTTI on debt securities			
Recorded as part of gross realized losses:			
Credit-related OTTI	**$ 40**	107	237
Intent-to-sell OTTI	**9**	51	3
Total recorded as part of gross realized losses	**49**	158	240
Changes to OCI for losses (reversal of losses) in non-credit-related OTTI (1):			
Securities of U.S. states and political subdivisions	**—**	(2)	1
Residential mortgage-backed securities	**(10)**	(27)	(178)
Commercial mortgage-backed securities	**(21)**	(90)	(88)
Corporate debt securities	**—**	—	1
Collateralized loan and other debt obligations	**—**	(1)	(1)
Other debt securities	**—**	1	28
Total changes to OCI for non-credit-related OTTI	**(31)**	(119)	(237)
Total OTTI losses recorded on debt securities	**$ 18**	39	3

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

The following table presents a rollforward of the OTTI credit loss that has been recognized in earnings as a write-down of available-for-sale debt securities we still own (referred to as "credit-impaired" debt securities) and do not intend to sell.

Recognized credit loss represents the difference between the present value of expected future cash flows discounted using the security's current effective interest rate and the amortized cost basis of the security prior to considering credit loss.

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Credit loss recognized, beginning of year	**$ 1,171**	1,289	1,272
Additions:			
For securities with initial credit impairments	**5**	21	55
For securities with previous credit impairments	**35**	86	182
Total additions	**40**	107	237
Reductions:			
For securities sold, matured, or intended/required to be sold	**(169)**	(194)	(194)
For recoveries of previous credit impairments (1)	**(17)**	(31)	(26)
Total reductions	**(186)**	(225)	(220)
Credit loss recognized, end of year	**$ 1,025**	1,171	1,289

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

Note 6: Loans and Allowance for Credit Losses

The following table presents total loans outstanding by portfolio segment and class of financing receivable. Outstanding balances include a total net reduction of $4.5 billion and $6.4 billion at December 31, 2014 and December 31, 2013, respectively, for unearned income, net deferred loan fees, and unamortized discounts and premiums.

					December 31,
(in millions)	**2014**	2013	2012	2011	2010
Commercial:					
Commercial and industrial	**$ 271,795**	235,358	223,703	205,824	182,059
Real estate mortgage	**111,996**	112,427	106,392	106,028	99,490
Real estate construction	**18,728**	16,934	16,983	19,470	25,371
Lease financing	**12,307**	12,371	12,736	13,387	13,386
Total commercial	**414,826**	377,090	359,814	344,709	320,306
Consumer:					
Real estate 1-4 family first mortgage	**265,386**	258,507	249,912	229,408	231,113
Real estate 1-4 family junior lien mortgage	**59,717**	65,950	75,503	86,041	96,205
Credit card	**31,119**	26,882	24,651	22,905	22,384
Automobile	**55,740**	50,808	45,998	43,508	43,754
Other revolving credit and installment	**35,763**	43,049	42,473	43,060	43,505
Total consumer	**447,725**	445,196	438,537	424,922	436,961
Total loans	**$ 862,551**	822,286	798,351	769,631	757,267

Our foreign loans are reported by respective class of financing receivable in the table above. Substantially all of our foreign loan portfolio is commercial loans. Loans are classified as foreign primarily based on whether the borrower's primary address is outside of the United States. The following table presents total commercial foreign loans outstanding by class of financing receivable.

					December 31,
(in millions)	**2014**	2013	2012	2011	2010
Commercial foreign loans:					
Commercial and industrial	**$ 44,707**	41,547	37,148	38,609	30,775
Real estate mortgage	**4,776**	5,328	52	53	55
Real estate construction	**218**	187	79	88	39
Lease financing	**336**	338	312	269	292
Total commercial foreign loans	**$ 50,037**	47,400	37,591	39,019	31,161

Loan Concentrations

Loan concentrations may exist when there are amounts loaned to borrowers engaged in similar activities or similar types of loans extended to a diverse group of borrowers that would cause them to be similarly impacted by economic or other conditions. At December 31, 2014 and 2013, we did not have concentrations representing 10% or more of our total loan portfolio in domestic commercial and industrial loans and lease financing by industry or CRE loans (real estate mortgage and real estate construction) by state or property type. Our real estate 1-4 family mortgage loans to borrowers in the state of California represented approximately 13% of total loans at both December 31, 2014 and 2013, of which 2% were PCI loans in both years. These California loans are generally diversified among the larger metropolitan areas in California, with no single area consisting of more than 4% of total loans. We continuously 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.

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 12% of total loans at December 31, 2014, and 15% at December 31, 2013. Substantially all of these interest-only loans at origination were considered to be prime or near prime. We do not offer option adjustable-rate mortgage (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. We acquired an option payment loan portfolio (Pick-a-Pay) from Wachovia at December 31, 2008. A majority of the portfolio was identified as PCI loans. Since the acquisition, we have reduced our exposure to the option payment portion of the portfolio through our modification efforts and loss mitigation actions. At December 31, 2014, approximately 2% of total loans remained with the payment option feature compared with 10% at December 31, 2008.

Our first and junior lien lines of credit products generally have a draw period of 10 years (with some up to 15 or 20 years) with variable interest rate and payment options during the draw period of (1) interest only or (2) 1.5% of total outstanding balance plus accrued interest. During the draw period, the borrower has the option of converting all or a portion of the line from a variable interest rate to a fixed rate with terms including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment schedule with repayment terms of up to 30 years based on the balance at time of conversion. At December 31, 2014, our lines of credit portfolio had an outstanding balance of $69.7 billion, of which $6.2 billion, or 9%, is in its amortization period, another $13.3 billion, or 19%, of our total outstanding balance, will reach their end of draw period during 2015 through 2016, $14.2 billion, or 20%, during 2017 through 2019, and $36.0 billion, or 52%, will convert in subsequent years. This portfolio had unfunded credit commitments of $70.1 billion at December 31, 2014. The lines that enter their amortization period may experience higher delinquencies and higher loss rates than the ones in their draw period. At December 31, 2014, $425 million, or 7%, of outstanding lines of credit that are in their amortization period were 30 or more days past due, compared with $1.3 billion, or 2%, for lines in their draw period. We have considered this increased inherent risk in our allowance for credit loss estimate. In anticipation of our borrowers reaching the end of their contractual commitment, we have created a program to inform, educate and help these borrowers transition from interest-only to fully-amortizing payments or full repayment. We monitor the performance of the borrowers moving through the program in an effort to refine our ongoing program strategy.

Loan Purchases, Sales, and Transfers

The following table summarizes the proceeds paid or received for purchases and sales of loans and transfers from loans held for investment to mortgages/loans held for sale at lower of cost or fair value. This loan activity primarily includes loans purchased and sales of whole loan or participating interests, whereby we receive or transfer a portion of a loan after origination. The table excludes PCI loans and loans recorded at fair value, including loans originated for sale because their loan activity normally does not impact the allowance for credit losses.

	Year ended December 31,					
			2014			2013
(in millions)	**Commercial**	**Consumer**	**Total**	Commercial	Consumer	Total
Purchases (1)	**$ 4,952**	**1,365**	**6,317**	10,914	581	11,495
Sales	**(1,706)**	**(152)**	**(1,858)**	(6,740)	(514)	(7,254)
Transfers to MHFS/LHFS (1)	**(99)**	**(9,778)**	**(9,877)**	(258)	(11)	(269)

(1) The "Purchases" and "Transfers to MHFS/LHFS" categories exclude activity in government insured/guaranteed real estate 1-4 family first mortgage loans. As servicer, we are able to buy delinquent insured/guaranteed loans out of the Government National Mortgage Association (GNMA) pools. These loans have different risk characteristics from the rest of our consumer portfolio, whereby this activity does not impact the allowance for loan losses in the same manner because the loans are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA). Such purchases net of transfers to MHFS were $2.9 billion and $8.2 billion for the year ended 2014 and 2013, respectively.

Commitments to Lend

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

We may, as a representative for other lenders, advance funds or provide for the issuance of letters of credit under syndicated loan or letter of credit agreements. Any advances are generally repaid in less than a week and would normally require default of both the customer and another lender to expose us to loss. These temporary advance arrangements totaled approximately $87 billion at both December 31, 2014, and December 31, 2013.

We issue commercial letters of credit to assist customers in purchasing goods or services, typically for international trade. At both December 31, 2014 and 2013, we had $1.2 billion of outstanding issued commercial letters of credit. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility for different purposes in one of several forms, including a standby letter of credit. See Note 14 (Guarantees, Pledged Assets and Collateral) for additional information on standby letters of credit.

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

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

The contractual amount of our unfunded credit commitments, including unissued standby and commercial letters of credit, is summarized by portfolio segment and class of financing receivable in the following table. The table excludes standby and commercial letters of credit issued under the terms of our commitments and temporary advance commitments on behalf of other lenders.

(in millions)		**Dec 31, 2014**	Dec 31, 2013
Commercial:			
Commercial and industrial	**$**	**278,093**	250,986
Real estate mortgage		**6,134**	5,993
Real estate construction		**15,587**	12,612
Lease financing		**3**	—
Total commercial		**299,817**	269,591
Consumer:			
Real estate 1-4 family first mortgage		**32,055**	32,908
Real estate 1-4 family junior lien mortgage		**45,492**	47,667
Credit card		**95,062**	79,049
Other revolving credit and installment		**24,816**	24,216
Total consumer		**197,425**	183,840
Total unfunded credit commitments	**$**	**497,242**	453,431

Allowance for Credit Losses

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

				Year ended December 31,	
(in millions)	**2014**	2013	2012	2011	2010
Balance, beginning of year	**$ 14,971**	17,477	19,668	23,463	25,031
Provision for credit losses	**1,395**	2,309	7,217	7,899	15,753
Interest income on certain impaired loans (1)	**(211)**	(264)	(315)	(332)	(266)
Loan charge-offs:					
Commercial:					
Commercial and industrial	**(627)**	(739)	(1,404)	(1,681)	(2,820)
Real estate mortgage	**(66)**	(190)	(382)	(636)	(1,152)
Real estate construction	**(9)**	(28)	(191)	(351)	(1,189)
Lease financing	**(15)**	(34)	(24)	(41)	(124)
Total commercial	**(717)**	(991)	(2,001)	(2,709)	(5,285)
Consumer:					
Real estate 1-4 family first mortgage	**(721)**	(1,439)	(3,020)	(3,896)	(4,916)
Real estate 1-4 family junior lien mortgage	**(864)**	(1,579)	(3,437)	(3,765)	(4,936)
Credit card	**(1,025)**	(1,022)	(1,105)	(1,458)	(2,415)
Automobile	**(729)**	(625)	(651)	(797)	(1,295)
Other revolving credit and installment	**(668)**	(754)	(759)	(990)	(1,253)
Total consumer	**(4,007)**	(5,419)	(8,972)	(10,906)	(14,815)
Total loan charge-offs	**(4,724)**	(6,410)	(10,973)	(13,615)	(20,100)
Loan recoveries:					
Commercial:					
Commercial and industrial	**369**	396	472	426	442
Real estate mortgage	**160**	226	163	143	68
Real estate construction	**136**	137	124	146	110
Lease financing	**8**	17	20	25	21
Total commercial	**673**	776	779	740	641
Consumer:					
Real estate 1-4 family first mortgage	**212**	246	157	405	523
Real estate 1-4 family junior lien mortgage	**238**	269	260	218	211
Credit card	**161**	127	188	257	224
Automobile	**349**	322	364	449	509
Other revolving credit and installment	**146**	161	191	247	239
Total consumer	**1,106**	1,125	1,160	1,576	1,706
Total loan recoveries	**1,779**	1,901	1,939	2,316	2,347
Net loan charge-offs (2)	**(2,945)**	(4,509)	(9,034)	(11,299)	(17,753)
Allowances related to business combinations/other (3)	**(41)**	(42)	(59)	(63)	698
Balance, end of year	**$ 13,169**	14,971	17,477	19,668	23,463
Components:					
Allowance for loan losses	**$ 12,319**	14,502	17,060	19,372	23,022
Allowance for unfunded credit commitments	**850**	469	417	296	441
Allowance for credit losses (4)	**$ 13,169**	14,971	17,477	19,668	23,463
Net loan charge-offs as a percentage of average total loans (2)	**0.35%**	0.56	1.17	1.49	2.30
Allowance for loan losses as a percentage of total loans (4)	**1.43**	1.76	2.13	2.52	3.04
Allowance for credit losses as a percentage of total loans (4)	**1.53**	1.82	2.19	2.56	3.10

(1) Certain impaired loans with an allowance calculated by discounting expected cash flows using the loan's effective interest rate over the remaining life of the loan recognize reductions in the allowance as interest income.
(2) For PCI loans, charge-offs are only recorded to the extent that losses exceed the purchase accounting estimates.
(3) Includes $693 million for the year ended December 31, 2010, related to the adoption of consolidation accounting guidance on January 1, 2010.
(4) The allowance for credit losses includes $11 million, $30 million, $117 million, $231 million and $298 million at December 31, 2014, 2013, 2012, 2011, and 2010, respectively, related to PCI loans acquired from Wachovia. Loans acquired from Wachovia are included in total loans net of related purchase accounting net write-downs.

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

				Year ended December 31,		
			2014			2013
(in millions)	Commercial	Consumer	Total	Commercial	Consumer	Total
Balance, beginning of period	**$ 6,103**	**8,868**	**14,971**	5,714	11,763	17,477
Provision for credit losses	**342**	**1,053**	**1,395**	680	1,629	2,309
Interest income on certain impaired loans	**(20)**	**(191)**	**(211)**	(54)	(210)	(264)
Loan charge-offs	**(717)**	**(4,007)**	**(4,724)**	(991)	(5,419)	(6,410)
Loan recoveries	**673**	**1,106**	**1,779**	776	1,125	1,901
Net loan charge-offs	**(44)**	**(2,901)**	**(2,945)**	(215)	(4,294)	(4,509)
Allowance related to business combinations/other	**(4)**	**(37)**	**(41)**	(22)	(20)	(42)
Balance, end of period	**$ 6,377**	**6,792**	**13,169**	6,103	8,868	14,971

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

	Allowance for credit losses			Recorded investment in loans		
(in millions)	Commercial	Consumer	Total	Commercial	Consumer	Total
December 31, 2014						
Collectively evaluated (1)	**$ 5,482**	**3,706**	**9,188**	**409,560**	**404,263**	**813,823**
Individually evaluated (2)	**884**	**3,086**	**3,970**	**3,759**	**21,649**	**25,408**
PCI (3)	**11**	**—**	**11**	**1,507**	**21,813**	**23,320**
Total	**$ 6,377**	**6,792**	**13,169**	**414,826**	**447,725**	**862,551**
December 31, 2013						
Collectively evaluated (1)	$ 4,921	5,011	9,932	369,252	398,237	767,489
Individually evaluated (2)	1,156	3,853	5,009	5,334	22,736	28,070
PCI (3)	26	4	30	2,504	24,223	26,727
Total	$ 6,103	8,868	14,971	377,090	445,196	822,286

(1) Represents loans collectively evaluated for impairment in accordance with Accounting Standards Codification (ASC) 450-20, *Loss Contingencies* (formerly FAS 5), and pursuant to amendments by ASU 2010-20 regarding allowance for non-impaired loans.
(2) Represents loans individually evaluated for impairment in accordance with ASC 310-10, *Receivables* (formerly FAS 114), and pursuant to amendments by ASU 2010-20 regarding allowance for impaired loans.
(3) Represents the allowance and related loan carrying value determined in accordance with ASC 310-30, *Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality* (formerly SOP 3-3) and pursuant to amendments by ASU 2010-20 regarding allowance for PCI loans.

Credit Quality

We monitor credit quality by evaluating various attributes and utilize such information in our evaluation of the appropriateness of the allowance for credit losses. The following sections provide the credit quality indicators we most closely monitor. The credit quality indicators are generally based on information as of our financial statement date, with the exception of updated Fair Isaac Corporation (FICO) scores and updated loan-to-value (LTV)/combined LTV (CLTV), which are obtained at least quarterly. Generally, these indicators are updated in the second month of each quarter, with updates no older than September 30, 2014. See the "Purchased Credit-Impaired Loans" section of this Note for credit quality information on our PCI portfolio.

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

The following table provides a breakdown of outstanding commercial loans by risk category. Of the $8.3 billion in criticized commercial real estate (CRE) loans at December 31, 2014, $1.7 billion has been placed on nonaccrual status and written down to net realizable collateral value. CRE loans have a high level of monitoring in place to manage these assets and mitigate loss exposure.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Total
December 31, 2014					
By risk category:					
Pass	**$ 255,611**	**103,319**	**17,661**	**11,723**	**388,314**
Criticized	**16,109**	**7,416**	**896**	**584**	**25,005**
Total commercial loans (excluding PCI)	**271,720**	**110,735**	**18,557**	**12,307**	**413,319**
Total commercial PCI loans (carrying value)	**75**	**1,261**	**171**	**—**	**1,507**
Total commercial loans	**$ 271,795**	**111,996**	**18,728**	**12,307**	**414,826**
December 31, 2013					
By risk category:					
Pass	$ 218,231	98,984	14,669	11,894	343,778
Criticized	16,912	11,587	1,832	477	30,808
Total commercial loans (excluding PCI)	235,143	110,571	16,501	12,371	374,586
Total commercial PCI loans (carrying value)	215	1,856	433	—	2,504
Total commercial loans	$ 235,358	112,427	16,934	12,371	377,090

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

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Total
December 31, 2014					
By delinquency status:					
Current-29 DPD and still accruing	**$ 270,624**	**109,032**	**18,345**	**12,251**	**410,252**
30-89 DPD and still accruing	**527**	**197**	**25**	**32**	**781**
90+ DPD and still accruing	**31**	**16**	**—**	**—**	**47**
Nonaccrual loans	**538**	**1,490**	**187**	**24**	**2,239**
Total commercial loans (excluding PCI)	**271,720**	**110,735**	**18,557**	**12,307**	**413,319**
Total commercial PCI loans (carrying value)	**75**	**1,261**	**171**	**—**	**1,507**
Total commercial loans	**$ 271,795**	**111,996**	**18,728**	**12,307**	**414,826**
December 31, 2013					
By delinquency status:					
Current-29 DPD and still accruing	$ 234,012	107,744	15,885	12,308	369,949
30-89 DPD and still accruing	345	538	103	33	1,019
90+ DPD and still accruing	11	35	97	—	143
Nonaccrual loans	775	2,254	416	30	3,475
Total commercial loans (excluding PCI)	235,143	110,571	16,501	12,371	374,586
Total commercial PCI loans (carrying value)	215	1,856	433	—	2,504
Total commercial loans	$ 235,358	112,427	16,934	12,371	377,090

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

Many of our loss estimation techniques used for the allowance for credit losses rely on delinquency-based models; therefore, delinquency is an important indicator of credit quality and the establishment of our allowance for credit losses. The following table provides the outstanding balances of our consumer portfolio by delinquency status.

(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
December 31, 2014						
By delinquency status:						
Current-29 DPD	**$ 208,642**	**58,182**	**30,356**	**54,365**	**35,356**	**386,901**
30-59 DPD	**2,415**	**398**	**239**	**1,056**	**180**	**4,288**
60-89 DPD	**993**	**220**	**160**	**235**	**111**	**1,719**
90-119 DPD	**488**	**158**	**136**	**78**	**82**	**942**
120-179 DPD	**610**	**194**	**227**	**5**	**21**	**1,057**
180+ DPD	**4,258**	**464**	**1**	**1**	**13**	**4,737**
Government insured/guaranteed loans (1)	**26,268**	**—**	**—**	**—**	**—**	**26,268**
Total consumer loans (excluding PCI)	**243,674**	**59,616**	**31,119**	**55,740**	**35,763**	**425,912**
Total consumer PCI loans (carrying value)	**21,712**	**101**	**—**	**—**	**—**	**21,813**
Total consumer loans	**$ 265,386**	**59,717**	**31,119**	**55,740**	**35,763**	**447,725**
December 31, 2013						
By delinquency status:						
Current-29 DPD	$ 193,371	64,230	26,218	49,699	31,944	365,462
30-59 DPD	2,784	461	201	852	179	4,477
60-89 DPD	1,157	253	143	186	111	1,850
90-119 DPD	587	182	124	66	76	1,035
120-179 DPD	747	216	195	4	20	1,182
180+ DPD	5,024	485	1	1	7	5,518
Government insured/guaranteed loans (1)	30,737	—	—	—	10,712	41,449
Total consumer loans (excluding PCI)	234,407	65,827	26,882	50,808	43,049	420,973
Total consumer PCI loans (carrying value)	24,100	123	—	—	—	24,223
Total consumer loans	$ 258,507	65,950	26,882	50,808	43,049	445,196

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA and student loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the Federal Family Education Loan Program (FFELP). Loans insured/guaranteed by the FHA/VA and 90+ DPD totaled $16.2 billion at December 31, 2014, compared with $20 8 billion at December 31, 2013. On June 30, 2014, we transferred all government guaranteed student loans to loans held for sale. Student loans 90+ DPD totaled $900 million at December 31, 2013.

Of the $6.7 billion of consumer loans not government insured/guaranteed that are 90 days or more past due at December 31, 2014, $873 million was accruing, compared with $7.7 billion past due and $902 million accruing at December 31, 2013.

Real estate 1-4 family first mortgage loans 180 days or more past due totaled $4.3 billion, or 1.7% of total first mortgages (excluding PCI), at December 31, 2014, compared with $5.0 billion, or 2.1%, at December 31, 2013.

The following table provides a breakdown of our consumer portfolio by updated FICO. We obtain FICO scores at loan origination and the scores are updated at least quarterly. The majority of our portfolio is underwritten with a FICO score of 680 and above. FICO is not available for certain loan types and may not be obtained if we deem it unnecessary due to strong collateral and other borrower attributes, primarily security-based loans of $5.9 billion at December 31, 2014, and $5.0 billion at December 31, 2013.

(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
December 31, 2014						
By updated FICO:						
< 600	**$ 11,166**	**4,001**	**2,639**	**8,825**	**894**	**27,525**
600-639	**7,866**	**2,794**	**2,588**	**6,236**	**1,058**	**20,542**
640-679	**13,894**	**5,324**	**4,931**	**9,352**	**2,366**	**35,867**
680-719	**24,412**	**8,970**	**6,285**	**9,994**	**4,389**	**54,050**
720-759	**35,490**	**12,171**	**6,407**	**7,475**	**5,896**	**67,439**
760-799	**82,123**	**17,897**	**5,234**	**7,315**	**7,673**	**120,242**
800+	**39,219**	**7,581**	**2,758**	**6,184**	**5,819**	**61,561**
No FICO available	**3,236**	**878**	**277**	**359**	**1,814**	**6,564**
FICO not required	**—**	**—**	**—**	**—**	**5,854**	**5,854**
Government insured/guaranteed loans (1)	**26,268**	**—**	**—**	**—**	**—**	**26,268**
Total consumer loans (excluding PCI)	**243,674**	**59,616**	**31,119**	**55,740**	**35,763**	**425,912**
Total consumer PCI loans (carrying value)	**21,712**	**101**	**—**	**—**	**—**	**21,813**
Total consumer loans	**$ 265,386**	**59,717**	**31,119**	**55,740**	**35,763**	**447,725**
December 31, 2013						
By updated FICO:						
< 600	$ 14,128	5,047	2,404	8,400	956	30,935
600-639	9,029	3,247	2,175	5,925	1,015	21,391
640-679	14,918	5,985	4,176	8,827	2,158	36,064
680-719	24,336	10,043	5,398	8,992	3,917	52,686
720-759	32,991	13,581	5,530	6,546	5,264	63,912
760-799	72,062	19,238	4,535	6,313	6,836	108,984
800+	33,310	7,707	2,409	5,397	5,130	53,953
No FICO available	2,896	979	255	408	2,054	6,592
FICO not required	—	—	—	—	5,007	5,007
Government insured/guaranteed loans (1)	30,737	—	—	—	10,712	41,449
Total consumer loans (excluding PCI)	234,407	65,827	26,882	50,808	43,049	420,973
Total consumer PCI loans (carrying value)	24,100	123	—	—	—	24,223
Total consumer loans	$ 258,507	65,950	26,882	50,808	43,049	445,196

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

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

The following table shows the most updated LTV and CLTV distribution of the real estate 1-4 family first and junior lien mortgage loan portfolios. We consider the trends in residential real estate markets as we monitor credit risk and establish our allowance for credit losses. In the event of a default, any loss should be limited to the portion of the loan amount in excess of the net realizable value of the underlying real estate collateral value. Certain loans do not have an LTV or CLTV primarily due to industry data availability and portfolios acquired from or serviced by other institutions.

(in millions)	December 31, 2014 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total	December 31, 2013 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	**$ 95,719**	**15,603**	**111,322**	74,047	13,645	87,692
60.01-80%	**86,112**	**17,651**	**103,763**	80,187	17,154	97,341
80.01-100%	**25,170**	**14,004**	**39,174**	30,842	16,273	47,115
100.01-120% (1)	**6,133**	**7,254**	**13,387**	10,678	9,992	20,670
> 120% (1)	**2,856**	**4,058**	**6,914**	6,306	7,369	13,675
No LTV/CLTV available	**1,416**	**1,046**	**2,462**	1,610	1,394	3,004
Government insured/guaranteed loans (2)	**26,268**	**—**	**26,268**	30,737	—	30,737
Total consumer loans (excluding PCI)	**243,674**	**59,616**	**303,290**	234,407	65,827	300,234
Total consumer PCI loans (carrying value)	**21,712**	**101**	**21,813**	24,100	123	24,223
Total consumer loans	**$ 265,386**	**59,717**	**325,103**	258,507	65,950	324,457

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

NONACCRUAL LOANS The following table provides loans on nonaccrual status. PCI loans are excluded from this table because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

(in millions)	Dec 31, 2014	Dec 31, 2013
Commercial:		
Commercial and industrial	**$ 538**	775
Real estate mortgage	**1,490**	2,254
Real estate construction	**187**	416
Lease financing	**24**	30
Total commercial (1)	**2,239**	3,475
Consumer:		
Real estate 1-4 family first mortgage (2)	**8,583**	9,799
Real estate 1-4 family junior lien mortgage	**1,848**	2,188
Automobile	**137**	173
Other revolving credit and installment	**41**	33
Total consumer	**10,609**	12,193
Total nonaccrual loans (excluding PCI)	**$ 12,848**	15,668

(1) Includes LHFS of $1 million at December 31, 2014 and December 31, 2013.
(2) Includes MHFS of $177 million and $227 million at December 31, 2014, and December 31, 2013, respectively.

LOANS IN PROCESS OF FORECLOSURE Our recorded investment in consumer mortgage loans collateralized by residential real estate property that are in process of foreclosure was $12.7 billion and $17.3 billion at December 31, 2014 and December 31, 2013, respectively, which included $6.6 billion and $10.0 billion, respectively, of loans that are government insured/guaranteed. We commence the foreclosure process on consumer real estate loans when a borrower becomes 120 days delinquent in accordance with Consumer Finance Protection Bureau Guidelines. Foreclosure procedures and timelines vary depending on whether the property address resides in a judicial or non-judicial state. Judicial states require the foreclosure to be processed through the state's courts while non-judicial states are processed without court intervention. Foreclosure timelines vary according to state law.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING

Certain loans 90 days or more past due as to interest or principal are still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans of $3.7 billion at December 31, 2014, and $4.5 billion at December 31, 2013, are not included in these past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

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

(in millions)		**Dec 31, 2014**	Dec 31, 2013
Loan 90 days or more past due and still accruing:			
Total (excluding PCI):	**$**	**17,810**	23,219
Less: FHA insured/VA guaranteed (1)(2)		**16,827**	21,274
Less: Student loans guaranteed under the FFELP (3)		**63**	900
Total, not government insured/ guaranteed	**$**	**920**	1,045
By segment and class, not government insured/guaranteed:			
Commercial:			
Commercial and industrial	**$**	**31**	11
Real estate mortgage		**16**	35
Real estate construction		**—**	97
Total commercial		**47**	143
Consumer:			
Real estate 1-4 family first mortgage (2)		**260**	354
Real estate 1-4 family junior lien mortgage (2)		**83**	86
Credit card		**364**	321
Automobile		**73**	55
Other revolving credit and installment		**93**	86
Total consumer		**873**	902
Total, not government insured/guaranteed	**$**	**920**	1,045

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.
(2) Includes mortgage loans held for sale 90 days or more past due and still accruing.
(3) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP. At the end of second quarter 2014, all government guaranteed student loans were transferred to loans held for sale.

IMPAIRED LOANS The table below summarizes key information for impaired loans. Our impaired loans predominantly include loans on nonaccrual status in the commercial portfolio segment and loans modified in a TDR, whether on accrual or nonaccrual status. These impaired loans generally have estimated losses which are included in the allowance for credit losses. We have impaired loans with no allowance for credit losses when loss content has been previously recognized through charge-offs and we do not anticipate additional charge-offs or losses, or certain loans are currently performing in accordance with their terms and for which no loss has been estimated. Impaired loans exclude PCI loans. The table below includes trial modifications that totaled $452 million at December 31, 2014, and $650 million at December 31, 2013.

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

(in millions)	Unpaid principal balance (1)	Recorded investment		Related allowance for credit losses
		Impaired loans	Impaired loans with related allowance for credit losses	
December 31, 2014				
Commercial:				
Commercial and industrial	**$ 1,524**	**926**	**757**	**240**
Real estate mortgage	**3,190**	**2,483**	**2,405**	**591**
Real estate construction	**491**	**331**	**308**	**45**
Lease financing	**33**	**19**	**19**	**8**
Total commercial	**5,238**	**3,759**	**3,489**	**884**
Consumer:				
Real estate 1-4 family first mortgage	**21,324**	**18,600**	**12,433**	**2,322**
Real estate 1-4 family junior lien mortgage	**3,094**	**2,534**	**2,009**	**653**
Credit card	**338**	**338**	**338**	**98**
Automobile	**190**	**127**	**55**	**8**
Other revolving credit and installment	**60**	**50**	**42**	**5**
Total consumer (2)	**25,006**	**21,649**	**14,877**	**3,086**
Total impaired loans (excluding PCI)	**$ 30,244**	**25,408**	**18,366**	**3,970**
December 31, 2013				
Commercial:				
Commercial and industrial	$ 2,060	1,311	1,061	228
Real estate mortgage	4,269	3,375	3,264	819
Real estate construction	946	615	589	101
Lease financing	71	33	33	8
Total commercial	7,346	5,334	4,947	1,156
Consumer:				
Real estate 1-4 family first mortgage	22,450	19,500	13,896	3,026
Real estate 1-4 family junior lien mortgage	3,130	2,582	2,092	681
Credit card	431	431	431	132
Automobile	245	189	95	11
Other revolving credit and installment	44	34	27	3
Total consumer (2)	26,300	22,736	16,541	3,853
Total impaired loans (excluding PCI)	$ 33,646	28,070	21,488	5,009

(1) Excludes the unpaid principal balance for loans that have been fully charged off or otherwise have zero recorded investment.
(2) Years ended December 31, 2014 and 2013, include the recorded investment of $2.1 billion and $2.5 billion, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and generally do not have an allowance.

Commitments to lend additional funds on loans whose terms have been modified in a TDR amounted to $341 million and $407 million at December 31, 2014 and 2013, respectively.

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

					Year ended December 31,	
	2014		2013		2012	
(in millions)	**Average recorded investment**	**Recognized interest income**	Average recorded investment	Recognized interest income	Average recorded investment	Recognized interest income
Commercial:						
Commercial and industrial	**$ 1,089**	**77**	1,508	94	2,317	112
Real estate mortgage	**2,924**	**150**	3,842	141	4,821	119
Real estate construction	**457**	**39**	966	35	1,818	61
Lease financing	**28**	**—**	38	1	57	1
Total commercial	**4,498**	**266**	6,354	271	9,013	293
Consumer:						
Real estate 1-4 family first mortgage	**19,086**	**934**	19,419	973	15,750	803
Real estate 1-4 family junior lien mortgage	**2,547**	**142**	2,498	143	2,193	80
Credit card	**381**	**46**	480	57	572	63
Automobile	**154**	**18**	232	29	299	42
Other revolving credit and installment	**39**	**4**	30	3	25	2
Total consumer	**22,207**	**1,144**	22,659	1,205	18,839	990
Total impaired loans (excluding PCI)	**$ 26,705**	**1,410**	29,013	1,476	27,852	1,283

			Year ended December 31,
(in millions)	**2014**	2013	2012
Average recorded investment in impaired loans	**$ 26,705**	29,013	27,852
Interest income:			
Cash basis of accounting	**$ 435**	426	316
Other (1)	**975**	1,050	967
Total interest income	**$ 1,410**	1,476	1,283

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

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

We may require some consumer borrowers experiencing financial difficulty to make trial payments generally for a period of three to four months, according to the terms of a planned permanent modification, to determine if they can perform according to those terms. These arrangements represent trial modifications, which we classify and account for as TDRs. While loans are in trial payment programs, their original terms are not considered modified and they continue to advance through delinquency status and accrue interest according to their original terms. The planned modifications for these arrangements predominantly involve interest rate reductions or other interest rate concessions; however, the exact concession type and resulting financial effect are usually not finalized and do not take effect until the loan is permanently modified. The trial period terms are developed in accordance with our proprietary programs or the U.S. Treasury's Making Homes Affordable programs for real estate 1-4 family first lien (i.e. Home Affordable Modification Program – HAMP) and junior lien (i.e. Second Lien Modification Program – 2MP) mortgage loans.

At December 31, 2014, the loans in trial modification period were $149 million under HAMP, $34 million under 2MP and $269 million under proprietary programs, compared with $253 million, $45 million and $352 million at December 31, 2013, respectively. Trial modifications with a recorded investment of $167 million at December 31, 2014, and $286 million at December 31, 2013, were accruing loans and $285 million and $364 million, respectively, were nonaccruing loans. Our experience is that substantially all of the mortgages that enter a trial payment period program are successful in completing the program requirements and are then permanently modified at the end of the trial period. Our allowance process considers the impact of those modifications that are probable to occur.

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

(in millions)	Principal (2)	Interest rate reduction	Other concessions (3)	Total	Charge- offs (4)	Weighted average interest rate reduction	Recorded investment related to interest rate reduction (5)
	Primary modification type (1)					Financial effects of modifications	
Year ended December 31, 2014							
Commercial:							
Commercial and industrial	**$ 4**	**51**	**914**	**969**	**36**	**1.53 %**	**$ 51**
Real estate mortgage	**7**	**182**	**929**	**1,118**	**—**	**1.21**	**182**
Real estate construction	**—**	**10**	**270**	**280**	**—**	**2.12**	**10**
Total commercial	**11**	**243**	**2,113**	**2,367**	**36**	**1.32**	**243**
Consumer:							
Real estate 1-4 family first mortgage	**571**	**401**	**2,690**	**3,662**	**92**	**2.50**	**833**
Real estate 1-4 family junior lien mortgage	**50**	**114**	**246**	**410**	**64**	**3.27**	**157**
Credit card	**—**	**155**	**—**	**155**	**—**	**11.40**	**155**
Automobile	**2**	**5**	**85**	**92**	**36**	**8.56**	**5**
Other revolving credit and installment	**—**	**12**	**16**	**28**	**—**	**5.26**	**12**
Trial modifications (6)	**—**	**—**	**(74)**	**(74)**	**—**	**—**	**—**
Total consumer	**623**	**687**	**2,963**	**4,273**	**192**	**3.84**	**1,162**
Total	**$ 634**	**930**	**5,076**	**6,640**	**228**	**3.41 %**	**$ 1,405**
Year ended December 31, 2013							
Commercial:							
Commercial and industrial	$ 19	177	1,081	1,277	17	4.71 %	$ 177
Real estate mortgage	33	307	1,391	1,731	8	1.66	308
Real estate construction	—	12	381	393	4	1.07	12
Total commercial	52	496	2,853	3,401	29	2.72	497
Consumer:							
Real estate 1-4 family first mortgage	1,143	1,170	3,681	5,994	233	2.64	2,019
Real estate 1-4 family junior lien mortgage	103	181	472	756	42	3.33	276
Credit card	—	182	—	182	—	10.38	182
Automobile	3	12	97	112	34	7.66	12
Other revolving credit and installment	—	10	12	22	—	4.87	10
Trial modifications (6)	—	—	50	50	—	—	—
Total consumer	1,249	1,555	4,312	7,116	309	3.31	2,499
Total	$ 1,301	2,051	7,165	10,517	338	3.21 %	$ 2,996
Year ended December 31, 2012							
Commercial:							
Commercial and industrial	$ 11	35	1,389	1,435	40	1.60 %	$ 38
Real estate mortgage	47	219	1,907	2,173	12	1.57	226
Real estate construction	12	19	531	562	10	1.69	19
Lease financing	—	—	4	4	—	—	—
Total commercial	70	273	3,831	4,174	62	1.58	283
Consumer:							
Real estate 1-4 family first mortgage	1,371	1,302	5,822	8,495	547	3.00	2,379
Real estate 1-4 family junior lien mortgage	79	244	756	1,079	512	3.70	313
Credit card	—	241	—	241	—	10.85	241
Automobile	5	54	265	324	50	6.90	56
Other revolving credit and installment	—	1	22	23	5	4.29	2
Trial modifications (6)	—	—	666	666	—	—	—
Total consumer	1,455	1,842	7,531	10,828	1,114	3.78	2,991
Total	$ 1,525	2,115	11,362	15,002	1,176	3.59 %	$ 3,274

(1) Amounts represent the recorded investment in loans after recognizing the effects of the TDR, if any. TDRs may have multiple types of concessions, but are presented only once in the first modification type based on the order presented in the table above. The reported amounts include loans remodified of $2.1 billion, $3.1 billion and $3.9 billion, for the years ended December 31, 2014, 2013, and 2012, respectively.

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

(3) Other concessions include loan renewals, term extensions and other interest and noninterest adjustments, but exclude modifications that also forgive principal and/or reduce the contractual interest rate.

(4) Charge-offs include write-downs of the investment in the loan in the period it is contractually modified. The amount of charge-off will differ from the modification terms if the loan has been charged down prior to the modification based on our policies. In addition, there may be cases where we have a charge-off/down with no legal principal modification. Modifications resulted in legally forgiving principal (actual, contingent or deferred) of $149 million, $393 million and $495 million for the years ended December 31, 2014, 2013, and 2012, respectively.

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

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

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

	Recorded investment of defaults		
	Year ended December 31,		
(in millions)	**2014**	2013	2012
Commercial:			
Commercial and industrial	**$ 62**	235	379
Real estate mortgage	**117**	303	579
Real estate construction	**4**	70	261
Lease financing	**—**	—	1
Total commercial	**183**	608	1,220
Consumer:			
Real estate 1-4 family first mortgage	**334**	370	567
Real estate 1-4 family junior lien mortgage	**29**	34	55
Credit card	**51**	59	94
Automobile	**14**	18	55
Other revolving credit and installment	**2**	1	1
Total consumer	**430**	482	772
Total	**$ 613**	1,090	1,992

Purchased Credit-Impaired Loans

Substantially all of our PCI loans were acquired from Wachovia on December 31, 2008, at which time we acquired commercial and consumer loans with a carrying value of $18.7 billion and $40.1 billion, respectively. The unpaid principal balance on December 31, 2008 was $98.2 billion for the total of commercial and consumer PCI loans. The following table presents PCI loans net of any remaining purchase accounting adjustments. Real estate 1-4 family first mortgage PCI loans are predominantly Pick-a-Pay loans.

(in millions)	**Dec 31, 2014**	Dec 31, 2013
Commercial:		
Commercial and industrial	**$ 75**	215
Real estate mortgage	**1,261**	1,856
Real estate construction	**171**	433
Total commercial	**1,507**	2,504
Consumer:		
Real estate 1-4 family first mortgage	**21,712**	24,100
Real estate 1-4 family junior lien mortgage	**101**	123
Total consumer	**21,813**	24,223
Total PCI loans (carrying value)	**$23,320**	26,727
Total PCI loans (unpaid principal balance)	**$32,924**	38,229

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

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

The change in the accretable yield related to PCI loans since the merger with Wachovia is presented in the following table.

(in millions)	**2014**	2013	2012	2009-2011
Total, beginning of period	**$ 17,392**	18,548	15,961	10,447
Addition of accretable yield due to acquisitions	**—**	1	3	128
Accretion into interest income (1)	**(1,599)**	(1,833)	(2,152)	(7,199)
Accretion into noninterest income due to sales (2)	**(37)**	(151)	(5)	(237)
Reclassification from nonaccretable difference for loans with improving credit-related cash flows	**2,243**	971	1,141	4,213
Changes in expected cash flows that do not affect nonaccretable difference (3)	**(209)**	(144)	3,600	8,609
Total, end of period	**$ 17,790**	17,392	18,548	15,961

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

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

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Balance, December 31, 2008	$ —	—	—	—
Provision for loan losses	1,668	—	116	1,784
Charge-offs	(1,503)	—	(50)	(1,553)
Balance, December 31, 2011	165	—	66	231
Provision for loan losses	25	—	7	32
Charge-offs	(102)	—	(44)	(146)
Balance, December 31, 2012	88	—	29	117
Reversal of provision for loan losses	(52)	—	(16)	(68)
Charge-offs	(10)	—	(9)	(19)
Balance, December 31, 2013	**26**	**—**	**4**	**30**
Reversal of provision for loan losses	**(12)**	**—**	**(3)**	**(15)**
Charge-offs	**(3)**	**—**	**(1)**	**(4)**
Balance, December 31, 2014	**$ 11**	**—**	**—**	**11**

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

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Total
December 31, 2014				
By risk category:				
Pass	**$ 21**	**783**	**118**	**922**
Criticized	**54**	**478**	**53**	**585**
Total commercial PCI loans	**$ 75**	**1,261**	**171**	**1,507**
December 31, 2013				
By risk category:				
Pass	$ 118	324	160	602
Criticized	97	1,532	273	1,902
Total commercial PCI loans	$ 215	1,856	433	2,504

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

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Total
December 31, 2014				
By delinquency status:				
Current-29 DPD and still accruing	**$ 75**	**1,135**	**161**	**1,371**
30-89 DPD and still accruing	**—**	**48**	**5**	**53**
90+ DPD and still accruing	**—**	**78**	**5**	**83**
Total commercial PCI loans	**$ 75**	**1,261**	**171**	**1,507**
December 31, 2013				
By delinquency status:				
Current-29 DPD and still accruing	$ 210	1,684	355	2,249
30-89 DPD and still accruing	5	41	2	48
90+ DPD and still accruing	—	131	76	207
Total commercial PCI loans	$ 215	1,856	433	2,504

CONSUMER PCI CREDIT QUALITY INDICATORS Our consumer PCI loans were aggregated into several pools of loans at acquisition. Below, we have provided credit quality indicators based on the unpaid principal balance (adjusted for write-downs) of the individual loans included in the pool, but we have not allocated the remaining purchase accounting adjustments, which were established at a pool level. The following table provides the delinquency status of consumer PCI loans.

	December 31, 2014			December 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 first mortgage	Real estate 1-4 family junior lien mortgage	Total
By delinquency status:						
Current-29 DPD and still accruing	**$ 19,236**	**168**	**19,404**	20,712	171	20,883
30-59 DPD and still accruing	**1,987**	**7**	**1,994**	2,185	8	2,193
60-89 DPD and still accruing	**1,051**	**3**	**1,054**	1,164	4	1,168
90-119 DPD and still accruing	**402**	**2**	**404**	457	2	459
120-179 DPD and still accruing	**440**	**3**	**443**	517	4	521
180+ DPD and still accruing	**3,654**	**83**	**3,737**	4,291	95	4,386
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 26,770**	**266**	**27,036**	29,326	284	29,610
Total consumer PCI loans (carrying value)	**$ 21,712**	**101**	**21,813**	24,100	123	24,223

The following table provides FICO scores for consumer PCI loans.

(in millions)	December 31, 2014 Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total	December 31, 2013 Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By FICO:						
< 600	**$ 7,708**	**75**	**7,783**	9,933	101	10,034
600-639	**5,416**	**53**	**5,469**	6,029	60	6,089
640-679	**6,718**	**69**	**6,787**	6,789	70	6,859
680-719	**4,008**	**39**	**4,047**	3,732	35	3,767
720-759	**1,728**	**13**	**1,741**	1,662	11	1,673
760-799	**875**	**6**	**881**	865	5	870
800+	**220**	**1**	**221**	198	1	199
No FICO available	**97**	**10**	**107**	118	1	119
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 26,770**	**266**	**27,036**	29,326	284	29,610
Total consumer PCI loans (carrying value)	**$ 21,712**	**101**	**21,813**	24,100	123	24,223

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

(in millions)	December 31, 2014 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total	December 31, 2013 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	**$ 4,309**	**34**	**4,343**	2,501	32	2,533
60.01-80%	**11,264**	**71**	**11,335**	8,541	42	8,583
80.01-100%	**7,751**	**92**	**7,843**	10,366	88	10,454
100.01-120% (1)	**2,437**	**44**	**2,481**	4,677	67	4,744
> 120% (1)	**1,000**	**24**	**1,024**	3,232	54	3,286
No LTV/CLTV available	**9**	**1**	**10**	9	1	10
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 26,770**	**266**	**27,036**	29,326	284	29,610
Total consumer PCI loans (carrying value)	**$ 21,712**	**101**	**21,813**	24,100	123	24,223

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

Note 7: Premises, Equipment, Lease Commitments and Other Assets

(in millions)	Dec 31, 2014	Dec 31, 2013
Land	$ 1,748	1,759
Buildings	8,155	7,931
Furniture and equipment	7,215	7,517
Leasehold improvements	2,009	1,939
Premises and equipment leased under capital leases	79	82
Total premises and equipment	19,206	19,228
Less: Accumulated depreciation and amortization	10,463	10,072
Net book value, premises and equipment	$ 8,743	9,156

Depreciation and amortization expense for premises and equipment was $1.2 billion, $1.2 billion and $1.3 billion in 2014, 2013 and 2012, respectively.

Dispositions of premises and equipment, included in noninterest expense, resulted in a net gain of $28 million in 2014, a net loss of $15 million in 2013 and a net gain of $7 million in 2012.

We have obligations under a number of noncancelable operating leases for premises and equipment. The leases predominantly expire over the next 15 years, with the longest expiring in 2105, and many provide for periodic adjustment of rentals based on changes in various economic indicators. Some leases also include a renewal option. The following table provides the future minimum payments under capital leases and noncancelable operating leases, net of sublease rentals, with terms greater than one year as of December 31, 2014.

(in millions)	Operating leases	Capital leases
Year ended December 31,		
2015	$ 1,148	2
2016	1,033	2
2017	904	3
2018	777	3
2019	672	3
Thereafter	2,521	9
Total minimum lease payments	$ 7,055	22
Executory costs		$ (8)
Amounts representing interest		(5)
Present value of net minimum lease payments		$ 9

Operating lease rental expense (predominantly for premises), net of rental income, was $1.3 billion, $1.3 billion and $1.1 billion in 2014, 2013 and 2012, respectively.

The components of other assets were:

(in millions)	Dec 31, 2014	Dec 31, 2013
Nonmarketable equity investments:		
Cost method:		
Private equity and other	$ 2,300	2,308
Federal bank stock	4,733	4,670
Total cost method	7,033	6,978
Equity method:		
LIHTC investments (1)	7,278	6,209
Private equity and other	5,132	5,782
Total equity method	12,410	11,991
Fair value (2)	2,512	1,386
Total nonmarketable equity investments	21,955	20,355
Corporate/bank-owned life insurance	18,982	18,738
Accounts receivable (3)	27,151	21,422
Interest receivable	4,871	5,019
Core deposit intangibles	3,561	4,674
Customer relationship and other amortized intangibles	857	1,084
Foreclosed assets:		
Residential real estate:		
Government insured/guaranteed (3)	982	2,093
Non-government insured/guaranteed	671	814
Non-residential real estate	956	1,030
Operating lease assets	2,714	2,047
Due from customers on acceptances	201	279
Other (4)	16,156	8,787
Total other assets	$ 99,057	86,342

(1) Represents low income housing tax credit investments.
(2) Represents nonmarketable equity investments for which we have elected the fair value option. See Note 17 (Fair Values of Assets and Liabilities) for additional information.
(3) Upon adoption of ASU 2014-14, Classification of Certain Government-Guaranteed mortgage Loans Upon Foreclosure, certain government guaranteed residential real estate mortgage loans upon foreclosure are included in Accounts Receivable. Previously, these assets were included in government insured/guaranteed residential real estate foreclosed assets. This guidance was adopted during fourth quarter 2014, effective as of January 1, 2014. For more information on the classification of certain government-guaranteed mortgage loans upon foreclosure, see Note 1 (Summary of Significant Accounting Policies).
(4) Includes derivatives designated as hedging instruments, free-standing derivatives (economic hedges), and derivative loan commitments, which are carried at fair value. See Note 16 (Derivatives) for additional information.

Income (expense) related to nonmarketable equity investments was:

	Year ended December 31,		
(in millions)	2014	2013	2012
Net realized gains from nonmarketable equity investments	$ 1,479	1,158	1,086
All other	(741)	(287)	(185)
Total	$ 738	871	901

Note 8: Securitizations and Variable Interest Entities

Involvement with SPEs

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

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

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

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

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

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

(in millions)	VIEs that we do not consolidate	VIEs that we consolidate	Transfers that we account for as secured borrowings	Total
December 31, 2014				
Cash	**$ —**	**117**	**4**	**121**
Trading assets	**2,165**	**—**	**204**	**2,369**
Investment securities (1)	**18,271**	**875**	**4,592**	**23,738**
Mortgages held for sale	**—**	**—**	**—**	**—**
Loans	**13,195**	**4,509**	**5,280**	**22,984**
Mortgage servicing rights	**12,562**	**—**	**—**	**12,562**
Other assets	**7,456**	**316**	**52**	**7,824**
Total assets	**53,649**	**5,817**	**10,132**	**69,598**
Short-term borrowings	**—**	**—**	**3,141**	**3,141**
Accrued expenses and other liabilities	**848**	**49** (2)	**1**	**898**
Long-term debt	**2,585**	**1,628** (2)	**4,990**	**9,203**
Total liabilities	**3,433**	**1,677**	**8,132**	**13,242**
Noncontrolling interests	**—**	**103**	**—**	**103**
Net assets	**$ 50,216**	**4,037**	**2,000**	**56,253**
December 31, 2013				
Cash	$ —	165	7	172
Trading assets	1,206	162	193	1,561
Investment securities (1)	18,795	1,352	8,976	29,123
Mortgages held for sale	—	38	—	38
Loans	7,652	6,058	6,021	19,731
Mortgage servicing rights (3)	15,281	—	—	15,281
Other assets	6,151	347	110	6,608
Total assets	49,085	8,122	15,307	72,514
Short-term borrowings	—	29	7,871	7,900
Accrued expenses and other liabilities (3)	1,395	99 (2)	3	1,497
Long-term debt (3)	2,109	2,356 (2)	5,673	10,138
Total liabilities	3,504	2,484	13,547	19,535
Noncontrolling interests	—	5	—	5
Net assets	$ 45,581	5,633	1,760	52,974

(1) Excludes certain debt securities related to loans serviced for the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and GNMA.
(2) Includes the following VIE liabilities at December 31, 2014 and 2013, respectively, with recourse to the general credit of Wells Fargo: Accrued expenses and other liabilities, $0 million and $9 million; and Long-term debt, $0 million and $29 million.
(3) Amounts have been revised for "VIEs that we do not consolidate" to include assets and liabilities related to certain commercial mortgage securitizations and to conform to the current year presentation of long-term debt.

Transactions with Unconsolidated VIEs

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

The following tables provide a summary of unconsolidated VIEs with which we have significant continuing involvement, but we are not the primary beneficiary. We do not consider our continuing involvement in an unconsolidated VIE to be significant when it relates to third-party sponsored VIEs for which we were not the transferor (unless we are servicer and have other significant forms of involvement) or if we were the sponsor only or sponsor and servicer but do not have any other forms of significant involvement.

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

following table where we have determined that our continuing involvement is not significant due to the temporary nature and size of our variable interests, because we were not the transferor or because we were not involved in the design of the unconsolidated VIEs. We also exclude from the table secured borrowing transactions with unconsolidated VIEs (for information on these transactions, see the Transactions with Consolidated VIEs and Secured Borrowings section in this Note).

		Carrying value - asset (liability)				
(in millions)	Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2014						
Residential mortgage loan securitizations:						
Conforming (2)	$ 1,268,200	2,846	11,684	—	(581)	13,949
Other/nonconforming	32,213	1,644	209	—	(8)	1,845
Commercial mortgage securitizations	196,510	8,756	650	251	(32)	9,625
Collateralized debt obligations:						
Debt securities	5,039	11	—	163	(105)	69
Loans (4)	5,347	5,221	—	—	—	5,221
Asset-based finance structures	18,954	13,044	—	(71)	—	12,973
Tax credit structures	22,859	7,809	—	—	(2,585)	5,224
Collateralized loan obligations	1,251	518	—	—	—	518
Investment funds	2,764	49	—	—	—	49
Other (5)	12,912	747	19	(18)	(5)	743
Total	$ 1,566,049	40,645	12,562	325	(3,316)	50,216
						Maximum exposure to loss
		Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
Residential mortgage loan securitizations:						
Conforming		$ 2,846	11,684	—	2,507	17,037
Other/nonconforming		1,644	209	—	345	2,198
Commercial mortgage securitizations		8,756	650	251	5,715	15,372
Collateralized debt obligations:						
Debt securities		11	—	163	105	279
Loans (4)		5,221	—	—	—	5,221
Asset-based finance structures		13,044	—	89	656	13,789
Tax credit structures		7,809	—	—	725	8,534
Collateralized loan obligations		518	—	—	38	556
Investment funds		49	—	—	—	49
Other (5)		747	19	150	156	1,072
Total		$ 40,645	12,562	653	10,247	64,107

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(in millions)	Total VIE assets	Carrying value - asset (liability) Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2013						
Residential mortgage loan securitizations:						
Conforming (2)	$ 1,314,285	2,721	14,253	—	(745)	16,229
Other/nonconforming	38,330	1,739	258	—	(26)	1,971
Commercial mortgage securitizations (3)	202,700	7,627	747	209	(40)	8,543
Collateralized debt obligations:						
Debt securities	6,730	37	—	214	(130)	121
Loans (4)	6,021	5,888	—	—	—	5,888
Asset-based finance structures	11,415	6,857	—	(84)	—	6,773
Tax credit structures	23,112	6,455	—	—	(2,213)	4,242
Collateralized loan obligations	4,382	1,061	—	—	—	1,061
Investment funds	3,464	54	—	—	—	54
Other (5)	10,343	860	23	5	(189)	699
Total	$ 1,620,782	33,299	15,281	344	(3,343)	45,581

	Maximum exposure to loss Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
Residential mortgage loan securitizations:					
Conforming	$ 2,721	14,253	—	2,287	19,261
Other/nonconforming	1,739	258	—	346	2,343
Commercial mortgage securitizations (3)	7,627	747	322	5,232	13,928
Collateralized debt obligations:					
Debt securities	37	—	214	130	381
Loans (4)	5,888	—	—	—	5,888
Asset-based finance structures	6,857	—	84	1,665	8,606
Tax credit structures	6,455	—	—	626	7,081
Collateralized loan obligations	1,061	—	—	159	1,220
Investment funds	54	—	—	31	85
Other (5)	860	23	178	188	1,249
Total	$ 33,299	15,281	798	10,664	60,042

(1) Includes total equity interests of $8.1 billion at December 31, 2014 and $6.9 billion at December 31, 2013. Also includes debt interests in the form of both loans and securities. Excludes certain debt securities held related to loans serviced for FNMA, FHLMC and GNMA.
(2) Excludes assets and related liabilities with a recorded carrying value on our balance sheet of $1.7 billion and $2.1 billion at December 31, 2014 and 2013, respectively, for certain delinquent loans that are eligible for repurchase primarily from GNMA loan securitizations. The recorded carrying value represents the amount that would be payable if the Company was to exercise the repurchase option. The carrying amounts are excluded from the table because the loans eligible for repurchase do not represent interests in the VIEs.
(3) December 31, 2013, has been revised to include certain commercial mortgage securitizations with FNMA and GNMA to conform with current period presentation.
(4) Represents senior loans to trusts that are collateralized by asset-backed securities. The trusts invest primarily in senior tranches from a diversified pool of primarily U.S. asset securitizations, of which all are current and 70% and 72% were rated as investment grade by the primary rating agencies at December 31, 2014 and 2013, respectively. These senior loans are accounted for at amortized cost and are subject to the Company's allowance and credit charge-off policies.
(5) Includes structured financing and credit-linked note structures. Also contains investments in auction rate securities (ARS) issued by VIEs that we do not sponsor and, accordingly, are unable to obtain the total assets of the entity.

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

RESIDENTIAL MORTGAGE LOANS Residential mortgage loan securitizations are financed through the issuance of fixed-rate or floating-rate asset-backed securities, which are collateralized by the loans transferred to a VIE. We typically transfer loans we originated to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial

interests issued by the VIEs. We also may be exposed to limited liability related to recourse agreements and repurchase agreements we make to our issuers and purchasers, which are included in other commitments and guarantees. In certain instances, we may service residential mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. Our residential mortgage loan securitizations consist of conforming and nonconforming securitizations.

Conforming residential mortgage loan securitizations are those that are guaranteed by the government-sponsored entities (GSEs), including GNMA. Because of the power of the GSEs over the VIEs that hold the assets from these conforming residential mortgage loan securitizations, we do not consolidate them.

The loans sold to the VIEs in nonconforming residential mortgage loan securitizations are those that do not qualify for a GSE guarantee. We may hold variable interests issued by the VIEs, primarily in the form of senior securities. We do not consolidate the nonconforming residential mortgage loan securitizations included in the table because we either do not hold any variable interests, hold variable interests that we do not consider potentially significant or are not the primary servicer for a majority of the VIE assets.

Other commitments and guarantees include amounts related to loans sold that we may be required to repurchase, or otherwise indemnify or reimburse the investor or insurer for losses incurred, due to material breach of contractual representations and warranties as well as other retained recourse arrangements. The maximum exposure to loss for material breach of contractual representations and warranties represents a stressed case estimate we utilize for determining stressed case regulatory capital needs and is considered to be a remote scenario.

COMMERCIAL MORTGAGE LOAN SECURITIZATIONS
Commercial mortgage loan securitizations are financed through the issuance of fixed or floating-rate asset-backed securities, which are collateralized by the loans transferred to the VIE. In a typical securitization, we may transfer loans we originate to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial interests issued by the VIEs. In certain instances, we may service commercial mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. We typically serve as primary or master servicer of these VIEs. The primary or master servicer in a commercial mortgage loan securitization typically cannot make the most significant decisions impacting the performance of the VIE and therefore does not have power over the VIE. We do not consolidate the commercial mortgage loan securitizations included in the disclosure because we either do not have power or do not have a variable interest that could potentially be significant to the VIE.

COLLATERALIZED DEBT OBLIGATIONS (CDOs) A CDO is a securitization where a VIE purchases a pool of assets consisting of asset-backed securities and issues multiple tranches of equity or notes to investors. In some CDOs, a portion of the assets are obtained synthetically through the use of derivatives such as credit default swaps or total return swaps.

In addition to our role as arranger we may have other forms of involvement with these CDOs. Such involvement may include acting as liquidity provider, derivative counterparty, secondary market maker or investor. For certain CDOs, we may also act as the collateral manager or servicer. We receive fees in connection with our role as collateral manager or servicer.

We assess whether we are the primary beneficiary of CDOs based on our role in them in combination with the variable interests we hold. Subsequently, we monitor our ongoing involvement to determine if the nature of our involvement has changed. We are not the primary beneficiary of these CDOs in most cases because we do not act as the collateral manager or servicer, which generally denotes power. In cases where we are the collateral manager or servicer, we are not the primary beneficiary because we do not hold interests that could potentially be significant to the VIE.

COLLATERALIZED LOAN OBLIGATIONS (CLOs) A CLO is a securitization where an SPE purchases a pool of assets consisting of loans and issues multiple tranches of equity or notes to investors. Generally, CLOs are structured on behalf of a third party asset manager that typically selects and manages the assets for the term of the CLO. Typically, the asset manager has the power over the significant decisions of the VIE through its discretion to manage the assets of the CLO. We assess whether we are the primary beneficiary of CLOs based on our role in them and the variable interests we hold. In most cases, we are not the primary beneficiary because we do not have the power to manage the collateral in the VIE.

In addition to our role as arranger, we may have other forms of involvement with these CLOs. Such involvement may include acting as underwriter, derivative counterparty, secondary market maker or investor. For certain CLOs, we may also act as the servicer, for which we receive fees in connection with that role. We also earn fees for arranging these CLOs and distributing the securities.

ASSET-BASED FINANCE STRUCTURES We engage in various forms of structured finance arrangements with VIEs that are collateralized by various asset classes including energy contracts, auto and other transportation leases, intellectual property, equipment and general corporate credit. We typically provide senior financing, and may act as an interest rate swap or commodity derivative counterparty when necessary. In most cases, we are not the primary beneficiary of these structures because we do not have power over the significant activities of the VIEs involved in them.

In fourth quarter 2014, we sold $8.3 billion of government guaranteed student loans, including the rights to service the loans, to a third party, resulting in a $217 million gain. In connection with the sale, we provided $6.5 billion in floating-rate loan financing to an asset backed financing entity (VIE) formed by the third party purchaser. Our financing, which is fully collateralized by government guaranteed student loans, is measured at amortized cost and classified in loans on the balance sheet. The collateral supporting our loan includes a portion of the student loans we sold. We are not the primary beneficiary of the VIE and, therefore, are not required to consolidate the entity as we do not have power over the significant activities of the entity. For information on the estimated fair value of the loan and related sensitivity analysis, see the Retained Interests from Unconsolidated VIEs section in this Note.

In addition, we also have investments in asset-backed securities that are collateralized by auto leases or loans and cash. These fixed-rate and variable-rate securities have been structured as single-tranche, fully amortizing, unrated bonds that are equivalent to investment-grade securities due to their significant overcollateralization. The securities are issued by VIEs that have been formed by third party auto financing institutions primarily because they require a source of liquidity

to fund ongoing vehicle sales operations. The third party auto financing institutions manage the collateral in the VIEs, which is indicative of power in them and we therefore do not consolidate these VIEs.

TAX CREDIT STRUCTURES We co-sponsor and make investments in affordable housing and sustainable energy projects that are designed to generate a return primarily through the realization of federal tax credits. In some instances, our investments in these structures may require that we fund future capital commitments at the discretion of the project sponsors. While the size of our investment in a single entity may at times exceed 50% of the outstanding equity interests, we do not consolidate these structures due to the project sponsor's ability to manage the projects, which is indicative of power in them.

INVESTMENT FUNDS We do not consolidate the investment funds because we do not absorb the majority of the expected future variability associated with the funds' assets, including variability associated with credit, interest rate and liquidity risks.

OTHER TRANSACTIONS WITH VIEs Auction rate securities (ARS) are debt instruments with long-term maturities, which re-price more frequently, and preferred equities with no maturity. At December 31, 2014, we held in our available-for-sale securities portfolio $567 million of ARS issued by VIEs compared with $653 million at December 31, 2013. We acquired the ARS pursuant to agreements entered into in 2008 and 2009.

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

TRUST PREFERRED SECURITIES VIEs that we wholly own issue debt securities or preferred equity to third party investors. All of the proceeds of the issuance are invested in debt securities or preferred equity that we issue to the VIEs. The VIEs' operations and cash flows relate only to the issuance, administration and repayment of the securities held by third parties. We do not consolidate these VIEs because the sole assets of the VIEs are receivables from us, even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs and may have the right to redeem the third party securities under certain circumstances. In our consolidated balance sheet at December 31, 2014 and December 31, 2013, we reported the debt securities issued to the VIEs as long-term junior subordinated debt with a carrying value of $2.1 billion and $1.9 billion, respectively, and the preferred equity securities issued to the VIEs as preferred stock with a carrying value of $2.5 billion at both dates. These amounts are in addition to the involvements in these VIEs included in the preceding table.

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

Securitization Activity Related to Unconsolidated VIEs

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

					Year ended December 31,	
	2014		2013		2012	
(in millions)	**Mortgage loans**	**Other financial assets**	Mortgage loans	Other financial assets	Mortgage loans	Other financial assets
Sales proceeds from securitizations	**$ 164,331**	**—**	357,807	—	535,372	—
Fees from servicing rights retained	**4,062**	**8**	4,240	10	4,433	10
Cash flows from other interests held (1)	**1,417**	**75**	2,284	93	1,767	135
Purchases of delinquent assets	**6**	**—**	18	—	62	—
Servicing advances, net of repayments	**(170)**	**—**	(34)	—	226	—

(1) Cash flows from other interests held include principal and interest payments received on retained bonds and excess cash flows received on interest-only strips.

In 2014, 2013, and 2012, we recognized net gains of $288 million, $149 million and $518 million, respectively, from transfers accounted for as sales of financial assets in securitizations. These net gains primarily relate to commercial mortgage securitizations and residential mortgage securitizations where the loans were not already carried at fair value.

Sales with continuing involvement during 2014, 2013 and 2012 predominantly related to securitizations of residential mortgages that are sold to the GSEs, including FNMA, FHLMC and GNMA (conforming residential mortgage securitizations). During 2014, 2013 and 2012 we transferred $155.8 billion, $343.9 billion and $517.3 billion respectively, in fair value of conforming residential mortgages to unconsolidated VIEs and recorded the transfers as sales. Substantially all of these transfers did not result in a gain or loss because the loans were already carried at fair value. In connection with all of these transfers, in 2014 we recorded a $1.2 billion servicing asset, measured at fair value using a Level 3 measurement technique, available-for-sale securities of $751 million, classified as Level 2, and a $44 million liability for repurchase losses which reflects management's estimate of probable losses related to various representations and warranties for the loans transferred, initially measured at fair value. In 2013, we recorded a $3.5 billion servicing asset and a $143 million liability. In 2012, we recorded a $4.9 billion servicing asset and a $275 million liability.

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

	Residential mortgage servicing rights		
	2014	2013	2012
Year ended December 31,			
Prepayment speed (1)	**12.4%**	11.2	13.4
Discount rate	**7.6**	7.3	7.3
Cost to service ($ per loan) (2)	**$ 259**	184	151

(1) The prepayment speed assumption for residential mortgage servicing rights includes a blend of prepayment speeds and default rates. Prepayment speed assumptions are influenced by mortgage interest rate inputs as well as our estimation of drivers of borrower behavior.
(2) Includes costs to service and unreimbursed foreclosure costs, which can vary period to period depending on the mix of modified government-guaranteed loans sold to GNMA.

During 2014, 2013 and 2012, we transferred $10.3 billion, $5.6 billion and $3.4 billion, respectively, in fair value of commercial mortgages to unconsolidated VIEs and recorded the transfers as sales. These transfers resulted in a gain of $198 million in 2014, $152 million in 2013 and $178 million in 2012, respectively, because the loans were carried at LOCOM. In connection with these transfers, in 2014 we recorded a servicing asset of $99 million, initially measured at fair value using a Level 3 measurement technique, and available-for-sale securities of $100 million, classified as Level 2. In 2013, we recorded a servicing asset of $20 million and available-for-sale securities of $54 million. In 2012, we recorded a servicing asset of $13 million and available-for-sale securities of $116 million.

Retained Interests from Unconsolidated VIEs

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

($ in millions, except cost to service amounts)	Residential mortgage servicing rights (1)	Other interests held			
			Consumer	Commercial (2)	
		Interest-only strips	Subordinated bonds	Subordinated bonds	Senior bonds
Fair value of interests held at December 31, 2014	**$ 12,738**	**117**	**36**	**294**	**546**
Expected weighted-average life (in years)	**5.7**	**3.9**	**5.5**	**2.9**	**6.2**
Key economic assumptions:					
Prepayment speed assumption (3)	**12.5%**	**11.4**	**7.1**		
Decrease in fair value from:					
10% adverse change	**$ 738**	**2**	**—**		
25% adverse change	**1,754**	**6**	**—**		
Discount rate assumption	**7.6%**	**18.7**	**3.9**	**4.7**	**2.8**
Decrease in fair value from:					
100 basis point increase	**$ 617**	**2**	**2**	**8**	**29**
200 basis point increase	**1,178**	**4**	**3**	**15**	**55**
Cost to service assumption ($ per loan)	**179**				
Decrease in fair value from:					
10% adverse change	**579**				
25% adverse change	**1,433**				
Credit loss assumption			**0.4%**	**4.1**	**—**
Decrease in fair value from:					
10% higher losses			**$ —**	**3**	**—**
25% higher losses			**—**	**10**	**—**
Fair value of interests held at December 31, 2013	$ 15,580	135	39	283	587
Expected weighted-average life (in years)	6.4	3.8	5.9	3.6	6.3
Key economic assumptions:					
Prepayment speed assumption (3)	10.7 %	10.7	6.7		
Decrease in fair value from:					
10% adverse change	$ 864	3	—		
25% adverse change	2,065	7	—		
Discount rate assumption	7.8 %	18.3	4.4	4.5	3.6
Decrease in fair value from:					
100 basis point increase	$ 840	2	2	30	30
200 basis point increase	1,607	5	4	38	58
Cost to service assumption ($ per loan)	191				
Decrease in fair value from:					
10% adverse change	636				
25% adverse change	1,591				
Credit loss assumption			0.4 %	14.2	—
Decrease in fair value from:					
10% higher losses			$ —	29	—
25% higher losses			—	39	1

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

In addition to residential mortgage servicing rights (MSRs) included in the previous table, we have a small portfolio of commercial MSRs with a fair value of $1.6 billion at both December 31, 2014 and 2013. The nature of our commercial MSRs, which are carried at LOCOM, is different from our residential MSRs. Prepayment activity on serviced loans does not significantly impact the value of commercial MSRs because, unlike residential mortgages, commercial mortgages experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower's ability to prepay the mortgage. Additionally, for our commercial MSR portfolio, we are typically master/primary servicer, but not the special servicer, who is separately responsible for the servicing and workout of delinquent and foreclosed loans. It is the special servicer, similar to our role as servicer of residential mortgage loans, who is affected by higher servicing and foreclosure costs due to an increase in delinquent and foreclosed loans. Accordingly, prepayment speeds and costs to service are not key assumptions for commercial MSRs as they do not significantly impact the valuation. The primary economic driver impacting the fair value of our commercial MSRs is forward interest rates, which are derived from market observable yield curves used to price capital markets instruments. Market interest rates most significantly affect interest earned on custodial deposit balances. The sensitivity of the current fair value to an immediate adverse 25% change in the assumption about interest earned on deposit balances at December 31, 2014, and 2013, results in a decrease in fair value of $185 million and $175 million, respectively. See Note 9 (Mortgage Banking Activities) for further information on our commercial MSRs.

We also have a $6.5 billion loan to an unconsolidated third party VIE that we extended in fourth quarter 2014 in conjunction with our sale of government guaranteed student loans. The loan is carried at amortized cost and approximates fair value at December 31, 2014. The estimated fair value of the loan is considered a Level 3 measurement that is determined using discounted cash flows that are based on changes in the discount rate due to changes in the risk premium component (credit spreads). The primary economic assumption impacting the fair value of our loan is the discount rate. Changes in the credit loss assumption are not expected to affect the estimated fair value of the loan due to the government guarantee of the underlying collateral. The sensitivity of the current fair value to an immediate adverse increase of 200 basis points in the risk premium component of the discount rate assumption is a decrease in fair value of $130 million at December 31, 2014. For more information on the student loan sale, see the discussion on Asset-Based Finance Structures earlier in this Note.

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

Off-Balance Sheet Loans

The following table presents information about the principal balances of off-balance sheet loans that were sold or securitized, including residential mortgage loans sold to FNMA, FHLMC, GNMA and other investors, for which we have some form of continuing involvement (primarily servicer). Delinquent loans include loans 90 days or more past due and loans in bankruptcy, regardless of delinquency status. For loans sold or securitized where servicing is our only form of continuing involvement, we would only experience a loss if we were required to repurchase a delinquent loan or foreclosed asset due to a breach in representations and warranties associated with our loan sale or servicing contracts.

					Net charge-offs	
	Total loans		Delinquent loans and foreclosed assets (1)		Year ended	
	December 31,		December 31,		December 31,	
(in millions)	**2014**	2013	**2014**	2013	**2014**	2013
Commercial:						
Real estate mortgage	**114,081**	119,346	**7,949**	8,808	**621**	617
Total commercial	**114,081**	119,346	**7,949**	8,808	**621**	617
Consumer:						
Real estate 1-4 family first mortgage (2)(3)	**1,322,136**	1,387,822	**28,639**	32,911	**1,209**	2,318
Real estate 1-4 family junior lien mortgage	**1**	1	**—**	—	**—**	—
Other revolving credit and installment	**1,599**	1,790	**75**	99	**1**	—
Total consumer	**1,323,736**	1,389,613	**28,714**	33,010	**1,210**	2,318
Total off-balance sheet sold or securitized loans (4)	**$ 1,437,817**	1,508,959	**36,663**	41,818	**1,831**	2,935

(1) Includes $3.3 billion and $2.8 billion of commercial foreclosed assets and $2.7 billion and $3.9 billion of consumer foreclosed assets at December 31, 2014 and 2013, respectively.
(2) Total loans in prior period have been revised to include whole loan sales for which we have some form of continuing involvement.
(3) Delinquent loans and foreclosed assets in prior period have been revised to include whole loan sale delinquencies and transferred assets in foreclosure status for which we have risk of loss. The related net charge-offs have also been revised.
(4) At December 31, 2014 and 2013, the table includes total loans of $1.3 trillion at both dates and delinquent loans of $16.5 billion and $17.9 billion, respectively for FNMA, FHLMC and GNMA. Net charge-offs exclude loans sold to FNMA, FHLMC and GNMA as we do not service or manage the underlying real estate upon foreclosure and, as such, do not have access to net charge-off information.

Transactions with Consolidated VIEs and Secured Borrowings

The following table presents a summary of transfers of financial assets accounted for as secured borrowings and involvements with consolidated VIEs. "Assets" are presented using GAAP measurement methods, which may include fair value, credit impairment or other adjustments, and therefore in some instances will differ from "Total VIE assets." For VIEs that obtain exposure synthetically through derivative instruments, the remaining notional amount of the derivative is included in "Total VIE assets." On our consolidated balance sheet, we separately disclose the consolidated assets of certain VIEs that can only be used to settle the liabilities of those VIEs.

			Carrying value		
(in millions)	Total VIE assets	Assets	Liabilities	Noncontrolling interests	Net assets
December 31, 2014					
Secured borrowings:					
Municipal tender option bond securitizations	**$ 5,422**	**4,837**	**(3,143)**	**—**	**1,694**
Commercial real estate loans	**250**	**250**	**(63)**	**—**	**187**
Residential mortgage securitizations	**4,804**	**5,045**	**(4,926)**	**—**	**119**
Total secured borrowings	**10,476**	**10,132**	**(8,132)**	**—**	**2,000**
Consolidated VIEs:					
Nonconforming residential mortgage loan securitizations	**5,041**	**4,491**	**(1,509)**	**—**	**2,982**
Structured asset finance	**47**	**47**	**(23)**	**—**	**24**
Investment funds	**904**	**904**	**(2)**	**—**	**902**
Other	**431**	**375**	**(143)**	**(103)**	**129**
Total consolidated VIEs	**6,423**	**5,817**	**(1,677)**	**(103)**	**4,037**
Total secured borrowings and consolidated VIEs	**$ 16,899**	**15,949**	**(9,809)**	**(103)**	**6,037**
December 31, 2013					
Secured borrowings:					
Municipal tender option bond securitizations	$ 11,626	9,210	(7,874)	—	1,336
Commercial real estate loans	486	486	(277)	—	209
Residential mortgage securitizations	5,337	5,611	(5,396)	—	215
Total secured borrowings	17,449	15,307	(13,547)	—	1,760
Consolidated VIEs:					
Nonconforming residential mortgage loan securitizations	6,770	6,018	(2,214)	—	3,804
Structured asset finance	56	56	(18)	—	38
Investment funds	1,536	1,536	(70)	—	1,466
Other	582	512	(182)	(5)	325
Total consolidated VIEs	8,944	8,122	(2,484)	(5)	5,633
Total secured borrowings and consolidated VIEs	$ 26,393	$ 23,429	$ (16,031)	$ (5)	$ 7,393

In addition to the transactions included in the previous table, at both December 31, 2014, and December 31, 2013, we had approximately $6.0 billion of private placement debt financing issued through a consolidated VIE. The issuance is classified as long-term debt in our consolidated financial statements. At December 31, 2014, and December 31, 2013, we pledged approximately $637 million and $6.6 billion in loans (principal and interest eligible to be capitalized), $5.7 billion and $160 million in available-for-sale securities, and $0 million and $180 million in cash and cash equivalents to collateralize the VIE's borrowings, respectively. These assets were not transferred to the VIE, and accordingly we have excluded the VIE from the previous table.

We have raised financing through the securitization of certain financial assets in transactions with VIEs accounted for as secured borrowings. We also consolidate VIEs where we are the primary beneficiary. In certain transactions we provide contractual support in the form of limited recourse and liquidity to facilitate the remarketing of short-term securities issued to third party investors. Other than this limited contractual support, the assets of the VIEs are the sole source of repayment of the securities held by third parties.

MUNICIPAL TENDER OPTION BOND SECURITIZATIONS As part of our normal investment portfolio activities, we consolidate municipal bond trusts that hold highly rated, long-term, fixed-rate municipal bonds, the majority of which are rated AA or better. Our residual interests in these trusts generally allow us to capture the economics of owning the securities outright, and constructively make decisions that significantly impact the economic performance of the municipal bond vehicle, primarily by directing the sale of the municipal bonds owned by the vehicle. In addition, the residual interest owners have the right to receive benefits and bear losses that are proportional to owning the underlying municipal bonds in the trusts. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third-party investors. Under certain conditions, if we elect to terminate the trusts and withdraw the underlying assets, the third party investors are entitled to a small portion of any unrealized gain on the underlying assets. We may serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates, often with as little as seven days' notice. Should we be unable to remarket

the tendered certificates, we are generally obligated to purchase them at par under standby liquidity facilities unless the bond's credit rating has declined below investment grade or there has been an event of default or bankruptcy of the issuer and insurer.

NONCONFORMING RESIDENTIAL MORTGAGE LOAN SECURITIZATIONS We have consolidated certain of our nonconforming residential mortgage loan securitizations in accordance with consolidation accounting guidance. We have determined we are the primary beneficiary of these securitizations because we have the power to direct the most significant activities of the entity through our role as primary servicer and also hold variable interests that we have determined to be significant. The nature of our variable interests in these entities may include beneficial interests issued by the VIE, mortgage servicing rights and recourse or repurchase reserve liabilities. The beneficial interests issued by the VIE that we hold include either subordinate or senior securities held in an amount that we consider potentially significant.

INVESTMENT FUNDS We have consolidated certain of our investment funds where we manage the assets of the fund and our interests absorb a majority of the funds' variability. We consolidate these VIEs because we have discretion over the management of the assets and are the sole investor in these funds.

Note 9: Mortgage Banking Activities

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

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

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Fair value, beginning of year	**$ 15,580**	11,538	12,603
Servicing from securitizations or asset transfers (1)	**1,196**	3,469	5,182
Sales	**(7)**	(583)	(293)
Net additions	**1,189**	2,886	4,889
Changes in fair value:			
Due to changes in valuation model inputs or assumptions:			
Mortgage interest rates (2)	**(2,150)**	4,362	(2,092)
Servicing and foreclosure costs (3)	**(20)**	(228)	(677)
Discount rates (4)	**(55)**	—	(397)
Prepayment estimates and other (5)	**103**	(736)	273
Net changes in valuation model inputs or assumptions	**(2,122)**	3,398	(2,893)
Other changes in fair value (6)	**(1,909)**	(2,242)	(3,061)
Total changes in fair value	**(4,031)**	1,156	(5,954)
Fair value, end of year	**$ 12,738**	15,580	11,538

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

The changes in amortized MSRs were:

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Balance, beginning of year	**$ 1,229**	1,160	1,445
Purchases	**157**	176	177
Servicing from securitizations or asset transfers (1)	**110**	147	(229)
Amortization	**(254)**	(254)	(233)
Balance, end of year	**1,242**	1,229	1,160
Valuation allowance:			
Balance, beginning of year	**—**	—	(37)
Reversal of provision (provision) for MSRs in excess of fair value	**—**	—	37
Balance, end of year (2)	**—**	—	—
Amortized MSRs, net	**$ 1,242**	1,229	1,160
Fair value of amortized MSRs (3):			
Beginning of year	**$ 1,575**	1,400	1,756
End of year	**1,637**	1,575	1,400

(1) The year ended December 31, 2012, is net of $350 million ($313 million after valuation allowance) of residential MSRs that we elected to carry at fair value effective January 1, 2012. A cumulative adjustment of $2 million to fair value was recorded in retained earnings at January 1, 2012.
(2) Commercial amortized MSRs are evaluated for impairment purposes by the following risk strata: agency (GSEs) and non-agency. There was no valuation allowance recorded for the periods presented on the commercial amortized MSRs. For the year ended December 31, 2012, a valuation allowance of $37 million for residential MSRs was reversed upon election to carry at fair value.
(3) Represent commercial amortized MSRs.

Note 9: Mortgage Banking Activities *(continued)*

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

(in billions)	Dec 31, 2014	Dec 31, 2013
Residential mortgage servicing:		
Serviced for others	**$ 1,405**	1,485
Owned loans serviced	**342**	338
Subserviced for others	**5**	6
Total residential servicing	**1,752**	1,829
Commercial mortgage servicing:		
Serviced for others	**456**	419
Owned loans serviced	**112**	107
Subserviced for others	**7**	7
Total commercial servicing	**575**	533
Total managed servicing portfolio	**$ 2,327**	2,362
Total serviced for others	**$ 1,861**	1,904
Ratio of MSRs to related loans serviced for others	**0.75%**	0.88

The components of mortgage banking noninterest income were:

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Servicing income, net:			
Servicing fees			
Contractually specified servicing fees	**$ 4,285**	4,442	4,626
Late charges	**203**	216	257
Ancillary fees	**319**	343	342
Unreimbursed direct servicing costs (1)	**(694)**	(1,074)	(1,234)
Net servicing fees	**4,113**	3,927	3,991
Changes in fair value of MSRs carried at fair value:			
Due to changes in valuation model inputs or assumptions (2)	**(2,122)**	3,398	(2,893)
Other changes in fair value (3)	**(1,909)**	(2,242)	(3,061)
Total changes in fair value of MSRs carried at fair value	**(4,031)**	1,156	(5,954)
Amortization	**(254)**	(254)	(233)
Net derivative gains (losses) from economic hedges (4)	**3,509**	(2,909)	3,574
Total servicing income, net	**3,337**	1,920	1,378
Net gains on mortgage loan origination/sales activities	**3,044**	6,854	10,260
Total mortgage banking noninterest income	**$ 6,381**	8,774	11,638
Market-related valuation changes to MSRs, net of hedge results (2) + (4)	**$ 1,387**	489	681

(1) Primarily associated with foreclosure expenses and unreimbursed interest advances to investors.
(2) Refer to the changes in fair value of MSRs table in this Note for more detail.
(3) Represents changes due to collection/realization of expected cash flows over time.
(4) Represents results from economic hedges used to hedge the risk of changes in fair value of MSRs. See Note 16 (Derivatives Not Designated as Hedging Instruments) for additional discussion and detail.

The table below summarizes the changes in our liability for mortgage loan repurchase losses. This liability is in “Accrued expenses and other liabilities” in our consolidated balance sheet and the provision for repurchase losses reduces net gains on mortgage loan origination/sales activities in "Mortgage banking" in our consolidated income statement. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. We maintain regular contact with the GSEs, the Federal Housing Finance Agency (FHFA), and other significant investors to monitor their repurchase demand practices and issues as part of our process to update our repurchase liability estimate as new information becomes available. The Company reached settlements with both FHLMC and FNMA in 2013, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009 and loans sold to FNMA that were originated prior to January 1, 2009.

Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that is reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of assumptions that are subject to change. The high end of this range of reasonably possible losses in excess of our recorded liability was $973 million at December 31, 2014, 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.

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Balance, beginning of year	**$ 899**	2,206	1,326
Provision for repurchase losses:			
Loan sales	**44**	143	275
Change in estimate (1)	**(184)**	285	1,665
Total additions (reductions)	**(140)**	428	1,940
Losses (2)	**(144)**	(1,735)	(1,060)
Balance, end of year	**$ 615**	899	2,206

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

(2) Year ended December 31, 2013, reflects $746 million and $508 million as a result of the settlements reached with FHLMC and FNMA, respectively, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009 and loans sold to FNMA that were originated prior to January 1, 2009.

Note 10: Intangible Assets

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

(in millions)	December 31, 2014 Gross carrying value	Accumulated amortization	Net carrying value	December 31, 2013 Gross carrying value	Accumulated amortization	Net carrying value
Amortized intangible assets (1):						
MSRs (2)	**$ 2,906**	**(1,664)**	**1,242**	2,639	(1,410)	1,229
Core deposit intangibles	**12,834**	**(9,273)**	**3,561**	12,834	(8,160)	4,674
Customer relationship and other intangibles	**3,179**	**(2,322)**	**857**	3,145	(2,061)	1,084
Total amortized intangible assets	**$ 18,919**	**(13,259)**	**5,660**	18,618	(11,631)	6,987
Unamortized intangible assets:						
MSRs (carried at fair value) (2)	**$ 12,738**			15,580		
Goodwill	**25,705**			25,637		
Trademark	**14**			14		

(1) Excludes fully amortized intangible assets.
(2) See Note 9 (Mortgage Banking Activities) for additional information on MSRs.

The following table provides the current year and estimated future amortization expense for amortized intangible assets. We based our projections of amortization expense shown below on existing asset balances at December 31, 2014. Future amortization expense may vary from these projections.

(in millions)	Amortized MSRs	Core deposit intangibles	Customer relationship and other intangibles	Total
Year ended December 31, 2014 (actual)	**$ 254**	**1,113**	**261**	**1,628**
Estimate for year ended December 31,				
2015	$ 240	1,022	225	1,487
2016	202	919	211	1,332
2017	160	851	197	1,208
2018	129	769	187	1,085
2019	113	—	12	125

For our goodwill impairment analysis, we allocate all of the goodwill to the individual operating segments. We identify reporting units that are one level below an operating segment (referred to as a component), and distinguish these reporting units based on how the segments and components are managed, taking into consideration the economic characteristics, nature of the products and customers of the components. At the time we acquire a business, we allocate goodwill to applicable reporting units based on their relative fair value, and if we have a significant business reorganization, we may reallocate the goodwill. See Note 24 (Operating Segments) for further information on management reporting.

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

(in millions)	Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Consolidated Company
December 31, 2012	$ 17,922	7,344	371	25,637
December 31, 2013	**$ 17,922**	**7,344**	**371**	**25,637**
Reduction in goodwill related to divested businesses	**—**	**(11)**	**—**	**(11)**
Goodwill from business combinations	**—**	**87**	**—**	**87**
Other	**(8)**	**—**	**—**	**(8)**
December 31, 2014	**$ 17,914**	**7,420**	**371**	**25,705**

Note 11: Deposits

Following is a summary of the time certificates of deposit (CDs) and other time deposits issued by domestic and foreign offices.

	December 31,	
(in billions)	**2014**	2013
Total domestic and foreign	**$ 124.9**	117.4
Domestic:		
$100,000 or more	**14.7**	16.6
$250,000 or more	**6.9**	7.2
Foreign:		
$100,000 or more	**16.4**	15.3
$250,000 or more	**16.4**	15.2

Substantially all CDs and other time deposits issued by domestic and foreign offices were interest bearing. The contractual maturities of these deposits are presented in the following table.

(in millions)	December 31, 2014
2015	$ 103,409
2016	10,205
2017	3,070
2018	3,207
2019	1,204
Thereafter	3,785
Total	$ 124,880

The contractual maturities of the domestic time deposits with a denomination of $100,000 or more are presented in the following table.

(in millions)	2014
Three months or less	$ 3,700
After three months through six months	2,352
After six months through twelve months	2,340
After twelve months	6,338
Total	$ 14,730

Demand deposit overdrafts of $581 million and $554 million were included as loan balances at December 31, 2014 and 2013, respectively.

Note 12: Short-Term Borrowings

The table below shows selected information for short-term borrowings, which predominantly mature in less than 30 days. We pledge certain financial instruments that we own to collateralize repurchase agreements and other securities financings. For additional information, see the "Pledged Assets" section of Note 14 (Guarantees, Pledged Assets and Collateral).

		2014		2013		2012
(in millions)	**Amount**	**Rate**	Amount	Rate	Amount	Rate
As of December 31,						
Federal funds purchased and securities sold under agreements to repurchase	**$ 51,052**	**0.07%**	$ 36,263	0.05%	$ 34,973	0.17%
Commercial paper	**2,456**	**0.34**	5,162	0.18	4,038	0.27
Other short-term borrowings	**10,010**	**0.07**	12,458	0.31	18,164	0.16
Total	**$ 63,518**	**0.08**	$ 53,883	0.12	$ 57,175	0.17
Year ended December 31,						
Average daily balance						
Federal funds purchased and securities sold under agreements to repurchase	**$ 44,680**	**0.08**	$ 36,227	0.08	$ 32,092	0.12
Commercial paper	**4,751**	**0.17**	4,702	0.25	4,142	0.26
Other short-term borrowings	**10,680**	**0.18**	13,787	0.22	14,962	0.29
Total	**$ 60,111**	**0.10**	$ 54,716	0.13	$ 51,196	0.18
Maximum month-end balance						
Federal funds purchased and securities sold under agreements to repurchase (1)	**$ 51,052**	**N/A**	$ 39,451	N/A	$ 36,327	N/A
Commercial paper (2)	**6,070**	**N/A**	5,700	N/A	5,036	N/A
Other short-term borrowings (3)	**12,209**	**N/A**	16,564	N/A	18,164	N/A

N/A- Not applicable
(1) Highest month-end balance in each of the last three years was December 2014, May 2013 and June 2012.
(2) Highest month-end balance in each of the last three years was March 2014, March 2013 and September 2012.
(3) Highest month-end balance in each of the last three years was June 2014, March 2013 and December 2012.

Note 13: Long-Term Debt

We issue long-term debt denominated in multiple currencies, predominantly in U.S. dollars. Our issuances have both fixed and floating interest rates. As a part of our overall interest rate risk management strategy, we often use derivatives to manage our exposure to interest rate risk. We also use derivatives to manage our exposure to foreign currency risk. As a result, a major portion of the long-term debt presented below is hedged in a fair value or cash flow hedge relationship. See Note 16 (Derivatives) for further information on qualifying hedge contracts.

Following is a summary of our long-term debt carrying values, reflecting unamortized debt discounts and premiums, and purchase accounting adjustments, where applicable. The interest rates displayed represent the range of contractual rates in effect at December 31, 2014. These interest rates do not include the effects of any associated derivatives designated in a hedge accounting relationship.

			December 31,	
			2014	2013
(in millions)	Maturity date(s)	Stated interest rate(s)		
Wells Fargo & Company (Parent only)				
Senior				
Fixed-rate notes	2015-2038	0.625-6.75%	**$ 54,441**	44,145
Floating-rate notes	2015-2048	0.00-3.735	**15,317**	12,445
Structured notes (1)	2015-2053	Varies	**4,825**	4,891
Total senior debt - Parent			**74,583**	61,481
Subordinated				
Fixed-rate notes (2)	2016-2044	3.45-7.574%	**19,688**	17,469
Floating-rate notes	2015-2016	0.573-0.601	**1,215**	1,190
Total subordinated debt - Parent			**20,903**	18,659
Junior subordinated				
Fixed-rate notes - hybrid trust securities	2029-2036	5.95-7.95%	**1,378**	1,178
Floating-rate notes	2027	0.731-1.231	**272**	263
Total junior subordinated debt - Parent (3)			**1,650**	1,441
Total long-term debt - Parent (2)			**97,136**	81,581
Wells Fargo Bank, N.A. and other bank entities (Bank)				
Senior				
Fixed-rate notes	2015	0.75%	**500**	500
Floating-rate notes	2015-2053	0.00-0.511	**4,969**	2,219
Floating-rate extendible notes (4)	2016	0.281-0.387	**11,048**	10,749
Fixed-rate advances - Federal Home Loan Bank (FHLB) (5)	2015-2031	3.83-8.17	**125**	160
Floating-rate advances - FHLB (5)	2018-2019	0.22-0.35	**34,000**	19,000
Structured notes (1)	2015-2025	Varies	**4**	13
Capital leases (Note 7)	2015-2025	Varies	**9**	11
Total senior debt - Bank			**50,655**	32,652
Subordinated				
Fixed-rate notes	2015-2038	4.75-7.74%	**10,310**	10,725
Floating-rate notes	2016-2017	0.442-3.107	**994**	1,616
Total subordinated debt - Bank			**11,304**	12,341
Junior subordinated				
Floating-rate notes	2027	0.802-0.881%	**313**	303
Total junior subordinated debt - Bank (3)			**313**	303
Long-term debt issued by VIE - Fixed rate (6)	2020-2047	0.00-7.00%	**609**	1,098
Long-term debt issued by VIE - Floating rate (6)	2016-2047	0.296-18.970	**996**	1,230
Mortgage notes and other debt (7)	2015-2062	0.00-9.20	**16,239**	16,874
Total long-term debt - Bank			**80,116**	64,498

(continued on following page)

Note 13: Long-Term Debt *(continued)*

(continued from previous page)

			December 31,	
			2014	2013
(in millions)	Maturity date(s)	Stated interest rate(s)		
Other consolidated subsidiaries				
Senior				
Fixed-rate notes	2015-2023	2.774-4.38%	**6,317**	6,543
FixFloat notes	2020	6.795% through 2015, Varies	**20**	20
Structured notes (1)	2021	Varies	**1**	—
Total senior debt - Other consolidated subsidiaries			**6,338**	6,563
Junior subordinated				
Floating-rate notes	2027	0.733%	**155**	155
Total junior subordinated debt - Other consolidated subsidiaries (3)			**155**	155
Long-term debt issued by VIE - Fixed rate (6)	2015	5.16%	**23**	18
Long-term debt issued by VIE - Floating rate (6)			**—**	10
Mortgage notes and other (7)	2015-2022	1.563-5.920	**175**	173
Total long-term debt - Other consolidated subsidiaries			**6,691**	6,919
Total long-term debt			**$ 183,943**	152,998

(1) Predominantly consists of long-term notes where the performance of the note is linked to an embedded equity, commodity, or currency index, or basket of indices accounted for separately from the note as a free-standing derivative. For information on embedded derivatives, see the "Derivatives Not Designated as Hedging Instruments" section in Note 16 (Derivatives). In addition, a major portion consists of zero coupon callable notes where interest is paid as part of the final redemption amount.
(2) Includes fixed-rate subordinated notes issued by the Parent at a discount of $139 million and $140 million in 2014 and 2013, respectively, to effect a modification of Wells Fargo Bank, NA notes. These notes are carried at their par amount on the balance sheet of the Parent presented in Note 25 (Parent-Only Financial Statements).
(3) Represents junior subordinated debentures held by unconsolidated wholly-owned trusts formed for the sole purpose of issuing trust preferred securities. See Note 8 (Securitizations and Variable Interest Entities) for additional information on our trust preferred security structures.
(4) Represents floating-rate extendible notes where holders of the notes may elect to extend the contractual maturity of all or a portion of the principal amount on a periodic basis.
(5) At December 31, 2014, Federal Home Loan Bank advances were secured by investment securities and residential loan collateral. Outstanding advances at December 31, 2013, were secured by residential loan collateral.
(6) For additional information on VIEs, see Note 8 (Securitizations and Variable Interest Entities).
(7) Predominantly related to securitizations and secured borrowings, see Note 8 (Securitizations and Variable Interest Entities).

The aggregate carrying value of long-term debt that matures (based on contractual payment dates) as of December 31, 2014, in each of the following five years and thereafter, is presented in the following table.

(in millions)	Parent	Company
2015	$ 9,014	16,606
2016	15,238	32,920
2017	13,215	17,870
2018	8,312	27,029
2019	6,480	25,190
Thereafter	44,877	64,328
Total	$ 97,136	183,943

As part of our long-term and short-term borrowing arrangements, we are subject to various financial and operational covenants. Some of the agreements under which debt has been issued have provisions that may limit the merger or sale of certain subsidiary banks and the issuance of capital stock or convertible securities by certain subsidiary banks. At December 31, 2014, we were in compliance with all the covenants.

Note 14: Guarantees, Pledged Assets and Collateral

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, written put options, recourse obligations, and other types of arrangements. The following table shows carrying value, maximum exposure to loss on our guarantees and the related non-investment grade amounts.

						December 31, 2014	
						Maximum exposure to loss	
(in millions)	**Carrying value**	**Expires in one year or less**	**Expires after one year through three years**	**Expires after three years through five years**	**Expires after five years**	**Total**	**Non-investment grade**
Standby letters of credit (1)	**$ 41**	**16,271**	**10,269**	**6,295**	**645**	**33,480**	**8,447**
Securities lending and other indemnifications	**—**	**—**	**2**	**2**	**5,948**	**5,952**	**—**
Written put options (2)	**469**	**7,644**	**5,256**	**2,822**	**2,409**	**18,131**	**7,902**
Loans and MHFS sold with recourse	**72**	**131**	**486**	**822**	**5,386**	**6,825**	**3,945**
Factoring guarantees	**—**	**3,460**	**—**	**—**	**—**	**3,460**	**3,460**
Other guarantees	**24**	**9**	**85**	**22**	**2,158**	**2,274**	**69**
Total guarantees	**$ 606**	**27,515**	**16,098**	**9,963**	**16,546**	**70,122**	**23,823**

						December 31, 2013	
						Maximum exposure to loss	
(in millions)	Carrying value	Expires in one year or less	Expires after one year through three years	Expires after three years through five years	Expires after five years	Total	Non-investment grade
Standby letters of credit (1)	$ 56	16,907	11,628	5,308	994	34,837	9,512
Securities lending and other indemnifications	—	—	3	18	3,199	3,220	25
Written put options (2)	907	4,775	2,967	3,521	2,725	13,988	4,311
Loans and MHFS sold with recourse	86	116	418	849	5,014	6,397	3,674
Factoring guarantees	—	2,915	—	—	—	2,915	2,915
Other guarantees (3)	33	34	111	16	971	1,132	113
Total guarantees	$ 1,082	24,747	15,127	9,712	12,903	62,489	20,550

(1) Total maximum exposure to loss includes direct pay letters of credit (DPLCs) of $15.0 billion and $16.8 billion at December 31, 2014 and 2013, respectively. We issue DPLCs to provide credit enhancements for certain bond issuances. Beneficiaries (bond trustees) may draw upon these instruments to make scheduled principal and interest payments, redeem all outstanding bonds because a default event has occurred, or for other reasons as permitted by the agreement. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility in one of several forms, including as a standby letter of credit. Total maximum exposure to loss includes the portion of these facilities for which we have issued standby letters of credit under the commitments.
(2) Written put options, which are in the form of derivatives, are also included in the derivative disclosure in Note 16 (Derivatives).
(3) Includes amounts for liquidity agreements and contingent consideration that were previously reported separately.

"Maximum exposure to loss" and "Non-investment grade" are required disclosures under GAAP. Non-investment grade represents those guarantees on which we have a higher risk of being required to perform under the terms of the guarantee. If the underlying assets under the guarantee are non-investment grade (that is, an external rating that is below investment grade or an internal credit default grade that is equivalent to a below investment grade external rating), we consider the risk of performance to be high. Internal credit default grades are determined based upon the same credit policies that we use to evaluate the risk of payment or performance when making loans and other extensions of credit. These credit policies are further described in Note 6 (Loans and Allowance for Credit Losses).

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

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

SECURITIES LENDING AND OTHER INDEMNIFICATIONS As a securities lending agent, we lend debt and equity securities from participating institutional clients' portfolios to third-party borrowers. These arrangements are for an indefinite period of time whereby we indemnify our clients against default by the borrower in returning these lent securities. This indemnity is supported by collateral received from the borrowers and is generally in the form of cash or highly liquid securities that are marked to market daily. The fair value of securities loaned out at December 31, 2014 and 2013, totaled $211 million and $337 million, respectively. The fair value of collateral supporting the loaned securities was $218 million and $346 million at December 31, 2014 and 2013, respectively.

We use certain third-party clearing agents to clear and settle transactions on behalf of some of our institutional brokerage customers. We indemnify the clearing agents against loss that could occur for non-performance by our customers on transactions that are not sufficiently collateralized. Transactions subject to the indemnifications may include customer obligations related to the settlement of margin accounts and short positions, such as written call options and securities borrowing transactions. Outstanding customer obligations were $950 million and $769 million and the related collateral was $5.6 billion and $3.7 billion at December 31, 2014, and December 31, 2013, respectively. Our estimate of maximum exposure to loss, which requires judgment regarding the range and likelihood of future events, was $5.7 billion as of December 31, 2014, and $2.9 billion as of December 31, 2013.

We enter into other types of indemnification agreements in the ordinary course of business under which we agree to indemnify third parties against any damages, losses and expenses incurred in connection with legal and other proceedings arising from relationships or transactions with us. These relationships or transactions include those arising from service as a director or officer of the Company, underwriting agreements relating to our securities, acquisition agreements and various other business transactions or arrangements. Because the extent of our obligations under these agreements depends entirely upon the occurrence of future events, we are unable to determine our potential future liability under these agreements. We do, however, record a liability for residential mortgage loans that we expect to repurchase pursuant to various representations and warranties. See Note 9 (Mortgage Banking Activities) for additional information on the liability for mortgage loan repurchase losses.

WRITTEN PUT OPTIONS Written put options are contracts that give the counterparty the right to sell to us an underlying instrument held by the counterparty at a specified price, and may include options, floors, caps and credit default swaps. These written put option contracts generally permit net settlement. While these derivative transactions expose us to risk if the option is exercised, we manage this risk by entering into offsetting trades or by taking short positions in the underlying instrument. We offset substantially all put options written to customers with purchased options. Additionally, for certain of these contracts, we require the counterparty to pledge the underlying instrument as collateral for the transaction. Our ultimate obligation under written put options is based on future market conditions and is only quantifiable at settlement. See Note 16 (Derivatives) for additional information regarding written derivative contracts.

LOANS AND MHFS SOLD WITH RECOURSE In certain loan sales or securitizations, we provide recourse to the buyer whereby we are required to indemnify the buyer for any loss on the loan up to par value plus accrued interest. We provide recourse, predominantly to the GSEs, on loans sold under various programs and arrangements. Primarily all of these programs and arrangements require that we share in the loans' credit exposure for their remaining life by providing recourse to the GSE, up to 33.33% of actual losses incurred on a pro-rata basis, in the event of borrower default. Under the remaining recourse programs and arrangements, if certain events occur within a specified period of time from transfer date, we have to provide limited recourse to the buyer to indemnify them for losses incurred for the remaining life of the loans. The maximum exposure to loss reported in the accompanying table represents the outstanding principal balance of the loans sold or securitized that are subject to recourse provisions or the maximum losses per the contractual agreements. However, we believe the likelihood of loss of the entire balance due to these recourse agreements is remote and amounts paid can be recovered in whole or in part from the sale of collateral. During 2014 and 2013 we repurchased $14 million and $33 million, respectively, of loans associated with these agreements. We also provide representation and warranty guarantees on loans sold under the various recourse programs and arrangements. Our loss exposure relative to these guarantees is separately considered and provided for, as necessary, in determination of our liability for loan repurchases due to breaches of representation and warranties. See Note 9 (Mortgage Banking Activities) for additional information on the liability for mortgage loan repurchase losses.

FACTORING GUARANTEES Under certain factoring arrangements, we are required to purchase trade receivables from third parties, generally upon their request, if receivable debtors default on their payment obligations. See Note 1 (Summary of Significant Accounting Policies) for additional information.

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

Other guarantees also include liquidity agreements and contingent performance arrangements. We provide liquidity to certain off-balance sheet entities that hold securitized fixed-rate municipal bonds and consumer or commercial assets that are partially funded with the issuance of money market and other short-term notes. See Note 8 (Securitization and Variable Interest Entities) for additional information on securitization and VIEs.

Under our contingent performance arrangements, we are required to pay the counterparties to transactions related to various customer relationships and lease agreements if third parties default on certain obligations.

Pledged Assets

As part of our liquidity management strategy, we pledge assets to secure trust and public deposits, borrowings and letters of credit from the FHLB and FRB, securities sold under agreements to repurchase (repurchase agreements), and for other purposes as required or permitted by law or insurance statutory requirements. The types of collateral we pledge include securities issued by federal agencies, GSEs, domestic and foreign companies and various commercial and consumer loans. The following table provides the total carrying amount of pledged assets by asset type. The table excludes pledged consolidated VIE assets of $5.8 billion and $8.1 billion at December 31, 2014, and December 31, 2013, respectively, which can only be used to settle the liabilities of those entities. The table also excludes $10.1 billion and $15.3 billion in assets pledged in transactions accounted for as secured borrowings at December 31, 2014 and 2013, respectively. See Note 8 (Securitizations and Variable Interest Entities) for additional information on consolidated VIE assets and secured borrowings.

(in millions)		**Dec. 31, 2014**	Dec. 31, 2013
Trading assets and other (1)		**49,685**	30,288
Investment securities (2)		**101,997**	85,468
Mortgages held for sale and loans (3)		**418,338**	381,597
Total pledged assets	**$**	**570,020**	497,353

(1) Represent assets pledged to collateralize repurchase agreements and other securities financings. Balance includes $49.4 billion and $29.0 billion at December 31, 2014 and 2013, respectively, under agreements that permit the secured parties to sell or repledge the collateral.

(2) Includes carrying value of $6.6 billion and $8.7 billion (fair value of $6.8 billion and $8.7 billion) in collateral for repurchase agreements at December 31, 2014 and 2013, respectively, which are pledged under agreements that do not permit the secured parties to sell or repledge the collateral. Also includes $164 million in collateral pledged under repurchase agreements at December 31, 2014, that permit the secured parties to sell or repledge the collateral.

(3) Includes mortgages held for sale of $8.7 billion and $7.3 billion at December 31, 2014 and 2013, respectively. Balance consists of mortgages held for sale and loans that are pledged under agreements that do not permit the secured parties to sell or repledge the collateral. Amounts exclude $1.7 billion and $2.1 billion at December 31, 2014 and 2013, respectively, of pledged loans recorded on our balance sheet representing certain delinquent loans that are eligible for repurchase primarily from GNMA loan securitizations. See Note 8 (Securitizations and Variable Interest Entities) for additional information.

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

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

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

In addition to the amounts included in the table below, we also have balance sheet netting related to derivatives that is disclosed within Note 16 (Derivatives).

(in millions)	**Dec. 31, 2014**	Dec. 31, 2013
Assets:		
Resale and securities borrowing agreements		
Gross amounts recognized	**58,148**	38,635
Gross amounts offset in consolidated balance sheet (1)	**(6,477)**	(2,817)
Net amounts in consolidated balance sheet (2)	**51,671**	35,818
Collateral not recognized in consolidated balance sheet (3)	**(51,624)**	(35,768)
Net amount (4)	**47**	50
Liabilities:		
Repurchase and securities lending agreements		
Gross amounts recognized	**56,583**	38,032
Gross amounts offset in consolidated balance sheet (1)	**(6,477)**	(2,817)
Net amounts in consolidated balance sheet (5)	**50,106**	35,215
Collateral pledged but not netted in consolidated balance sheet (6)	**(49,713)**	(34,770)
Net amount (7)	**393**	445

(1) Represents recognized amount of resale and repurchase agreements with counterparties subject to enforceable MRAs or MSLAs that have been offset in the consolidated balance sheet.
(2) At December 31, 2014 and 2013, includes $36.8 billion and $25.7 billion, respectively, classified on our consolidated balance sheet in Federal funds sold, securities purchased under resale agreements and other short-term investments and $14.9 billion and $10.1 billion, respectively, in Loans.
(3) Represents the fair value of collateral we have received under enforceable MRAs or MSLAs, limited for table presentation purposes to the amount of the recognized asset due from each counterparty. At December 31, 2014 and 2013, we have received total collateral with a fair value of $64 5 billion and $43.3 billion, respectively, all of which, we have the right to sell or repledge. These amounts include securities we have sold or repledged to others with a fair value of $40.8 billion at December 31, 2014 and $23.8 billion at December 31, 2013.
(4) Represents the amount of our exposure that is not collateralized and/or is not subject to an enforceable MRA or MSLA.
(5) Amount is classified in Short-term borrowings on our consolidated balance sheet.
(6) Represents the fair value of collateral we have pledged, related to enforceable MRAs or MSLAs, limited for table presentation purposes to the amount of the recognized liability owed to each counterparty. At December 31, 2014 and December 31, 2013, we have pledged total collateral with a fair value of $56 5 billion and $39.0 billion, respectively, of which, the counterparty does not have the right to sell or repledge $6.9 billion as of December 31, 2014, and $10.0 billion as of December 31, 2013.
(7) Represents the amount of our obligation that is not covered by pledged collateral and/or is not subject to an enforceable MRA or MSLA.

Note 15: Legal Actions

Wells Fargo and certain of our subsidiaries are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising from the conduct of our business activities. These proceedings include actions brought against Wells Fargo and/or our subsidiaries with respect to corporate related matters and transactions in which Wells Fargo and/or our subsidiaries were involved. In addition, Wells Fargo and our subsidiaries may be requested to provide information or otherwise cooperate with government authorities in the conduct of investigations of other persons or industry groups.

Although there can be no assurance as to the ultimate outcome, Wells Fargo and/or our subsidiaries have generally denied, or believe we have a meritorious defense and will deny, liability in all significant litigation pending against us, including the matters described below, and we intend to defend vigorously each case, other than matters we describe as having settled. Reserves are established for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts reserved for those claims.

FHA INSURANCE LITIGATION On October 9, 2012, the United States filed a complaint, captioned *United States of America v. Wells Fargo Bank, N.A.*, in the U.S. District Court for the Southern District of New York. The complaint makes claims with respect to Wells Fargo's Federal Housing Administration (FHA) lending program for the period 2001 to 2010. The complaint alleges, among other allegations, that Wells Fargo improperly certified certain FHA mortgage loans for United States Department of Housing and Urban Development (HUD) insurance that did not qualify for the program, and therefore Wells Fargo should not have received insurance proceeds from HUD when some of the loans later defaulted. The complaint further alleges Wells Fargo knew some of the mortgages did not qualify for insurance and did not disclose the deficiencies to HUD before making insurance claims. On December 1, 2012, Wells Fargo filed a motion in the U.S. District Court for the District of Columbia seeking to enforce a release of Wells Fargo given by the United States, which was denied on February 12, 2013. On April 11, 2013, Wells Fargo appealed the decision to the U.S. Court of Appeals for the District of Columbia Circuit. The Court affirmed the denial of Wells Fargo's motion on June 20, 2014. Previous resolution discussions did not result in an acceptable final agreement. The parties are again engaged in discovery.

INTERCHANGE LITIGATION Wells Fargo Bank, N.A., Wells Fargo & Company, Wachovia Bank, N.A. and Wachovia Corporation are named as defendants, separately or in combination, in putative class actions filed on behalf of a plaintiff class of merchants and in individual actions brought by individual merchants with regard to the interchange fees associated with Visa and MasterCard payment card transactions. These actions have been consolidated in the U.S. District Court for the Eastern District of New York. Visa, MasterCard and several banks and bank holding companies are named as defendants in various of these actions. The amended and consolidated complaint asserts claims against defendants based on alleged violations of federal and state antitrust laws and seeks damages, as well as injunctive relief. Plaintiff merchants allege that Visa, MasterCard and payment card issuing banks unlawfully colluded to set interchange rates. Plaintiffs also allege that enforcement of certain Visa and MasterCard rules and alleged tying and bundling of services offered to merchants are anticompetitive. Wells Fargo and Wachovia, along with other defendants and entities, are parties to Loss and Judgment Sharing Agreements, which provide that they, along with other entities, will share, based on a formula, in any losses from the Interchange Litigation. On July 13, 2012, Visa, MasterCard and the financial institution defendants, including Wells Fargo, signed a memorandum of understanding with plaintiff merchants to resolve the consolidated class actions and reached a separate settlement in principle of the consolidated individual actions. The proposed settlement payments by all defendants in the consolidated class and individual actions total approximately $6.6 billion. The class settlement also provides for the distribution to class merchants of 10 basis points of default interchange across all credit rate categories for a period of eight consecutive months. The Court granted final approval of the settlement, which is proceeding. Merchants have filed several "opt-out" actions.

MORTGAGE RELATED REGULATORY INVESTIGATIONS Government agencies continue investigations or examinations of certain mortgage related practices of Wells Fargo and predecessor institutions. Wells Fargo, for itself and for predecessor institutions, has responded, and continues to respond, to requests from government agencies seeking information regarding the origination, underwriting and securitization of residential mortgages, including sub-prime mortgages.

ORDER OF POSTING LITIGATION A series of putative class actions have been filed against Wachovia Bank, N.A. and Wells Fargo Bank, N.A., as well as many other banks, challenging the high to low order in which the banks post debit card transactions to consumer deposit accounts. There are currently several such cases pending against Wells Fargo Bank (including the Wachovia Bank cases to which Wells Fargo succeeded), most of which have been consolidated in multi-district litigation proceedings in the U.S. District Court for the Southern District of Florida. The bank defendants moved to compel these cases to arbitration under Supreme Court authority. On November 22, 2011, the Judge denied the motion. The bank defendants appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. On October 26, 2012, the Eleventh Circuit affirmed the District Court's denial of the motion. Wells Fargo renewed its motion to compel arbitration with respect to the unnamed putative class members. On April 8, 2013, the District Court denied the motion and Wells Fargo appealed the decision to the Eleventh Circuit. On February 10, 2015, the Eleventh Circuit vacated the order based on the District Court's lack of jurisdiction until class certification has been determined, and remanded to the District Court for further proceedings.

On August 10, 2010, the U.S. District Court for the Northern District of California issued an order in Gutierrez v. Wells Fargo Bank, N.A., a case that was not consolidated in the multi-district proceedings, enjoining the bank's use of the high to low posting method for debit card transactions with respect to the plaintiff class of California depositors, directing the bank to establish a different posting methodology and ordering remediation of approximately $203 million. On October 26, 2010, a final

judgment was entered in Gutierrez. On October 28, 2010, Wells Fargo appealed to the U.S. Court of Appeals for the Ninth Circuit. On December 26, 2012, the Ninth Circuit reversed the order requiring Wells Fargo to change its order of posting and vacated the portion of the order granting remediation of approximately $203 million on the grounds of federal preemption. The Ninth Circuit affirmed the District Court's finding that Wells Fargo violated a California state law prohibition on fraudulent representations and remanded the case to the District Court for further proceedings. On August 5, 2013, the District Court entered a judgment against Wells Fargo in the approximate amount of $203 million, together with post-judgment interest thereon from October 25, 2010, and, effective as of July 15, 2013, enjoined Wells Fargo from making or disseminating additional misrepresentations about its order of posting of transactions. On August 7, 2013, Wells Fargo appealed the judgment to the Ninth Circuit. On October 29, 2014, the Ninth Circuit affirmed the trial court's judgment against Wells Fargo for approximately $203 million, but limited the injunction to debit card transactions. Wells Fargo is presently considering its options.

SECURITIES LENDING LITIGATION Wells Fargo Bank, N.A. is involved in four separate actions brought by securities lending customers of Wells Fargo and Wachovia Bank in various courts. In general, each of the cases alleges losses based on claims that Wells Fargo violated fiduciary and contractual duties in its investment of collateral for loaned securities. *Blue Cross/Blue Shield of Minnesota, et al., v. Wells Fargo Bank, N A.* resulted in verdicts dismissing the claims against Wells Fargo. Plaintiffs have appealed the verdicts. The remaining cases are scheduled for trial in 2015.

OUTLOOK When establishing a liability for contingent litigation losses, the Company determines a range of potential losses for each matter that is both probable and estimable, and records the amount it considers to be the best estimate within the range. The high end of the range of reasonably possible potential litigation losses in excess of the Company's liability for probable and estimable losses was $1.1 billion as of December 31, 2014. For these matters and others where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the established liability that cannot be estimated. Based on information currently available, advice of counsel, available insurance coverage and established reserves, Wells Fargo believes that the eventual outcome of the actions against Wells Fargo and/or its subsidiaries, including the matters described above, will not, individually or in the aggregate, have a material adverse effect on Wells Fargo's consolidated financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to Wells Fargo's results of operations for any particular period.

Note 16: Derivatives

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

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

We also offer various derivatives, including interest rate, commodity, equity, credit and foreign exchange contracts, to our customers as part of our trading businesses. These derivative transactions, which involve us engaging in market-making activities or acting as an intermediary, are conducted in an effort to help customers manage their market price risks. We usually offset our exposure from such derivatives by entering into other financial contracts, such as separate derivative or security transactions. The customer accommodations and any offsetting derivatives are treated as customer accommodation, trading and other derivatives in our disclosures. Additionally, this category includes embedded derivatives that are required to be accounted for separately from their host contracts.

The following table presents the total notional or contractual amounts and fair values for our derivatives. Derivative transactions can be measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged, but is used only as the basis on which interest and other payments are determined. Derivatives designated as qualifying hedging instruments and economic hedges are recorded on the balance sheet at fair value in other assets or other liabilities. Customer accommodation, trading and other derivatives are recorded on the balance sheet at fair value in trading assets, other assets or other liabilities.

	December 31, 2014			December 31, 2013		
	Notional or		Fair value	Notional or		Fair value
(in millions)	contractual amount	Asset derivatives	Liability derivatives	contractual amount	Asset derivatives	Liability derivatives
Derivatives designated as hedging instruments						
Interest rate contracts (1)	**$ 148,967**	**6,536**	**2,435**	100,412	4,315	2,528
Foreign exchange contracts (1)	**26,778**	**752**	**1,347**	26,483	1,091	847
Total derivatives designated as qualifying hedging instruments		**7,288**	**3,782**		5,406	3,375
Derivatives not designated as hedging instruments						
Economic hedges:						
Interest rate contracts (2)	**221,527**	**697**	**487**	220,577	595	897
Equity contracts	**5,219**	**367**	**96**	3,273	349	206
Foreign exchange contracts	**14,405**	**275**	**28**	10,064	21	35
Subtotal (3)		**1,339**	**611**		965	1,138
Customer accommodation, trading and other derivatives:						
Interest rate contracts	**4,378,767**	**56,465**	**57,137**	4,030,068	50,936	53,113
Commodity contracts	**88,640**	**7,461**	**7,702**	96,889	2,673	2,603
Equity contracts	**138,422**	**8,638**	**6,942**	96,379	7,475	7,588
Foreign exchange contracts	**253,742**	**6,377**	**6,452**	164,160	3,731	3,626
Credit contracts - protection sold	**12,304**	**151**	**943**	19,501	354	1,532
Credit contracts - protection purchased	**16,659**	**755**	**168**	23,314	1,147	368
Other derivatives (3)	**1,994**	**—**	**44**	2,160	13	16
Subtotal (3)		**79,847**	**79,388**		66,329	68,846
Total derivatives not designated as hedging instruments		**81,186**	**79,999**		67,294	69,984
Total derivatives before netting		**88,474**	**83,781**		72,700	73,359
Netting (4)		**(65,869)**	**(65,043)**		(56,894)	(63,739)
Total		**$ 22,605**	**18,738**		15,806	9,620

(1) Notional amounts presented exclude $1.9 billion of interest rate contracts at both December 31, 2014 and 2013, for certain derivatives that are combined for designation as a hedge on a single instrument. The notional amount for foreign exchange contracts at December 31, 2014, excludes $2.7 billion for certain derivatives that are combined for designation as a hedge on a single instrument.
(2) Includes economic hedge derivatives used to hedge the risk of changes in the fair value of residential MSRs, MHFS, loans, derivative loan commitments and other interests held.
(3) Prior period has been revised to conform with current period presentation.
(4) Represents balance sheet netting of derivative asset and liability balances, related cash collateral and portfolio level counterparty valuation adjustments. See the next table in this Note for further information.

The following table provides information on the gross fair values of derivative assets and liabilities, the balance sheet netting adjustments and the resulting net fair value amount recorded on our balance sheet, as well as the non-cash collateral associated with such arrangements. We execute substantially all of our derivative transactions under master netting arrangements. We reflect all derivative balances and related cash collateral subject to enforceable master netting arrangements on a net basis within the balance sheet. The "Gross amounts recognized" column in the following table include $69.6 billion and $75.0 billion of gross derivative assets and liabilities, respectively, at December 31, 2014, and $59.8 billion and $66.1 billion, respectively, at December 31, 2013, with counterparties subject to enforceable master netting arrangements that are carried on the balance sheet net of offsetting amounts. The remaining gross derivative assets and liabilities of $18.9 billion and $8.8 billion, respectively, at December 31, 2014 and $12.9 billion and $7.3 billion, respectively, at December 31, 2013, include those with counterparties subject to master netting arrangements for which we have not assessed the enforceability because they are with counterparties where we do not currently have positions to offset, those subject to master netting arrangements where we have not been able to confirm the enforceability and those not subject to master netting arrangements. As such,we do not net derivative balances or collateral within the balance sheet for these counterparties.

We determine the balance sheet netting adjustments based on the terms specified within each master netting arrangement. We disclose the balance sheet netting amounts within the column titled "Gross amounts offset in consolidated balance sheet." Balance sheet netting adjustments are determined at the counterparty level for which there may be multiple contract types. For disclosure purposes, we allocate these adjustments to the contract type for each counterparty proportionally based upon the "Gross amounts recognized" by counterparty. As a result, the net amounts disclosed by contract type may not represent the actual exposure upon settlement of the contracts.

Balance sheet netting does not include non-cash collateral that we receive and pledge. For disclosure purposes, we present the fair value of this non-cash collateral in the column titled "Gross amounts not offset in consolidated balance sheet (Disclosure-only netting)" within the table. We determine and allocate the Disclosure-only netting amounts in the same manner as balance sheet netting amounts.

The "Net amounts" column within the following table represents the aggregate of our net exposure to each counterparty after considering the balance sheet and Disclosure-only netting adjustments. We manage derivative exposure by monitoring the credit risk associated with each counterparty

using counterparty specific credit risk limits, using master netting arrangements and obtaining collateral. Derivative contracts executed in over-the-counter markets include bilateral contractual arrangements that are not cleared through a central clearing organization but are typically subject to master netting arrangements. The percentage of our bilateral derivative transactions outstanding at period end in such markets, based on gross fair value, is provided within the following table. Other derivative contracts executed in over-the-counter or exchange-traded markets are settled through a central clearing organization and are excluded from this percentage. In addition to the netting amounts included in the table, we also have balance sheet netting related to resale and repurchase agreements that are disclosed within Note 14 (Guarantees, Pledged Assets and Collateral).

(in millions)	Gross amounts recognized	Gross amounts offset in consolidated balance sheet (1)	Net amounts in consolidated balance sheet (2)	Gross amounts not offset in consolidated balance sheet (Disclosure-only netting) (3)	Net amounts	Percent exchanged in over-the-counter market (4)
December 31, 2014						
Derivative assets						
Interest rate contracts	**$ 63,698**	**(56,051)**	**7,647**	**(769)**	**6,878**	**45%**
Commodity contracts	**7,461**	**(1,233)**	**6,228**	**(72)**	**6,156**	**27**
Equity contracts	**9,005**	**(2,842)**	**6,163**	**(405)**	**5,758**	**54**
Foreign exchange contracts	**7,404**	**(4,923)**	**2,481**	**(85)**	**2,396**	**98**
Credit contracts-protection sold	**151**	**(131)**	**20**	**—**	**20**	**90**
Credit contracts-protection purchased	**755**	**(689)**	**66**	**(1)**	**65**	**100**
Total derivative assets	**$ 88,474**	**(65,869)**	**22,605**	**(1,332)**	**21,273**	
Derivative liabilities						
Interest rate contracts	**$ 60,059**	**(54,394)**	**5,665**	**(4,244)**	**1,421**	**44%**
Commodity contracts	**7,702**	**(1,459)**	**6,243**	**(33)**	**6,210**	**81**
Equity contracts	**7,038**	**(2,845)**	**4,193**	**(484)**	**3,709**	**82**
Foreign exchange contracts	**7,827**	**(5,511)**	**2,316**	**(270)**	**2,046**	**100**
Credit contracts-protection sold	**943**	**(713)**	**230**	**(199)**	**31**	**100**
Credit contracts-protection purchased	**168**	**(121)**	**47**	**(18)**	**29**	**86**
Other contracts	**44**	**—**	**44**	**—**	**44**	**100**
Total derivative liabilities	**$ 83,781**	**(65,043)**	**18,738**	**(5,248)**	**13,490**	
December 31, 2013						
Derivative assets						
Interest rate contracts	$ 55,846	(48,271)	7,575	(1,101)	6,474	65 %
Commodity contracts	2,673	(659)	2,014	(72)	1,942	52
Equity contracts	7,824	(3,254)	4,570	(239)	4,331	81
Foreign exchange contracts	4,843	(3,567)	1,276	(9)	1,267	100
Credit contracts-protection sold	354	(302)	52	—	52	92
Credit contracts-protection purchased	1,147	(841)	306	(33)	273	100
Other contracts	13	—	13	—	13	100
Total derivative assets	$ 72,700	(56,894)	15,806	(1,454)	14,352	
Derivative liabilities						
Interest rate contracts	$ 56,538	(53,902)	2,636	(482)	2,154	66 %
Commodity contracts	2,603	(952)	1,651	(11)	1,640	73
Equity contracts	7,794	(3,502)	4,292	(124)	4,168	94
Foreign exchange contracts	4,508	(3,652)	856	—	856	100
Credit contracts-protection sold	1,532	(1,432)	100	—	100	100
Credit contracts-protection purchased	368	(299)	69	—	69	89
Other contracts	16	—	16	—	16	100
Total derivative liabilities	$ 73,359	(63,739)	9,620	(617)	9,003	

(1) Represents amounts with counterparties subject to enforceable master netting arrangements that have been offset in the consolidated balance sheet, including related cash collateral and portfolio level counterparty valuation adjustments. Counterparty valuation adjustments were $266 million and $236 million related to derivative assets and $56 million and $67 million related to derivative liabilities as of December 31, 2014 and 2013, respectively. Cash collateral totaled $5.2 billion and $4.6 billion, netted against derivative assets and liabilities, respectively, at December 31, 2014, and $4.3 billion and $11.3 billion, respectively, at December 31, 2013.

(2) Net derivative assets of $16.9 billion and $14.4 billion are classified in Trading assets as of December 31, 2014 and 2013, respectively. $5.7 billion and $1.4 billion are classified in Other assets in the consolidated balance sheet as of December 31, 2014 and 2013, respectively. Net derivative liabilities are classified in Accrued expenses and other liabilities in the consolidated balance sheet.

(3) Represents the fair value of non-cash collateral pledged and received against derivative assets and liabilities with the same counterparty that are subject to enforceable master netting arrangements. U S. GAAP does not permit netting of such non-cash collateral balances in the consolidated balance sheet but requires disclosure of these amounts.

(4) Represents derivatives executed in over-the-counter markets not settled through a central clearing organization. Over-the-counter percentages are calculated based on Gross amounts recognized as of the respective balance sheet date. The remaining percentage represents derivatives settled through a central clearing organization, which are executed in either over-the-counter or exchange-traded markets.

Fair Value Hedges

We use interest rate swaps to convert certain of our fixed-rate long-term debt to floating rates to hedge our exposure to interest rate risk. We also enter into cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge our exposure to foreign currency risk and interest rate risk associated with the issuance of non-U.S. dollar denominated long-term debt. In addition, we use interest rate swaps, cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge against changes in fair value of certain investments in available-for-sale debt securities due to changes in interest rates, foreign currency rates, or both. We also use interest rate swaps to hedge against changes in fair value for certain mortgages held for sale. The entire derivative gain or loss is included in the assessment of hedge effectiveness for all fair value hedge relationships, except for those involving foreign-currency denominated available-for-sale securities and long-term debt hedged with foreign currency forward derivatives for which the time value component of the derivative gain or loss related to the changes in the difference between the spot and forward price is excluded from the assessment of hedge effectiveness.

We use statistical regression analysis to assess hedge effectiveness, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic change in fair value of the hedging instrument against the periodic changes in fair value of the asset or liability being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

The following table shows the net gains (losses) recognized in the income statement related to derivatives in fair value hedging relationships.

	Interest rate contracts hedging:			Foreign exchange contracts hedging:		Total net gains (losses) on fair value hedges
(in millions)	Available-for-sale securities	Mortgages held for sale	Long-term debt	Available-for-sale securities	Long-term debt	
Year ended December 31, 2014						
Net interest income (expense) recognized on derivatives	**$ (722)**	**(15)**	**1,843**	**(10)**	**308**	**1,404**
Gains (losses) recorded in noninterest income						
Recognized on derivatives	**(1,943)**	**(49)**	**3,623**	**391**	**(1,418)**	**604**
Recognized on hedged item	**1,911**	**32**	**(3,143)**	**(388)**	**1,490**	**(98)**
Net recognized on fair value hedges (ineffective portion) (1)	**$ (32)**	**(17)**	**480**	**3**	**72**	**506**
Year ended December 31, 2013						
Net interest income (expense) recognized on derivatives	$ (584)	(11)	1,632	(8)	280	1,309
Gains (losses) recorded in noninterest income						
Recognized on derivatives	1,889	47	(3,767)	(49)	(847)	(2,727)
Recognized on hedged item	(1,874)	(57)	3,521	49	722	2,361
Net recognized on fair value hedges (ineffective portion) (1)	$ 15	(10)	(246)	—	(125)	(366)
Year ended December 31, 2012						
Net interest income (expense) recognized on derivatives	$ (457)	(4)	1,685	(5)	248	1,467
Gains (losses) recorded in noninterest income						
Recognized on derivatives	(22)	(15)	(179)	39	567	390
Recognized on hedged item	17	6	233	(3)	(610)	(357)
Net recognized on fair value hedges (ineffective portion) (1)	$ (5)	(9)	54	36	(43)	33

(1) Included $(1) million, $(5) million and $(9) million, respectively, for years ended December 31, 2014, 2013, and 2012 of the time value component recognized as net interest income (expense) on forward derivatives hedging foreign currency available-for-sale securities and long-term debt that were excluded from the assessment of hedge effectiveness.

Cash Flow Hedges

We use interest rate swaps to hedge the variability in interest payments received on certain floating-rate commercial loans and paid on certain floating-rate debt due to changes in the benchmark interest rate. Gains and losses on derivatives that are reclassified from OCI to interest income (for loans) and interest expense (for debt) in the current period are included in the line item in which the hedged item's effect on earnings is recorded. All parts of gain or loss on these derivatives are included in the assessment of hedge effectiveness. We assess hedge effectiveness using regression analysis, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic changes in cash flows of the hedging instrument against the periodic changes in cash flows of the forecasted transaction being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

Based upon current interest rates, we estimate that $758 million (pre tax) of deferred net gains on derivatives in OCI at December 31, 2014, will be reclassified into net interest income during the next twelve months. Future changes to interest rates may significantly change actual amounts reclassified to earnings. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of 7 years.

The following table shows the net gains (losses) recognized related to derivatives in cash flow hedging relationships.

	Year ended December 31,		
(in millions)	2014	2013	2012
Gains (losses) (pre tax) recognized in OCI on derivatives	$ 952	(32)	52
Gains (pre tax) reclassified from cumulative OCI into net income (1)	545	296	388
Gains (losses) (pre tax) recognized in noninterest income for hedge ineffectiveness (2)	2	1	(1)

(1) See Note 23 (Other Comprehensive Income) for detail on components of net income.
(2) None of the change in value of the derivatives was excluded from the assessment of hedge effectiveness.

Derivatives Not Designated as Hedging Instruments

We use economic hedge derivatives primarily to hedge the risk of changes in the fair value of certain residential MHFS, certain loans held for investment, residential MSRs measured at fair value, derivative loan commitments and other interests held. The resulting gain or loss on these economic hedge derivatives is reflected in mortgage banking noninterest income, net gains (losses) from equity investments and other noninterest income.

The derivatives used to hedge MSRs measured at fair value, which include swaps, swaptions, constant maturity mortgages, forwards, Eurodollar and Treasury futures and options contracts, resulted in net derivative gains of $3.5 billion in 2014, net derivative losses of $2.9 billion in 2013 and net derivative gains of $3.6 billion in 2012, which are included in mortgage banking noninterest income. The aggregate fair value of these derivatives was a net asset of $492 million at December 31, 2014 and a net liability of $531 million at December 31, 2013. The change in fair value of these derivatives for each period end is due to changes in the underlying market indices and interest rates as well as the purchase and sale of derivative financial instruments throughout the period as part of our dynamic MSR risk management process.

Interest rate lock commitments for mortgage loans that we intend to sell are considered derivatives. Our interest rate exposure on these derivative loan commitments, as well as substantially all residential MHFS, is hedged with economic hedge derivatives such as swaps, forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts. The derivative loan commitments, economic hedge derivatives and residential MHFS are carried at fair value with changes in fair value included in mortgage banking noninterest income. For the fair value measurement of interest rate lock commitments we include, at inception and during the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan. Fair value changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment (referred to as a fall-out factor). The value of the underlying loan is affected primarily by changes in interest rates and the passage of time. However, changes in investor demand can also cause changes in the value of the underlying loan value that cannot be hedged. The aggregate fair value of derivative loan commitments on the balance sheet was a net asset of $98 million and a net liability of $26 million at December 31, 2014 and December 31, 2013, respectively, and is included in the caption "Interest rate contracts" under "Customer accommodation, trading and other derivatives" in the first table in this Note.

We also enter into various derivatives primarily to provide derivative products to customers. These derivatives are not linked to specific assets and liabilities on the balance sheet or to forecasted transactions in an accounting hedge relationship and, therefore, do not qualify for hedge accounting. We also enter into derivatives for risk management that do not otherwise qualify for hedge accounting. They are carried at fair value with changes in fair value recorded as other noninterest income.

Customer accommodation, trading and other derivatives also include embedded derivatives that are required to be accounted for separately from their host contract. We periodically issue hybrid long-term notes and CDs where the performance of the hybrid instrument notes is linked to an equity, commodity or currency index, or basket of such indices. These notes contain explicit terms that affect some or all of the cash flows or the value of the note in a manner similar to a derivative instrument and therefore are considered to contain an "embedded" derivative instrument. The indices on which the performance of the hybrid instrument is calculated are not clearly and closely related to the host debt instrument. The "embedded" derivative is separated from the host contract and accounted for as a derivative. Additionally, we may invest in hybrid instruments that contain embedded derivatives, such as credit derivatives, that are not clearly and closely related to the host contract. In such instances, we either elect fair value option for the hybrid instrument or separate the embedded derivative from the host contract and account for the host contract and derivative separately.

The following table shows the net gains recognized in the income statement related to derivatives not designated as hedging instruments.

		Year ended December 31,		
(in millions)		**2014**	2013	2012
Net gains (losses) recognized on economic hedge derivatives:				
Interest rate contracts				
Recognized in noninterest income:				
Mortgage banking (1)	**$**	**1,759**	1,412	(1,882)
Other (2)		**(230)**	119	2
Equity contracts (3)		**(469)**	(317)	4
Foreign exchange contracts (2)		**758**	24	(53)
Credit contracts (2)		**(1)**	(6)	(15)
Subtotal		**1,817**	1,232	(1,944)
Net gains (losses) recognized on customer accommodation, trading and other derivatives:				
Interest rate contracts				
Recognized in noninterest income:				
Mortgage banking (4)		**1,350**	(561)	7,222
Other (5)		**(855)**	743	589
Commodity contracts (5)		**77**	324	(14)
Equity contracts (5)		**(719)**	(622)	(234)
Foreign exchange contracts (5)		**593**	746	501
Credit contracts (5)		**7**	(53)	(54)
Other (5)		**(39)**	—	—
Subtotal		**414**	577	8,010
Net gains recognized related to derivatives not designated as hedging instruments	**$**	**2,231**	1,809	6,066

(1) Predominantly mortgage banking noninterest income including gains (losses) on the derivatives used as economic hedges of MSRs measured at fair value, interest rate lock commitments and mortgages held for sale.
(2) Predominantly included in other noninterest income.
(3) Predominantly included in net gains (losses) from equity investments in noninterest income.
(4) Predominantly mortgage banking noninterest income including gains (losses) on interest rate lock commitments.
(5) Predominantly included in net gains from trading activities in noninterest income.

Credit Derivatives

Credit derivative contracts are arrangements whose value is derived from the transfer of credit risk of a reference asset or entity from one party (the purchaser of credit protection) to another party (the seller of credit protection). We use credit derivatives primarily to assist customers with their risk management objectives. We may also use credit derivatives in structured product transactions or liquidity agreements written to special purpose vehicles. The maximum exposure of sold credit derivatives is managed through posted collateral, purchased credit derivatives and similar products in order to achieve our desired credit risk profile. This credit risk management provides an ability to recover a significant portion of any amounts that would be paid under the sold credit derivatives. We would be required to perform under the noted credit derivatives in the event of default by the referenced obligors. Events of default include events such as bankruptcy, capital restructuring or lack of principal and/or interest payment. In certain cases, other triggers may exist, such as the credit downgrade of the referenced obligors or the inability of the special purpose vehicle for which we have provided liquidity to obtain funding.

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

(in millions)	Fair value liability	Notional amount: Protection sold (A)	Protection sold - non-investment grade	Protection purchased with identical underlyings (B)	Net protection sold (A)-(B)	Other protection purchased	Range of maturities
December 31, 2014							
Credit default swaps on:							
Corporate bonds	**$ 23**	**6,344**	**2,904**	**4,894**	**1,450**	**2,831**	**2015 - 2021**
Structured products	**654**	**1,055**	**874**	**608**	**447**	**277**	**2017 - 2052**
Credit protection on:							
Default swap index	**—**	**1,659**	**292**	**777**	**882**	**1,042**	**2015 - 2019**
Commercial mortgage-backed securities index	**246**	**1,058**	**—**	**608**	**450**	**355**	**2047 - 2063**
Asset-backed securities index	**19**	**52**	**1**	**1**	**51**	**81**	**2045 - 2046**
Other	**1**	**2,136**	**2,136**	**—**	**2,136**	**5,185**	**2015 - 2025**
Total credit derivatives	**$ 943**	**12,304**	**6,207**	**6,888**	**5,416**	**9,771**	
December 31, 2013							
Credit default swaps on:							
Corporate bonds	$ 48	10,947	5,237	6,493	4,454	5,557	2014-2021
Structured products	1,091	1,553	1,245	894	659	389	2016-2052
Credit protection on:							
Default swap index	—	3,270	388	2,471	799	898	2014-2018
Commercial mortgage-backed securities index	344	1,106	1	535	571	535	2049-2052
Asset-backed securities index	48	55	—	1	54	87	2045-2046
Other	1	2,570	2,570	3	2,567	5,451	2014-2025
Total credit derivatives	$ 1,532	19,501	9,441	10,397	9,104	12,917	

Protection sold represents the estimated maximum exposure to loss that would be incurred under an assumed hypothetical circumstance, where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. We believe this hypothetical circumstance to be an extremely remote possibility and accordingly, this required disclosure is not an indication of expected loss. The amounts under non-investment grade represent the notional amounts of those credit derivatives on which we have a higher risk of being required to perform under the terms of the credit derivative and are a function of the underlying assets.

We consider the risk of performance to be high if the underlying assets under the credit derivative have an external rating that is below investment grade or an internal credit default grade that is equivalent thereto. We believe the net protection sold, which is representative of the net notional amount of protection sold and purchased with identical underlyings, in combination with other protection purchased, is more representative of our exposure to loss than either non-investment grade or protection sold. Other protection purchased represents additional protection, which may offset the exposure to loss for protection sold, that was not purchased with an identical underlying of the protection sold.

Credit-Risk Contingent Features

Certain of our derivative contracts contain provisions whereby if the credit rating of our debt were to be downgraded by certain major credit rating agencies, the counterparty could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a net liability position was $13.6 billion at December 31, 2014, and $14.3 billion at December 31, 2013, respectively, for which we posted $10.5 billion and $12.2 billion, respectively, in collateral in the normal course of business. If the credit rating of our debt had been downgraded below investment grade, which is the credit-risk-related contingent feature that if triggered requires the maximum amount of collateral to be posted, on December 31, 2014, or December 31, 2013, we would have been required to post additional collateral of $3.1 billion or $2.5 billion, respectively, or potentially settle the contract in an amount equal to its fair value. Some contracts require that we provide more collateral than the fair value of derivatives that are in a net liability position if a downgrade occurs.

Counterparty Credit Risk

By using derivatives, we are exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to legally enforceable master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent the master netting arrangements and other criteria meet the applicable requirements, including determining the legal enforceability of the arrangement, it is our policy to present derivative balances and related cash collateral amounts net on the balance sheet. We incorporate credit valuation adjustments (CVA) to reflect counterparty credit risk in determining the fair value of our derivatives. Such adjustments, which consider the effects of enforceable master netting agreements and collateral arrangements, reflect market-based views of the credit quality of each counterparty. Our CVA calculation is determined based on observed credit spreads in the credit default swap market and indices indicative of the credit quality of the counterparties to our derivatives.

Note 17: Fair Values of Assets and Liabilities

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Assets and liabilities recorded at fair value on a recurring basis are presented in the recurring table in this Note. From time to time, we may be required to record at fair value other assets on a nonrecurring basis, such as certain residential and commercial MHFS, certain LHFS, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets.

Following is a discussion of the fair value hierarchy and the valuation methodologies used for assets and liabilities recorded at fair value on a recurring or nonrecurring basis and for estimating fair value for financial instruments not recorded at fair value.

Fair Value Hierarchy

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

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

In the determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy, we consider all available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, we use a predetermined percentage to evaluate the impact of fair value adjustments derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Otherwise, the classification of Level 2 or Level 3 is based upon the specific facts and circumstances of each instrument or instrument category and judgments are made regarding the significance of the Level 3 inputs to the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

Assets

SHORT-TERM FINANCIAL ASSETS Short-term financial assets include cash and due from banks, federal funds sold and securities purchased under resale agreements and due from customers on acceptances. These assets are carried at historical cost. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

TRADING ASSETS (EXCLUDING DERIVATIVES) AND INVESTMENT SECURITIES Trading assets and available-for-sale securities are recorded at fair value on a recurring basis. Other investment securities classified as held-to-maturity are subject to impairment and fair value measurement if fair value declines below amortized cost and we do not expect to recover the entire amortized cost basis of the debt security. Fair value measurement is based upon various sources of market pricing. We use quoted prices in active markets, where available, and classify such instruments within Level 1 of the fair value hierarchy. Examples include exchange-traded equity securities and some highly liquid government securities, such as U.S. Treasuries. When instruments are traded in secondary markets and quoted market prices do not exist for such securities, we generally rely on internal valuation techniques or on prices obtained from vendors (predominantly third-party pricing services), and accordingly, we classify these instruments as Level 2 or 3.

Trading securities are mostly valued using internal trader prices that are subject to price verification procedures performed by separate internal personnel. The majority of fair values derived using internal valuation techniques are verified against multiple pricing sources, including prices obtained from third-party vendors. Vendors compile prices from various sources and often apply matrix pricing for similar securities when no price is observable. We review pricing methodologies provided by the vendors in order to determine if observable market information is being used versus unobservable inputs. When evaluating the appropriateness of an internal trader price compared with vendor prices, considerations include the range and quality of vendor prices. Vendor prices are used to ensure the reasonableness of a trader price; however valuing financial instruments involves judgments acquired from knowledge of a particular market. If a trader asserts that a vendor price is not reflective of market value, justification for using the trader price, including recent sales activity where possible, must be provided to and approved by the appropriate levels of management.

Similarly, while investment securities traded in secondary markets are typically valued using unadjusted vendor prices or vendor prices adjusted by weighting them with internal discounted cash flow techniques, these prices are reviewed and, if deemed inappropriate by a trader who has the most knowledge of a particular market, can be adjusted. Securities measured with these internal valuation techniques are generally classified as Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models, discounted cash flow analyses using significant inputs observable in the market where available or a combination of multiple valuation techniques. Examples include certain residential and commercial MBS, municipal bonds, U.S. government and agency MBS, and corporate debt securities.

Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or a combination of multiple valuation techniques, such as weighting of internal models and vendor pricing, where the unobservable inputs are significant to the overall fair value measurement. Securities classified as Level 3 include certain residential and commercial MBS, other asset-backed securities, CDOs and certain CLOs, and certain residual and retained interests in residential mortgage loan

securitizations. We value CDOs using the prices of similar instruments, the pricing of completed or pending third-party transactions or the pricing of the underlying collateral within the CDO. Where vendor prices are not readily available, we use management's best estimate.

MORTGAGES HELD FOR SALE (MHFS) We carry most of our residential MHFS portfolio at fair value. Fair value is based on quoted market prices, where available, or the prices for other mortgage whole loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions and liquidity. Most of our MHFS are classified as Level 2. For the portion where market pricing data is not available, we use a discounted cash flow model to estimate fair value and, accordingly, classify as Level 3.

LOANS HELD FOR SALE (LHFS) LHFS are carried at the lower of cost or market value or at fair value. The fair value of LHFS is based on what secondary markets are currently offering for loans with similar characteristics. As such, we classify those loans subjected to nonrecurring fair value adjustments as Level 2.

LOANS For information on how we report the carrying value of loans, including PCI loans, see Note 1 (Summary of Significant Accounting Policies). Although most loans are not recorded at fair value on a recurring basis, reverse mortgages are recorded at fair value on a recurring basis. In addition, we record nonrecurring fair value adjustments to loans to reflect partial write-downs that are based on the observable market price of the loan or current appraised value of the collateral.

We provide fair value estimates in this disclosure for loans that are not recorded at fair value on a recurring or nonrecurring basis. Those estimates differentiate loans based on their financial characteristics, such as product classification, loan category, pricing features and remaining maturity. Prepayment and credit loss estimates are evaluated by product and loan rate.

The fair value of commercial loans is calculated by discounting contractual cash flows, adjusted for credit loss estimates, using discount rates that are appropriate for loans with similar characteristics and remaining maturity. For real estate 1-4 family first and junior lien mortgages, we calculate fair value by discounting contractual cash flows, adjusted for prepayment and credit loss estimates, using discount rates based on current industry pricing (where readily available) or our own estimate of an appropriate discount rate for loans of similar size, type, remaining maturity and repricing characteristics.

The carrying value of credit card loans, which is adjusted for estimates of credit losses inherent in the portfolio at the balance sheet date, is reported as a reasonable estimate of fair value. For all other consumer loans, the fair value is generally calculated by discounting the contractual cash flows, adjusted for prepayment and credit loss estimates, based on the current rates we offer for loans with similar characteristics.

Loan commitments, standby letters of credit and commercial and similar letters of credit generate ongoing fees at our current pricing levels, which are recognized over the term of the commitment period. In situations where the credit quality of the counterparty to a commitment has declined, we record an allowance. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees adjusted for the related allowance. Certain letters of credit that are hedged with derivative instruments are carried at fair value in trading assets or liabilities. For those letters of credit, fair value is calculated based on readily quotable credit default spreads using a market risk credit default swap model.

DERIVATIVES Quoted market prices are available and used for our exchange-traded derivatives, such as certain interest rate futures and option contracts, which we classify as Level 1. However, substantially all of our derivatives are traded in over-the-counter (OTC) markets where quoted market prices are not always readily available. Therefore we value most OTC derivatives using internal valuation techniques. Valuation techniques and inputs to internally-developed models depend on the type of derivative and nature of the underlying rate, price or index upon which the derivative's value is based. Key inputs can include yield curves, credit curves, foreign-exchange rates, prepayment rates, volatility measurements and correlation of such inputs. Where model inputs can be observed in a liquid market and the model does not require significant judgment, such derivatives are typically classified as Level 2 of the fair value hierarchy. Examples of derivatives classified as Level 2 include generic interest rate swaps, foreign currency swaps, commodity swaps, and certain option and forward contracts. When instruments are traded in less liquid markets and significant inputs are unobservable, such derivatives are classified as Level 3. Examples of derivatives classified as Level 3 include complex and highly structured derivatives, certain credit default swaps, interest rate lock commitments written for our mortgage loans that we intend to sell and long dated equity options where volatility is not observable. Additionally, significant judgments are required when classifying financial instruments within the fair value hierarchy, particularly between Level 2 and 3, as is the case for certain derivatives.

MORTGAGE SERVICING RIGHT (MSRs) AND CERTAIN OTHER INTERESTS HELD IN SECURITIZATIONS MSRs and certain other interests held in securitizations (e.g., interest-only strips) do not trade in an active market with readily observable prices. Accordingly, we determine the fair value of MSRs using a valuation model that calculates the present value of estimated future net servicing income cash flows. The model incorporates assumptions that market participants use in estimating future net servicing income cash flows, including estimates of prepayment speeds (including housing price volatility), discount rates, default rates, cost to service (including delinquency and foreclosure costs), escrow account earnings, contractual servicing fee income, ancillary income and late fees. Commercial MSRs are carried at lower of cost or market value, and therefore can be subject to fair value measurements on a nonrecurring basis. Changes in the fair value of MSRs occur primarily due to the collection/realization of expected cash flows, as well as changes in valuation inputs and assumptions. For other interests held in securitizations (such as interest-only strips), we use a valuation model that calculates the present value of estimated future cash flows. The model incorporates our own estimates of assumptions market participants use in determining the fair value, including estimates of prepayment speeds, discount rates, defaults and contractual fee income. Interest-only strips are recorded as trading assets. Our valuation approach is validated by our internal valuation model validation group. Fair value measurements of our MSRs and interest-only strips use significant unobservable inputs and, accordingly, we classify them as Level 3.

FORECLOSED ASSETS Foreclosed assets are carried at net realizable value, which represents fair value less costs to sell. Fair value is generally based upon independent market prices or

appraised values of the collateral and, accordingly, we classify foreclosed assets as Level 2.

NONMARKETABLE EQUITY INVESTMENTS For certain equity securities that are not publicly traded, we have elected the fair value option and we use a market comparable pricing technique to estimate their fair value. The remaining nonmarketable equity investments include low income housing tax credit investments, Federal Reserve Bank and Federal Home Loan Bank (FHLB) stock, and private equity investments which are recorded under the cost or equity method of accounting. We estimate fair value to record other-than-temporary impairment write-downs on a nonrecurring basis. Additionally, we provide fair value estimates in this disclosure for cost method investments that are not measured at fair value on a recurring or nonrecurring basis.

Federal Bank stock carrying values approximate fair value. For the remaining cost or equity method investments for which we determine fair value, we estimate the fair value using all available information and consider the range of potential inputs including discounted cash flow models, transaction prices, trading multiples of comparable public companies, and entry level multiples. Where appropriate these metrics are adjusted to account for comparative differences with public companies, and for company-specific issues like liquidity or marketability. For investments in private equity funds, we use the NAV provided by the fund sponsor as a practical expedient to measure fair value. In some cases, such NAVs may require adjustments based on certain unobservable inputs.

Liabilities

DEPOSIT LIABILITIES Deposit liabilities are carried at historical cost. The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, interest-bearing checking, and market rate and other savings, is equal to the amount payable on demand at the measurement date. The fair value of other time deposits is calculated based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for like wholesale deposits with similar remaining maturities.

SHORT-TERM FINANCIAL LIABILITIES Short-term financial liabilities are carried at historical cost and include federal funds purchased and securities sold under repurchase agreements, commercial paper and other short-term borrowings. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

OTHER LIABILITIES Other liabilities recorded at fair value on a recurring basis, excluding derivative liabilities (see the "Derivatives" section for derivative liabilities), primarily include short sale liabilities. Short sale liabilities are predominantly classified as either Level 1 or Level 2, generally depending upon whether the underlying securities have readily obtainable quoted prices in active exchange markets.

LONG-TERM DEBT Long-term debt is generally carried at amortized cost. For disclosure, we are required to estimate the fair value of long-term debt and generally do so using the discounted cash flow method. Contractual cash flows are discounted using rates currently offered for new notes with similar remaining maturities and, as such, these discount rates include our current spread levels.

Level 3 Asset and Liability Valuation Processes

We generally determine fair value of our Level 3 assets and liabilities by using internally developed models and, to a lesser extent, prices obtained from vendors, which predominantly consist of third-party pricing services. Our valuation processes vary depending on which approach is utilized.

INTERNAL MODEL VALUATIONS Our internally developed models primarily use discounted cash flow techniques. Use of such techniques requires determining relevant inputs, some of which are unobservable. Unobservable inputs are generally derived from historic performance of similar assets or determined from previous market trades in similar instruments. These unobservable inputs usually consist of discount rates, default rates, loss severity upon default, volatilities, correlations and prepayment rates, which are inherent within our Level 3 instruments. Such inputs can be correlated to similar portfolios with known historic experience or recent trades where particular unobservable inputs may be implied, but due to the nature of various inputs being reflected within a particular trade, the value of each input is considered unobservable. We attempt to correlate each unobservable input to historic experience and other third-party data where available.

Internal valuation models are subject to review prescribed within our model risk management policies and procedures, which include model validation. The purpose of model validation includes ensuring the model is appropriate for its intended use and the appropriate controls exist to help mitigate risk of invalid valuations. Model validation assesses the adequacy and appropriateness of the model, including reviewing its key components, such as inputs, processing components, logic or theory, output results and supporting model documentation. Validation also includes ensuring significant unobservable model inputs are appropriate given observable market transactions or other market data within the same or similar asset classes. This ensures modeled approaches are appropriate given similar product valuation techniques and are in line with their intended purpose.

We have ongoing monitoring procedures in place for our Level 3 assets and liabilities that use such internal valuation models. These procedures, which are designed to provide reasonable assurance that models continue to perform as expected after approved, include:

- ongoing analysis and benchmarking to market transactions and other independent market data (including pricing vendors, if available);
- back-testing of modeled fair values to actual realized transactions; and
- review of modeled valuation results against expectations, including review of significant or unusual value fluctuations.

We update model inputs and methodologies periodically to reflect these monitoring procedures. Additionally, procedures and controls are in place to ensure existing models are subject to periodic reviews, and we perform full model revalidations as necessary.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are subject to additional oversight by a corporate-level risk management department. Corporate oversight responsibilities include evaluating the adequacy of business unit risk management programs, maintaining company-wide model validation policies and standards and reporting the results of these activities to management and our Corporate Model Risk Committee (CMoR). The CMoR consists of senior executive management and reports

on top model risk issues to the Company's Risk Committee of the Board.

VENDOR-DEVELOPED VALUATIONS In certain limited circumstances we obtain pricing from third-party vendors for the value of our Level 3 assets or liabilities. We have processes in place to approve such vendors to ensure information obtained and valuation techniques used are appropriate. Once these vendors are approved to provide pricing information, we monitor and review the results to ensure the fair values are reasonable and in line with market experience in similar asset classes. While the input amounts used by the pricing vendor in determining fair value are not provided, and therefore unavailable for our review, we do perform one or more of the following procedures to validate the prices received:

- comparison to other pricing vendors (if available);
- variance analysis of prices;
- corroboration of pricing by reference to other independent market data, such as market transactions and relevant benchmark indices;
- review of pricing by Company personnel familiar with market liquidity and other market-related conditions; and
- investigation of prices on a specific instrument-by-instrument basis.

Fair Value Measurements from Vendors

For certain assets and liabilities, we obtain fair value measurements from vendors, which predominantly consist of third-party pricing services, and record the unadjusted fair value in our financial statements. For instruments where we utilize vendor prices to record the price of an instrument, we perform additional procedures. We evaluate pricing vendors by comparing prices from one vendor to prices of other vendors for identical or similar instruments and evaluate the consistency of prices to known market transactions when determining the level of reliance to place on a particular pricing vendor. Methodologies employed, controls in place and inputs used by third-party pricing vendors are subject to additional review when such services are provided. This review may consist of, in part, obtaining and evaluating control reports issued and pricing methodology materials distributed.

The fair value measurements provided by brokers or third-party pricing services, and not adjusted by us, are shown by fair value hierarchy level in the table below. Fair value measurements obtained from brokers or third-party pricing services that we have adjusted to determine the fair value recorded in our financial statements are not included in the following table.

		Brokers			Third-party pricing services	
(in millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
December 31, 2014						
Trading assets (excluding derivatives)	**$ —**	**—**	**—**	**2**	**105**	**—**
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**—**	**—**	**—**	**19,899**	**5,905**	**—**
Securities of U.S. states and political subdivisions	**—**	**—**	**—**	**—**	**42,666**	**61**
Mortgage-backed securities	**—**	**152**	**—**	**—**	**135,997**	**133**
Other debt securities (1)	**—**	**1,035**	**601**	**—**	**41,933**	**541**
Total debt securities	**—**	**1,187**	**601**	**19,899**	**226,501**	**735**
Total marketable equity securities	**—**	**—**	**—**	**—**	**569**	**—**
Total available-for-sale securities	**—**	**1,187**	**601**	**19,899**	**227,070**	**735**
Derivatives (trading and other assets)	**—**	**1**	**—**	**—**	**290**	**—**
Derivatives (liabilities)	**—**	**(1)**	**—**	**—**	**(292)**	**—**
Other liabilities	**—**	**—**	**—**	**—**	**(1)**	**—**
December 31, 2013						
Trading assets (excluding derivatives)	$ —	122	1	1,804	652	3
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	—	—	—	557	5,723	—
Securities of U.S. states and political subdivisions	—	—	—	—	39,257	63
Mortgage-backed securities	—	621	—	—	148,074	180
Other debt securities (1)	—	1,537	722	—	44,681	746
Total debt securities	—	2,158	722	557	237,735	989
Total marketable equity securities	—	—	—	—	630	—
Total available-for-sale securities	—	2,158	722	557	238,365	989
Derivatives (trading and other assets)	—	5	—	—	417	3
Derivatives (liabilities)	—	(12)	—	—	(418)	—
Other liabilities	—	(115)	—	—	(36)	—

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

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following two tables present the balances of assets and liabilities recorded at fair value on a recurring basis.

(in millions)	Level 1	Level 2	Level 3	Netting	Total
December 31, 2014					
Trading assets (excluding derivatives)					
Securities of U.S. Treasury and federal agencies	10,506	3,886	—	—	14,392
Securities of U.S. states and political subdivisions	—	1,537	7	—	1,544
Collateralized loan and other debt obligations (1)	—	274	445	—	719
Corporate debt securities	—	7,517	54	—	7,571
Mortgage-backed securities	—	16,273	—	—	16,273
Asset-backed securities	—	776	79	—	855
Equity securities	18,512	38	10	—	18,560
Total trading securities (2)	29,018	30,301	595	—	59,914
Other trading assets	—	1,398	55	—	1,453
Total trading assets (excluding derivatives)	29,018	31,699	650	—	61,367
Securities of U.S. Treasury and federal agencies	19,899	5,905	—	—	25,804
Securities of U.S. states and political subdivisions	—	42,667	2,277 (3)	—	44,944
Mortgage-backed securities:					
Federal agencies	—	110,089	—	—	110,089
Residential	—	9,245	24	—	9,269
Commercial	—	16,885	109	—	16,994
Total mortgage-backed securities	—	136,219	133	—	136,352
Corporate debt securities	83	14,451	252	—	14,786
Collateralized loan and other debt obligations (4)	—	24,274	1,087 (3)	—	25,361
Asset-backed securities:					
Auto loans and leases	—	31	245 (3)	—	276
Home equity loans	—	662	—	—	662
Other asset-backed securities	—	4,189	1,372 (3)	—	5,561
Total asset-backed securities	—	4,882	1,617	—	6,499
Other debt securities	—	20	—	—	20
Total debt securities	19,982	228,418	5,366	—	253,766
Marketable equity securities:					
Perpetual preferred securities (5)	468	569	663 (3)	—	1,700
Other marketable equity securities	1,952	24	—	—	1,976
Total marketable equity securities	2,420	593	663	—	3,676
Total available-for-sale securities	22,402	229,011	6,029	—	257,442
Mortgages held for sale	—	13,252	2,313	—	15,565
Loans held for sale	—	1	—	—	1
Loans	—	—	5,788	—	5,788
Mortgage servicing rights (residential)	—	—	12,738	—	12,738
Derivative assets:					
Interest rate contracts	27	63,306	365	—	63,698
Commodity contracts	—	7,438	23	—	7,461
Equity contracts	4,102	3,544	1,359	—	9,005
Foreign exchange contracts	65	7,339	—	—	7,404
Credit contracts	—	440	466	—	906
Other derivative contracts	—	—	—	—	—
Netting	—	—	—	(65,869) (6)	(65,869)
Total derivative assets (7)	4,194	82,067	2,213	(65,869)	22,605
Other assets	—	—	2,593	—	2,593
Total assets recorded at fair value	55,614	356,030	32,324	(65,869)	378,099
Derivative liabilities:					
Interest rate contracts	(29)	(59,958)	(72)	—	(60,059)
Commodity contracts	—	(7,680)	(22)	—	(7,702)
Equity contracts	(1,290)	(4,305)	(1,443)	—	(7,038)
Foreign exchange contracts	(60)	(7,767)	—	—	(7,827)
Credit contracts	—	(456)	(655)	—	(1,111)
Other derivative contracts	—	—	(44)	—	(44)
Netting	—	—	—	65,043 (6)	65,043
Total derivative liabilities (7)	(1,379)	(80,166)	(2,236)	65,043	(18,738)
Short sale liabilities:					
Securities of U.S. Treasury and federal agencies	(7,043)	(1,636)	—	—	(8,679)
Securities of U.S. states and political subdivisions	—	(26)	—	—	(26)
Corporate debt securities	—	(5,055)	—	—	(5,055)
Equity securities	(2,259)	(2)	—	—	(2,261)
Other securities	—	(73)	(6)	—	(79)
Total short sale liabilities	(9,302)	(6,792)	(6)	—	(16,100)
Other liabilities (excluding derivatives)	—	—	(28)	—	(28)
Total liabilities recorded at fair value	(10,681)	(86,958)	(2,270)	65,043	(34,866)

(1) The entire balance only consists of collateralized loan obligations.
(2) Net gains from trading activities recognized in the income statement for the year ended December 31, 2014 include $211 million in net unrealized gains on trading securities held at December 31, 2014.
(3) Balances consist of securities that are mostly investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.
(4) Includes collateralized debt obligations of $500 million.
(5) Perpetual preferred securities include ARS and corporate preferred securities. See Note 8 (Securitizations and Variable Interest Entities) for additional information.
(6) Represents balance sheet netting of derivative asset and liability balances and related cash collateral. See Note 16 (Derivatives) for additional information.
(7) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

(continued on following page)

(continued from previous page)

(in millions)	Level 1	Level 2	Level 3	Netting	Total
December 31, 2013					
Trading assets (excluding derivatives)					
Securities of U.S. Treasury and federal agencies	8,301	3,669	—	—	11,970
Securities of U.S. states and political subdivisions	—	2,043	39	—	2,082
Collateralized loan and other debt obligations (1)	—	212	541	—	753
Corporate debt securities	—	7,052	53	—	7,105
Mortgage-backed securities	—	14,608	1	—	14,609
Asset-backed securities	—	487	122	—	609
Equity securities	5,908	87	13	—	6,008
Total trading securities (2)	14,209	28,158	769	—	43,136
Other trading assets	2,694	2,487	54	—	5,235
Total trading assets (excluding derivatives)	16,903	30,645	823	—	48,371
Securities of U.S. Treasury and federal agencies	557	5,723	—	—	6,280
Securities of U.S. states and political subdivisions	—	39,322	3,214 (3)	—	42,536
Mortgage-backed securities:					
Federal agencies	—	117,591	—	—	117,591
Residential	—	12,389	64	—	12,453
Commercial	—	18,609	138	—	18,747
Total mortgage-backed securities	—	148,589	202	—	148,791
Corporate debt securities	113	20,833	281	—	21,227
Collateralized loan and other debt obligations (4)	—	18,739	1,420 (3)	—	20,159
Asset-backed securities:					
Auto loans and leases	—	21	492 (3)	—	513
Home equity loans	—	843	—	—	843
Other asset-backed securities	—	6,577	1,657 (3)	—	8,234
Total asset-backed securities	—	7,441	2,149	—	9,590
Other debt securities	—	39	—	—	39
Total debt securities	670	240,686	7,266	—	248,622
Marketable equity securities:					
Perpetual preferred securities (5)	508	628	729 (3)	—	1,865
Other marketable equity securities	1,511	9	—	—	1,520
Total marketable equity securities	2,019	637	729	—	3,385
Total available-for-sale securities	2,689	241,323	7,995	—	252,007
Mortgages held for sale	—	11,505	2,374	—	13,879
Loans held for sale	—	1	—	—	1
Loans	—	272	5,723	—	5,995
Mortgage servicing rights (residential)	—	—	15,580	—	15,580
Derivative assets:					
Interest rate contracts	36	55,466	344	—	55,846
Commodity contracts	—	2,667	6	—	2,673
Equity contracts	1,522	4,221	2,081	—	7,824
Foreign exchange contracts	44	4,789	10	—	4,843
Credit contracts	—	782	719	—	1,501
Other derivative contracts	—	—	13	—	13
Netting	—	—	—	(56,894) (6)	(56,894)
Total derivative assets (7)	1,602	67,925	3,173	(56,894)	15,806
Other assets	—	—	1,503	—	1,503
Total assets recorded at fair value	21,194	351,671	37,171	(56,894)	353,142
Derivative liabilities:					
Interest rate contracts	(26)	(56,128)	(384)	—	(56,538)
Commodity contracts	—	(2,587)	(16)	—	(2,603)
Equity contracts	(449)	(5,218)	(2,127)	—	(7,794)
Foreign exchange contracts	(75)	(4,432)	(1)	—	(4,508)
Credit contracts	—	(806)	(1,094)	—	(1,900)
Other derivative contracts	—	—	(16)	—	(16)
Netting	—	—	—	63,739 (6)	63,739
Total derivative liabilities (7)	(550)	(69,171)	(3,638)	63,739	(9,620)
Short sale liabilities:					
Securities of U.S. Treasury and federal agencies	(4,311)	(2,063)	—	—	(6,374)
Securities of U.S. states and political subdivisions	—	(24)	—	—	(24)
Corporate debt securities	—	(4,683)	—	—	(4,683)
Equity securities	(1,788)	(48)	—	—	(1,836)
Other securities	—	(95)	—	—	(95)
Total short sale liabilities	(6,099)	(6,913)	—	—	(13,012)
Other liabilities (excluding derivatives)	—	—	(39)	—	(39)
Total liabilities recorded at fair value	(6 649)	(76 084)	(3 677)	63 739	(22 671)

(1) Includes collateralized debt obligations of $2 million.
(2) Net gains from trading activities recognized in the income statement for the year ended December 31, 2013 include $(29) million in net unrealized losses on trading securities held at December 31, 2013.
(3) Balances consist of securities that are predominantly investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.
(4) Includes collateralized debt obligations of $693 million.
(5) Perpetual preferred securities include ARS and corporate preferred securities. See Note 8 (Securitizations and Variable Interest Entities) for additional information.
(6) Represents balance sheet netting of derivative asset and liability balances and related cash collateral. See Note 16 (Derivatives) for additional information.
(7) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

Changes in Fair Value Levels

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy and transfer between Level 1, Level 2, and Level 3 accordingly. Observable market data includes but is not limited to quoted prices and market transactions. Changes in economic conditions or market liquidity generally will drive changes in availability of observable market data. Changes in availability of observable market data, which also may result in changing the valuation technique used, are generally the cause of transfers between Level 1, Level 2, and Level 3.

Transfers into and out of Level 1, Level 2, and Level 3 for the periods presented are provided within the following table. The amounts reported as transfers represent the fair value as of the beginning of the quarter in which the transfer occurred.

	Transfers Between Fair Value Levels						
	Level 1		Level 2		Level 3 (1)		
(in millions)	In	Out	In	Out	In	Out	Total
Year ended December 31, 2014							
Trading assets (excluding derivatives)	**$ —**	**(11)**	**70**	**(31)**	**31**	**(59)**	**—**
Available-for-sale securities	**—**	**(8)**	**370**	**(148)**	**148**	**(362)**	**—**
Mortgages held for sale	**—**	**—**	**229**	**(440)**	**440**	**(229)**	**—**
Loans	**—**	**—**	**49**	**(270)**	**270**	**(49)**	**—**
Net derivative assets and liabilities (2)	**—**	**—**	**(134)**	**20**	**(20)**	**134**	**—**
Short sale liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total transfers	**$ —**	**(19)**	**584**	**(869)**	**869**	**(565)**	**—**
Year ended December 31, 2013							
Trading assets (excluding derivatives) (3)	$ —	(242)	535	(56)	52	(289)	—
Available-for-sale securities (3)(4)	17	—	12,830	(117)	100	(12,830)	—
Mortgages held for sale	—	—	343	(336)	336	(343)	—
Loans	—	—	193	—	—	(193)	—
Net derivative assets and liabilities (2)	—	—	(142)	13	(13)	142	—
Short sale liabilities	—	—	—	—	—	—	—
Total transfers	$ 17	(242)	13,759	(496)	475	(13,513)	—
Year ended December 31, 2012							
Trading assets (excluding derivatives)	$ 23	—	16	(37)	14	(16)	—
Available-for-sale securities (5)	8	—	9,832	(68)	60	(9,832)	—
Mortgages held for sale	—	—	298	(488)	488	(298)	—
Loans (6)	—	—	41	(5,851)	5,851	(41)	—
Net derivative assets and liabilities	—	—	51	8	(8)	(51)	—
Short sale liabilities	—	—	—	—	—	—	—
Total transfers	$ 31	—	10,238	(6,436)	6,405	(10,238)	—

(1) All transfers in and out of Level 3 are disclosed within the recurring Level 3 rollforward table in this Note.
(2) Consists of net derivative liabilities that were transferred from Level 3 to Level 2 due to increased observable market data. Also includes net derivative liabilities that were transferred from Level 2 to Level 3 due to a decrease in observable market data.
(3) Consists of $231 million of collateralized loan obligations classified as trading assets and $12.5 billion classified as available-for-sale securities that we transferred from Level 3 to Level 2 in 2013 as a result of increased observable market data in the valuation of such instruments.
(4) Transfers out of available-for-sale securities classified as Level 3 exclude $6.0 billion in asset-backed securities that were transferred from the available-for-sale portfolio to held-to-maturity securities.
(5) Includes $9.4 billion of securities of U.S. states and political subdivisions that we transferred from Level 3 to Level 2 as a result of increased observable market data in the valuation of such instruments. This transfer was done in conjunction with a change in our valuation technique from an internal model based upon unobservable inputs to third-party vendor pricing based upon market observable data.
(6) Consists of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions. We transferred the loans from Level 2 to Level 3 due to decreased market activity and visibility to significant trades of the same or similar products. As a result, we changed our valuation technique from an internal model based on market observable data to an internal discounted cash flow model based on unobservable inputs.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2014, are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in: Net income	Total net gains (losses) included in: Other comprehensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end	(2)
Year ended December 31, 2014									
Trading assets (excluding derivatives):									
Securities of U.S. states and political subdivisions	$ 39	1	—	(2)	—	(31)	7	—	
Collateralized loan and other debt obligations	541	36	—	(121)	4	(15)	445	(48)	
Corporate debt securities	53	—	—	(21)	26	(4)	54	1	
Mortgage-backed securities	1	—	—	2	—	(3)	—	—	
Asset-backed securities	122	32	—	(70)	—	(5)	79	32	
Equity securities	13	—	—	(3)	—	—	10	—	
Total trading securities	769	69	—	(215)	30	(58)	595	(15)	
Other trading assets	54	(10)	—	11	1	(1)	55	(1)	
Total trading assets (excluding derivatives)	823	59	—	(204)	31	(59)	650	(16)	(3)
Available-for-sale securities:									
Securities of U.S. states and political subdivisions	3,214	21	(86)	(569)	59	(362)	2,277	(2)	
Mortgage-backed securities:									
Residential	64	11	(5)	(46)	—	—	24	—	
Commercial	138	9	(1)	(37)	—	—	109	(4)	
Total mortgage-backed securities	202	20	(6)	(83)	—	—	133	(4)	
Corporate debt securities	281	25	(25)	(29)	—	—	252	—	
Collateralized loan and other debt obligations	1,420	117	(47)	(403)	—	—	1,087	(2)	
Asset-backed securities:									
Auto loans and leases	492	—	(33)	(214)	—	—	245	—	
Home equity loans	—	—	—	—	—	—	—	—	
Other asset-backed securities	1,657	5	(6)	(373)	89	—	1,372	—	
Total asset-backed securities	2,149	5	(39)	(587)	89	—	1,617	—	
Total debt securities	7,266	188	(203)	(1,671)	148	(362)	5,366	(8)	(4)
Marketable equity securities:									
Perpetual preferred securities	729	8	(29)	(45)	—	—	663	—	
Other marketable equity securities	—	4	—	(4)	—	—	—	—	
Total marketable equity securities	729	12	(29)	(49)	—	—	663	—	(5)
Total available-for-sale securities	7,995	200	(232)	(1,720)	148	(362)	6,029	(8)	
Mortgages held for sale	2,374	4	—	(276)	440	(229)	2,313	7	(6)
Loans	5,723	(52)	—	(104)	270	(49)	5,788	(32)	(6)
Mortgage servicing rights (residential) (7)	15,580	(4,031)	—	1,189	—	—	12,738	(2,122)	(6)
Net derivative assets and liabilities:									
Interest rate contracts	(40)	1,588	—	(1,255)	—	—	293	317	
Commodity contracts	(10)	(21)	—	(2)	(3)	37	1	(1)	
Equity contracts	(46)	96	—	(214)	(17)	97	(84)	(42)	
Foreign exchange contracts	9	5	—	(14)	—	—	—	—	
Credit contracts	(375)	26	—	160	—	—	(189)	(38)	
Other derivative contracts	(3)	(41)	—	—	—	—	(44)	(40)	
Total derivative contracts	(465)	1,653	—	(1,325)	(20)	134	(23)	196	(8)
Other assets	1,503	514	—	576	—	—	2,593	(8)	(3)
Short sale liabilities	—	1	—	(7)	—	—	(6)	1	(3)
Other liabilities (excluding derivatives)	(39)	(10)	—	21	—	—	(28)	(1)	(6)

(1) See next page for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.
(4) Included in net gains (losses) from debt securities in the income statement.
(5) Included in net gains (losses) from equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) For more information on the changes in mortgage servicing rights, see Note 9 (Mortgage Banking Activities).
(8) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

(continued on following page)

Note 17: Fair Values of Assets and Liabilities *(continued)*

(continued from previous page)

The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2014.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Year ended December 31, 2014					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 10	(12)	—	—	(2)
Collateralized loan and other debt obligations	1,057	(1,174)	—	(4)	(121)
Corporate debt securities	85	(106)	—	—	(21)
Mortgage-backed securities	3	(1)	—	—	2
Asset-backed securities	17	(47)	—	(40)	(70)
Equity securities	—	—	—	(3)	(3)
Total trading securities	1,172	(1,340)	—	(47)	(215)
Other trading assets	11	(1)	1	—	11
Total trading assets (excluding derivatives)	1,183	(1,341)	1	(47)	(204)
Available-for-sale securities:					
Securities of U.S. states and political subdivisions	73	(144)	336	(834)	(569)
Mortgage-backed securities:					
Residential	—	(44)	—	(2)	(46)
Commercial	—	(31)	—	(6)	(37)
Total mortgage-backed securities	—	(75)	—	(8)	(83)
Corporate debt securities	21	(32)	10	(28)	(29)
Collateralized loan and other debt obligations	134	(34)	—	(503)	(403)
Asset-backed securities:					
Auto loans and leases	—	—	—	(214)	(214)
Home equity loans	—	—	—	—	—
Other asset-backed securities	117	(16)	522	(996)	(373)
Total asset-backed securities	117	(16)	522	(1,210)	(587)
Total debt securities	345	(301)	868	(2,583)	(1,671)
Marketable equity securities:					
Perpetual preferred securities	—	—	—	(45)	(45)
Other marketable equity securities	—	(4)	—	—	(4)
Total marketable equity securities	—	(4)	—	(45)	(49)
Total available-for-sale securities	345	(305)	868	(2,628)	(1,720)
Mortgages held for sale	208	(276)	167	(375)	(276)
Loans	76	—	438	(618)	(104)
Mortgage servicing rights (residential)	—	(7)	1,196	—	1,189
Net derivative assets and liabilities:					
Interest rate contracts	—	—	—	(1,255)	(1,255)
Commodity contracts	—	—	—	(2)	(2)
Equity contracts	—	(116)	—	(98)	(214)
Foreign exchange contracts	—	—	—	(14)	(14)
Credit contracts	3	(2)	—	159	160
Other derivative contracts	—	—	—	—	—
Total derivative contracts	3	(118)	—	(1,210)	(1,325)
Other assets	608	(1)	—	(31)	576
Short sale liabilities	20	(27)	—	—	(7)
Other liabilities (excluding derivatives)	—	—	—	21	21

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2013, are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in: Net income	Total net gains (losses) included in: Other comprehensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end	(2)
Year ended December 31, 2013									
Trading assets (excluding derivatives):									
Securities of U.S. states and political subdivisions	$ 46	3	—	(10)	—	—	39	—	
Collateralized loan and other debt obligations	742	67	—	(37)	—	(231)	541	(33)	
Corporate debt securities	52	9	—	(1)	13	(20)	53	6	
Mortgage-backed securities	6	1	—	9	—	(15)	1	1	
Asset-backed securities	138	16	—	(35)	25	(22)	122	15	
Equity securities	3	—	—	(3)	13	—	13	—	
Total trading securities	987	96	—	(77)	51	(288)	769	(11)	
Other trading assets	76	(22)	—	—	1	(1)	54	(8)	
Total trading assets (excluding derivatives)	1,063	74	—	(77)	52	(289)	823	(19)	(3)
Available-for-sale securities:									
Securities of U.S. states and political subdivisions	3,631	11	(85)	(182)	53	(214)	3,214	—	
Mortgage-backed securities:									
Residential	94	17	(1)	(40)	—	(6)	64	—	
Commercial	203	(13)	28	(58)	—	(22)	138	(8)	
Total mortgage-backed securities	297	4	27	(98)	—	(28)	202	(8)	
Corporate debt securities	274	10	(10)	(13)	23	(3)	281	—	
Collateralized loan and other debt obligations	13,188	8	124	625	—	(12,525)	1,420	—	
Asset-backed securities:									
Auto loans and leases	5,921	(1)	(34)	(1,067)	—	(4,327)	492	—	
Home equity loans	51	3	(1)	(5)	—	(48)	—	—	
Other asset-backed securities	3,283	27	19	31	24	(1,727)	1,657	(7)	
Total asset-backed securities	9,255	29	(16)	(1,041)	24	(6,102)	2,149	(7)	(4)
Total debt securities	26,645	62	40	(709)	100	(18,872)	7,266	(15)	(5)
Marketable equity securities:									
Perpetual preferred securities	794	10	(2)	(73)	—	—	729	—	
Other marketable equity securities	—	—	—	—	—	—	—	—	
Total marketable equity securities	794	10	(2)	(73)	—	—	729	—	(6)
Total available-for-sale securities	27,439	72	38	(782)	100	(18,872)	7,995	(15)	
Mortgages held for sale	3,250	5	—	(874)	336	(343)	2,374	(74)	(7)
Loans	6,021	(211)	—	106	—	(193)	5,723	(178)	(7)
Mortgage servicing rights (residential) (8)	11,538	1,156	—	2,886	—	—	15,580	3,398	(7)
Net derivative assets and liabilities:									
Interest rate contracts	659	(662)	—	(39)	—	2	(40)	(186)	
Commodity contracts	21	—	—	(66)	(1)	36	(10)	(19)	
Equity contracts	(122)	(151)	—	137	(14)	104	(46)	48	
Foreign exchange contracts	21	(15)	—	1	2	—	9	(8)	
Credit contracts	(1,150)	(30)	—	805	—	—	(375)	345	
Other derivative contracts	(78)	75	—	—	—	—	(3)	—	
Total derivative contracts	(649)	(783)	—	838	(13)	142	(465)	180	(9)
Other assets	162	315	—	1,026	—	—	1,503	(2)	(3)
Short sale liabilities	—	—	—	—	—	—	—	—	(3)
Other liabilities (excluding derivatives)	(49)	3	—	7	—	—	(39)	5	(7)

(1) See next page for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.
(4) Level 3 transfers out include $6.0 billion in asset-backed securities that were transferred from the available-for-sale portfolio to held-to-maturity securities.
(5) Included in net gains (losses) from debt securities in the income statement.
(6) Included in net gains (losses) from equity investments in the income statement.
(7) Included in mortgage banking and other noninterest income in the income statement.
(8) For more information on the changes in mortgage servicing rights, see Note 9 (Mortgage Banking Activities).
(9) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

(continued on following page)

Note 17: Fair Values of Assets and Liabilities *(continued)*

(continued from previous page)

The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2013.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Year ended December 31, 2013					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 127	(136)	—	(1)	(10)
Collateralized loan and other debt obligations	1,030	(1,064)	—	(3)	(37)
Corporate debt securities	117	(117)	—	(1)	(1)
Mortgage-backed securities	429	(420)	—	—	9
Asset-backed securities	53	(45)	—	(43)	(35)
Equity securities	—	(3)	—	—	(3)
Total trading securities	1,756	(1,785)	—	(48)	(77)
Other trading assets	—	—	—	—	—
Total trading assets (excluding derivatives)	1,756	(1,785)	—	(48)	(77)
Available-for-sale securities:					
Securities of U.S. states and political subdivisions	—	(69)	648	(761)	(182)
Mortgage-backed securities:					
Residential	—	(37)	—	(3)	(40)
Commercial	—	(1)	—	(57)	(58)
Total mortgage-backed securities	—	(38)	—	(60)	(98)
Corporate debt securities	—	—	20	(33)	(13)
Collateralized loan and other debt obligations	1,008	(14)	—	(369)	625
Asset-backed securities:					
Auto loans and leases	1,751	—	1,047	(3,865)	(1,067)
Home equity loans	—	(5)	—	—	(5)
Other asset-backed securities	1,164	(36)	1,116	(2,213)	31
Total asset-backed securities	2,915	(41)	2,163	(6,078)	(1,041)
Total debt securities	3,923	(162)	2,831	(7,301)	(709)
Marketable equity securities:					
Perpetual preferred securities	—	(20)	—	(53)	(73)
Other marketable equity securities	—	—	—	—	—
Total marketable equity securities	—	(20)	—	(53)	(73)
Total available-for-sale securities	3,923	(182)	2,831	(7,354)	(782)
Mortgages held for sale	286	(574)	—	(586)	(874)
Loans	23	—	452	(369)	106
Mortgage servicing rights (residential)	—	(583)	3,469	—	2,886
Net derivative assets and liabilities:					
Interest rate contracts	—	—	—	(39)	(39)
Commodity contracts	—	—	—	(66)	(66)
Equity contracts	—	(148)	—	285	137
Foreign exchange contracts	—	—	—	1	1
Credit contracts	7	(5)	(4)	807	805
Other derivative contracts	—	—	—	—	—
Total derivative contracts	7	(153)	(4)	988	838
Other assets	1,064	(2)	—	(36)	1,026
Short sale liabilities	8	(8)	—	—	—
Other liabilities (excluding derivatives)	—	—	(4)	11	7

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2012 are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in: Net income	Total net gains (losses) included in: Other comprehensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end	(2)
Year ended December 31, 2012									
Trading assets (excluding derivatives):									
Securities of U.S. states and political subdivisions	$ 53	3	—	(10)	—	—	46	—	
Collateralized loan and other debt obligations	1,582	(191)	—	(649)	—	—	742	(47)	
Corporate debt securities	97	—	—	(45)	—	—	52	(3)	
Mortgage-backed securities	108	8	—	(110)	—	—	6	2	
Asset-backed securities	190	48	—	(98)	14	(16)	138	23	
Equity securities	4	—	—	(1)	—	—	3	—	
Total trading securities	2,034	(132)	—	(913)	14	(16)	987	(25)	
Other trading assets	115	(39)	—	—	—	—	76	(19)	
Total trading assets (excluding derivatives)	2,149	(171)	—	(913)	14	(16)	1,063	(44)	(3)
Available-for-sale securities:									
Securities of U.S. states and political subdivisions	11,516	10	160	1,347	—	(9,402)	3,631	—	
Mortgage-backed securities:									
Residential	61	12	16	50	29	(74)	94	(1)	
Commercial	232	(56)	57	(30)	—	—	203	(56)	
Total mortgage-backed securities	293	(44)	73	20	29	(74)	297	(57)	
Corporate debt securities	295	20	19	(20)	1	(41)	274	—	
Collateralized loan and other debt obligations	8,599	135	514	3,940	—	—	13,188	—	
Asset-backed securities:									
Auto loans and leases	6,641	3	3	(726)	—	—	5,921	—	
Home equity loans	282	15	14	(3)	29	(286)	51	(1)	
Other asset-backed securities	2,863	(29)	148	329	1	(29)	3,283	(6)	
Total asset-backed securities	9,786	(11)	165	(400)	30	(315)	9,255	(7)	
Total debt securities	30,489	110	931	4,887	60	(9,832)	26,645	(64)	(4)
Marketable equity securities:									
Perpetual preferred securities	1,344	91	(30)	(611)	—	—	794	—	
Other marketable equity securities	23	2	(16)	(9)	—	—	—	—	
Total marketable equity securities	1,367	93	(46)	(620)	—	—	794	—	(5)
Total available-for-sale securities	31,856	203	885	4,267	60	(9,832)	27,439	(64)	
Mortgages held for sale	3,410	(42)	—	(308)	488	(298)	3,250	(30)	(6)
Loans	23	43	—	145	5,851	(41)	6,021	43	(6)
Mortgage servicing rights (residential) (7)	12,603	(5,954)	—	4,889	—	—	11,538	(2,893)	(6)
Net derivative assets and liabilities:									
Interest rate contracts	609	7,397	—	(7,349)	—	2	659	562	
Commodity contracts	—	78	—	(50)	(8)	1	21	40	
Equity contracts	(75)	(11)	—	18	—	(54)	(122)	(16)	
Foreign exchange contracts	(7)	23	—	5	—	—	21	30	
Credit contracts	(1,998)	38	—	810	—	—	(1,150)	41	
Other derivative contracts	(117)	40	(1)	—	—	—	(78)	—	
Total derivative contracts	(1,588)	7,565	(1)	(6,566)	(8)	(51)	(649)	657	(8)
Other assets	244	(21)	—	(61)	—	—	162	(8)	(3)
Short sale liabilities	—	—	—	—	—	—	—	—	(3)
Other liabilities (excluding derivatives)	(44)	(43)	—	38	—	—	(49)	—	(6)

(1) See next page for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.
(4) Included in net gains (losses) from debt securities in the income statement.
(5) Included in net gains (losses) from equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) For more information on the change in mortgage servicing rights, see Note 9 (Mortgage Banking Activities).
(8) Included in mortgage banking, trading activities and other noninterest income in the income statement.

(continued on following page)

Note 17: Fair Values of Assets and Liabilities *(continued)*

(continued from previous page)

The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2012.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Year ended December 31, 2012					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 85	(95)	—	—	(10)
Collateralized loan and other debt obligations	829	(1,478)	—	—	(649)
Corporate debt securities	192	(237)	—	—	(45)
Mortgage-backed securities	49	(159)	—	—	(110)
Asset-backed securities	116	(169)	—	(45)	(98)
Equity securities	1	(2)	—	—	(1)
Total trading securities	1,272	(2,140)	—	(45)	(913)
Other trading assets	—	—	—	—	—
Total trading assets (excluding derivatives)	1,272	(2,140)	—	(45)	(913)
Available-for-sale securities:					
Securities of U.S. states and political subdivisions	1,847	(37)	1,011	(1,474)	1,347
Mortgage-backed securities:					
Residential	86	(34)	—	(2)	50
Commercial	39	—	—	(69)	(30)
Total mortgage-backed securities	125	(34)	—	(71)	20
Corporate debt securities	26	(37)	—	(9)	(20)
Collateralized loan and other debt obligations	5,608	(185)	—	(1,483)	3,940
Asset-backed securities:					
Auto loans and leases	3,004	—	666	(4,396)	(726)
Home equity loans	—	(2)	—	(1)	(3)
Other asset-backed securities	2,074	(159)	1,401	(2,987)	329
Total asset-backed securities	5,078	(161)	2,067	(7,384)	(400)
Total debt securities	12,684	(454)	3,078	(10,421)	4,887
Marketable equity securities:					
Perpetual preferred securities	—	—	—	(611)	(611)
Other marketable equity securities	—	(8)	—	(1)	(9)
Total marketable equity securities	—	(8)	—	(612)	(620)
Total available-for-sale securities	12,684	(462)	3,078	(11,033)	4,267
Mortgages held for sale	441	—	—	(749)	(308)
Loans	2	—	257	(114)	145
Mortgage servicing rights (residential)	—	(293)	5,182	—	4,889
Net derivative assets and liabilities:					
Interest rate contracts	11	—	—	(7,360)	(7,349)
Commodity contracts	—	(2)	—	(48)	(50)
Equity contracts	386	(375)	1	6	18
Foreign exchange contracts	2	(3)	—	6	5
Credit contracts	(6)	3	—	813	810
Other derivative contracts	—	—	—	—	—
Total derivative contracts	393	(377)	1	(6,583)	(6,566)
Other assets	19	(8)	—	(72)	(61)
Short sale liabilities	9	(9)	—	—	—
Other liabilities (excluding derivatives)	(3)	11	(216)	246	38

The following table provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a recurring basis for which we use an internal model.

The significant unobservable inputs for Level 3 assets and liabilities that are valued using fair values obtained from third-party vendors are not included in the table as the specific inputs applied are not provided by the vendor (see discussion regarding vendor-developed valuations within the "Level 3 Asset and Liability Valuation Processes" section previously within this Note). In addition, the table excludes the valuation techniques and significant unobservable inputs for certain classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 assets and liabilities. We made this determination based upon an evaluation of each class which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

($ in millions, except cost to service amounts)	Fair Value Level 3		Valuation Technique(s)	Significant Unobservable Input	Range of Inputs			Weighted Average (1)
December 31, 2014								
Trading and available-for-sale securities:								
Securities of U.S. states and political subdivisions:								
Government, healthcare and other revenue bonds	$ 1,900		Discounted cash flow	Discount rate	0.4	- 5.6	%	1.5
	61		Vendor priced					
Auction rate securities and other municipal bonds	323		Discounted cash flow	Discount rate	1.5	- 7.6		3.9
				Weighted average life	1.3	- 19.4	yrs	6.4
Collateralized loan and other debt obligations (2)	565		Market comparable pricing	Comparability adjustment	(53.9)	- 25.0	%	0.9
	967		Vendor priced					
Asset-backed securities:								
Auto loans and leases	245		Discounted cash flow	Discount rate	0.4	- 0.4		0.4
Other asset-backed securities:								
Diversified payment rights (3)	661		Discounted cash flow	Discount rate	0.9	- 7.1		2.9
Other commercial and consumer	750	(4)	Discounted cash flow	Discount rate	1.9	- 21.5		5.0
				Weighted average life	1.6	- 10.7	yrs	4.0
	40		Vendor priced					
Marketable equity securities: perpetual preferred	663	(5)	Discounted cash flow	Discount rate	4.1	- 9.3	%	6.6
				Weighted average life	1.0	- 11.8	yrs	9.7
Mortgages held for sale (residential)	2,235		Discounted cash flow	Default rate	0.4	- 15.0	%	2.6
				Discount rate	1.1	- 7.7		5.2
				Loss severity	0.1	- 26.4		18.3
				Prepayment rate	2.0	- 15.5		8.1
	78		Market comparable pricing	Comparability adjustment	(93.0)	- 10.0		(30.0)
Loans	5,788	(6)	Discounted cash flow	Discount rate	0.0	- 3.8		3.1
				Prepayment rate	0.6	- 100.0		11.2
				Utilization rate	0.0	- 1.0		0.4
Mortgage servicing rights (residential)	12,738		Discounted cash flow	Cost to service per loan (7)	$ 86	- 683		179
				Discount rate	5.9	- 16.9	%	7.6
				Prepayment rate (8)	8.0	- 22.0		12.5
Net derivative assets and (liabilities):								
Interest rate contracts	196		Discounted cash flow	Default rate	0.00	- 0.02		0.01
				Loss severity	50.0	- 50.0		50.0
Interest rate contracts: derivative loan commitments	97		Discounted cash flow	Fall-out factor	1.0	- 99.0		24.5
				Initial-value servicing	(31.1)	- 113.3	bps	46.5
Equity contracts	162		Discounted cash flow	Conversion factor	(11.2)	- 0.0	%	(8.4)
				Weighted average life	1.0	- 2.0	yrs	1.3
	(246)		Option model	Correlation factor	(56.0)	- 96.3	%	42.1
				Volatility factor	8.3	- 80.9		28.3
Credit contracts	(192)		Market comparable pricing	Comparability adjustment	(28.6)	- 26.3		1.8
	3		Option model	Credit spread	0.0	- 17.0		0.9
				Loss severity	11.5	- 72.5		48.7
Other assets: nonmarketable equity investments	2,512		Market comparable pricing	Comparability adjustment	(19.7)	- (4.0)		(14.7)
Insignificant Level 3 assets, net of liabilities	507	(9)						
Total level 3 assets, net of liabilities	$ 30,054	(10)						

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments such as loans and securities, and notional amounts for derivative instruments.
(2) Includes $500 million of collateralized debt obligations.
(3) Securities backed by specified sources of current and future receivables generated from foreign originators.
(4) Consists primarily of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.
(5) Consists of auction rate preferred equity securities with no maturity date that are callable by the issuer.
(6) Consists predominantly of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions.
(7) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is $86 - $270.
(8) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.
(9) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, other marketable equity securities, other assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts, foreign exchange contracts and other derivative contracts.
(10) Consists of total Level 3 assets of $32.3 billion and total Level 3 liabilities of $2.3 billion, before netting of derivative balances.

Note 17: Fair Values of Assets and Liabilities *(continued)*

($ in millions, except cost to service amounts)	Fair Value Level 3		Valuation Technique(s)	Significant Unobservable Input	Range of Inputs		Weighted Average (1)
December 31, 2013							
Trading and available-for-sale securities:							
Securities of U.S. states and political subdivisions:							
Government, healthcare and other revenue bonds	2,739		Discounted cash flow	Discount rate	0.4 - 6.4	%	1.4
	63		Vendor priced				
Auction rate securities and other municipal bonds	451		Discounted cash flow	Discount rate	0.4 - 12.3		4.6
				Weighted average life	1.4 - 13 0	yrs	4.4
Collateralized loan and other debt obligations (2)	612		Market comparable pricing	Comparability adjustment	(12.0) - 23.3	%	8.5
	1,349		Vendor priced				
Asset-backed securities:							
Auto loans and leases	492		Discounted cash flow	Discount rate	0.6 - 0.9		0.8
				Weighted average life	1.4 - 1.6	yrs	1.5
Other asset-backed securities:							
Diversified payment rights (3)	757		Discounted cash flow	Discount rate	1.4 - 4.7	%	3.0
Other commercial and consumer	944	(4)	Discounted cash flow	Discount rate	0.6 - 21.2		4.0
				Weighted average life	0.6 - 7.6	yrs	2.2
	78		Vendor priced				
Marketable equity securities: perpetual preferred	729	(5)	Discounted cash flow	Discount rate	4.8 - 8.3	%	7.4
				Weighted average life	1.0 - 15.0	yrs	12.2
Mortgages held for sale (residential)	2,374		Discounted cash flow	Default rate	0.6 - 12.4	%	2.8
				Discount rate	3.8 - 7.9		5.5
				Loss severity	1.3 - 32.5		21.5
				Prepayment rate	2.0 - 9.9		5.4
Loans	5,723	(6)	Discounted cash flow	Discount rate	2.4 - 3.9		3.3
				Prepayment rate	3.3 - 37.8		12.2
				Utilization rate	0.0 - 2.0		0.8
Mortgage servicing rights (residential)	15,580		Discounted cash flow	Cost to service per loan (7)	$ 86 - 773		191
				Discount rate	5.4 - 11.2	%	7.8
				Prepayment rate (8)	7.5 - 19.4		10.7
Net derivative assets and (liabilities):							
Interest rate contracts	(14)		Discounted cash flow	Default rate	0.0 - 16.5		5.0
				Loss severity	44.9 - 50.0		50.0
				Prepayment rate	11.1 - 15.6		15.6
Interest rate contracts: derivative loan commitments	(26)		Discounted cash flow	Fall-out factor	1.0 - 99.0		21.8
				Initial-value servicing	(21.5) - 81.6	bps	32.6
Equity contracts	199		Discounted cash flow	Conversion factor	(18.4) - 0.0	%	(14.1)
				Weighted average life	0.3 - 3 3	yrs	1.8
	(245)		Option model	Correlation factor	(5.3) - 87.6	%	72.2
				Volatility factor	6.8 - 81.2		25.4
Credit contracts	(378)		Market comparable pricing	Comparability adjustment	(31.3) - 30.4		(0.1)
	3		Option model	Credit spread	0.0 - 12.2		0.7
				Loss severity	10.5 - 72.5		47.4
Other assets: nonmarketable equity investments	1,386		Market comparable pricing	Comparability adjustment	(30.6) - (5.4)		(21.9)
Insignificant Level 3 assets, net of liabilities	678	(9)					
Total level 3 assets, net of liabilities	$ 33,494	(10)					

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments such as loans and securities, and notional amounts for derivative instruments.
(2) Includes $695 million of collateralized debt obligations.
(3) Securities backed by specified sources of current and future receivables generated from foreign originators.
(4) Consists primarily of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.
(5) Consists of auction rate preferred equity securities with no maturity date that are callable by the issuer.
(6) Consists predominantly of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions.
(7) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is $86 - $302.
(8) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.
(9) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, asset-backed securities backed by home equity loans, other assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts and other derivative contracts.
(10) Consists of total Level 3 assets of $37.2 billion and total Level 3 liabilities of $3.7 billion, before netting of derivative balances.

The valuation techniques used for our Level 3 assets and liabilities, as presented in the previous tables, are described as follows:

- Discounted cash flow - Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument and then discounting those cash flows at a rate of return that results in the fair value amount.
- Option model - Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.
- Market comparable pricing - Market comparable pricing valuation techniques are used to determine the fair value of certain instruments by incorporating known inputs such as recent transaction prices, pending transactions, or prices of other similar investments which require significant adjustment to reflect differences in instrument characteristics.
- Vendor-priced - Prices obtained from third-party pricing vendors or brokers that are used to record the fair value of the asset or liability, of which the related valuation technique and significant unobservable inputs are not provided.

Significant unobservable inputs presented in the previous tables are those we consider significant to the fair value of the Level 3 asset or liability. We consider unobservable inputs to be significant, if by their exclusion, the fair value of the Level 3 asset or liability would be impacted by a predetermined percentage change or based on qualitative factors, such as nature of the instrument, type of valuation technique used, and the significance of the unobservable inputs relative to other inputs used within the valuation. Following is a description of the significant unobservable inputs provided in the tables.

- Comparability adjustment - is an adjustment made to observed market data, such as a transaction price in order to reflect dissimilarities in underlying collateral, issuer, rating, or other factors used within a market valuation approach expressed as a percentage of an observed price.
- Conversion Factor - is the risk-adjusted rate in which a particular instrument may be exchanged for another instrument upon settlement, expressed as a percentage change from a specified rate.
- Correlation factor - is the likelihood of one instrument changing in price relative to another based on an established relationship expressed as a percentage of relative change in price over a period over time.
- Cost to service - is the expected cost per loan of servicing a portfolio of loans, which includes estimates for unreimbursed expenses (including delinquency and foreclosure costs) that may occur as a result of servicing such loan portfolios.
- Credit spread - is the portion of the interest rate in excess of a benchmark interest rate, such as OIS, LIBOR or U.S. Treasury rates, that when applied to an investment captures changes in the obligor's creditworthiness.
- Default rate - is an estimate of the likelihood of not collecting contractual amounts owed expressed as a constant default rate (CDR).
- Discount rate - is a rate of return used to present value the future expected cash flow to arrive at the fair value of an instrument. The discount rate consists of a benchmark rate component and a risk premium component. The benchmark rate component, for example, OIS, LIBOR or U.S. Treasury rates, is generally observable within the market and is necessary to appropriately reflect the time value of money. The risk premium component reflects the amount of compensation market participants require due to the uncertainty inherent in the instruments' cash flows resulting from risks such as credit and liquidity.
- Fall-out factor - is the expected percentage of loans associated with our interest rate lock commitment portfolio that are likely of not funding.
- Initial-value servicing - is the estimated value of the underlying loan, including the value attributable to the embedded servicing right, expressed in basis points of outstanding unpaid principal balance.
- Loss severity – is the percentage of contractual cash flows lost in the event of a default.
- Prepayment rate - is the estimated rate at which forecasted prepayments of principal of the related loan or debt instrument are expected to occur, expressed as a constant prepayment rate (CPR).
- Utilization rate - is the estimated rate in which incremental portions of existing reverse mortgage credit lines are expected to be drawn by borrowers expressed as an annualized rate.
- Volatility factor - is the extent of change in price an item is estimated to fluctuate over a specified period of time expressed as a percentage of relative change in price over a period over time.
- Weighted average life - is the weighted average number of years an investment is expected to remain outstanding, based on its expected cash flows reflecting the estimated date the issuer will call or extend the maturity of the instrument or otherwise reflecting an estimate of the timing of an instrument's cash flows whose timing is not contractually fixed.

Significant Recurring Level 3 Fair Value Asset and Liability Input Sensitivity

We generally use discounted cash flow or similar internal modeling techniques to determine the fair value of our Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the preceding tables. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated to one another), which may counteract or magnify the fair value impact.

SECURITIES, LOANS, MORTGAGES HELD FOR SALE and NONMARKETABLE EQUITY INVESTMENTS The fair values of predominantly all Level 3 trading securities, mortgages held for sale, loans, other nonmarketable equity investments, and available-for-sale securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The internal models used to determine fair value for these Level 3 instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs include discount rate, prepayment rate, default rate, loss severity, utilization rate, comparability adjustment and weighted average life.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rate, default rate, loss severity, or weighted average life inputs. Conversely, the fair value of these Level 3 assets would generally increase (decrease) in value if the prepayment rate input were to increase (decrease) or if the utilization rate input were to increase (decrease).

Generally, a change in the assumption used for default rate is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayment rates. Unobservable inputs for loss severity, utilization rate and weighted average life do not increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

DERIVATIVE INSTRUMENTS Level 3 derivative instruments are valued using market comparable pricing, option pricing and discounted cash flow valuation techniques. We utilize certain unobservable inputs within these techniques to determine the fair value of the Level 3 derivative instruments. The significant unobservable inputs consist of credit spread, a comparability adjustment, prepayment rate, default rate, loss severity, initial-value servicing, fall-out factor, volatility factor, weighted average life, conversion factor, and correlation factor.

Level 3 derivative assets (liabilities) where we are long the underlying would decrease (increase) in value upon an increase (decrease) in default rate, fall-out factor, credit spread, conversion factor, or loss severity inputs. Conversely, Level 3 derivative assets (liabilities) would increase (decrease) in value upon an increase (decrease) in prepayment rate, initial-value servicing, weighted average life, or volatility factor inputs. The inverse of the above relationships would occur for instruments in which we are short the underlying. The correlation factor and comparability adjustment inputs may have a positive or negative impact on the fair value of these derivative instruments depending on the change in value of the item the correlation factor and comparability adjustment is referencing. The correlation factor and comparability adjustment is considered independent from movements in other significant unobservable inputs for derivative instruments.

Generally, for derivative instruments for which we are subject to changes in the value of the underlying referenced instrument, change in the assumption used for default rate is accompanied by directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayment rates. Unobservable inputs for loss severity, fall-out factor, initial-value servicing, weighted average life, conversion factor, and volatility do not increase or decrease based on movements in other significant unobservable inputs for these Level 3 instruments.

MORTGAGE SERVICING RIGHTS We use a discounted cash flow valuation technique to determine the fair value of Level 3 mortgage servicing rights. These models utilize certain significant unobservable inputs including prepayment rate, discount rate and costs to service. An increase in any of these unobservable inputs will reduce the fair value of the mortgage servicing rights and alternatively, a decrease in any one of these inputs would result in the mortgage servicing rights increasing in value. Generally, a change in the assumption used for the default rate is accompanied by a directionally similar change in the assumption used for cost to service and a directionally opposite change in the assumption used for prepayment. The sensitivity of our residential MSRs is discussed further in Note 8 (Securitizations and Variable Interest Entities).

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of LOCOM accounting or write-downs of individual assets. The following table provides the fair value hierarchy and carrying amount of all assets that were still held as of December 31, 2014, and 2013, and for which a nonrecurring fair adjustment was recorded during the years then ended.

	December 31, 2014				December 31, 2013			
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Mortgages held for sale (LOCOM) (1)	**$ —**	**2,197**	**1,098**	**3,295**	—	1,126	893	2,019
Loans held for sale	**—**	**—**	**—**	**—**	—	14	—	14
Loans:								
Commercial	**—**	**243**	**—**	**243**	—	414	—	414
Consumer	**—**	**2,018**	**5**	**2,023**	—	3,690	7	3,697
Total loans (2)	**—**	**2,261**	**5**	**2,266**	—	4,104	7	4,111
Other assets (3)	**—**	**417**	**460**	**877**	—	445	740	1,185

(1) Mostly real estate 1-4 family first mortgage loans.
(2) Represents carrying value of loans for which adjustments are based on the appraised value of the collateral.
(3) Includes the fair value of foreclosed real estate, other collateral owned and nonmarketable equity investments.

The following table presents the increase (decrease) in value of certain assets for which a nonrecurring fair value adjustment has been recognized during the periods presented.

	Year ended December 31,	
(in millions)	**2014**	2013
Mortgages held for sale (LOCOM)	**$ 33**	(23)
Loans held for sale	**—**	(1)
Loans:		
Commercial	**(125)**	(216)
Consumer (1)	**(1,336)**	(2,050)
Total loans	**(1,461)**	(2,266)
Other assets (2)	**(341)**	(214)
Total	**$ (1,769)**	(2,504)

(1) Represents write-downs of loans based on the appraised value of the collateral.
(2) Includes the losses on foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets. Also includes impairment losses on nonmarketable equity investments.

The table below provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a nonrecurring basis for which we use an internal model.

We have excluded from the table classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 nonrecurring measurements. We made this determination based upon an evaluation of each class, which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

($ in millions)	Fair Value Level 3		Valuation Technique(s) (1)	Significant Unobservable Inputs (1)		Range of inputs	Weighted Average (2)
December 31, 2014							
Residential mortgages held for sale (LOCOM)	**$ 1,098**	**(3)**	**Discounted cash flow**	**Default rate**	**(5)**	**0.9 - 3.8%**	**2.1%**
				Discount rate		**1.5 - 8.5**	**3.6**
				Loss severity		**0.0 - 29.8**	**3.8**
				Prepayment rate	**(6)**	**2.0 - 100.0**	**65.5**
Other assets: private equity fund investments (4)	**171**		**Market comparable pricing**	**Comparability adjustment**		**6.0 - 6.0**	**6.0**
Insignificant level 3 assets	**294**						
Total	**1,563**						
December 31, 2013							
Residential mortgages held for sale (LOCOM)	$ 893	(3)	Discounted cash flow	Default rate	(5)	1.2 - 4.4%	2.7%
				Discount rate		4.3 - 12.0	10.9
				Loss severity		1.6 - 48.2	5.2
				Prepayment rate	(6)	2.0 - 100.0	67.2
Other assets: private equity fund investments (4)	505		Market comparable pricing	Comparability adjustment		4.6 - 4.6	4.6
Insignificant level 3 assets	242						
Total	1,640						

(1) Refer to the narrative following the recurring quantitative Level 3 table of this Note for a definition of the valuation technique(s) and significant unobservable inputs.
(2) For residential MHFS, weighted averages are calculated using outstanding unpaid principal balance of the loans.
(3) Consists of $1.0 billion and $825 million government insured/guaranteed loans purchased from GNMA-guaranteed mortgage securitization, at December 31, 2014 and 2013,respectively and $78 million and $68 million of other mortgage loans that are not government insured/guaranteed at December 31, 2014 and 2013, respectively.
(4) Represents a single investment. For additional information, see the "Alternative Investments" section in this Note.
(5) Applies only to non-government insured/guaranteed loans.
(6) Includes the impact on prepayment rate of expected defaults for the government insured/guaranteed loans, which impacts the frequency and timing of early resolution of loans.

Alternative Investments

The following table summarizes our investments in various types of funds for which we use net asset values (NAVs) per share as a practical expedient to measure fair value on recurring and nonrecurring bases. The investments are included in trading assets, available-for-sale securities, and other assets. The table excludes those investments that are probable of being sold at an amount different from the funds' NAVs.

(in millions)		Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
December 31, 2014					
Offshore funds	**$**	**125**	**—**	**Daily - Quarterly**	**1 - 60 days**
Hedge funds		**1**	**—**	**Daily - Quarterly**	**1-90 days**
Private equity funds (1)(2)		**1,313**	**243**	**N/A**	**N/A**
Venture capital funds (2)		**68**	**9**	**N/A**	**N/A**
Total (3)	**$**	**1,507**	**252**		
December 31, 2013					
Offshore funds	$	308	—	Daily-Quarterly	1-180 days
Hedge funds		2	—	Monthly-Semi Annually	5-95 days
Private equity funds (1)(2)		1,496	316	N/A	N/A
Venture capital funds (2)		63	14	N/A	N/A
Total (3)	$	1,869	330		

N/A - Not applicable

(1) Excludes a private equity fund investment of $171 million and $505 million at December 31, 2014, and December 31, 2013, respectively for which we recorded a nonrecurring fair value adjustment during the periods then ended. The investment is probable of being sold for an amount different from the fund's NAV; therefore, the investment's fair value has been estimated using recent transaction information. This investment is subject to the Volcker Rule, which includes provisions that restrict banking entities from owning interests in certain types of funds.

(2) Includes certain investments subject to the Volcker Rule that we may have to divest.

(3) December 31, 2014, and December 31, 2013, include $1.3 billion and $1.5 billion, respectively, of fair value for nonmarketable equity investments carried at cost for which we use NAVs as a practical expedient for determining nonrecurring fair value adjustments. The fair values of investments that had nonrecurring fair value adjustments were $108 million and $88 million at December 31, 2014, and December 31, 2013 respectively.

Offshore funds primarily invest in foreign mutual funds. Redemption restrictions are in place for these investments with a fair value of $24 million and $144 million at December 31, 2014 and December 31,2013, respectively, due to lock-up provisions that will remain in effect until February 2017.

Private equity funds invest in equity and debt securities issued by private and publicly-held companies in connection with leveraged buyouts, recapitalizations and expansion opportunities. These investments do not allow redemptions. Alternatively, we receive distributions as the underlying assets of the funds liquidate, which we expect to occur over the next 6 years.

Venture capital funds invest in domestic and foreign companies in a variety of industries, including information technology, financial services and healthcare. These investments can never be redeemed with the funds. Instead, we receive distributions as the underlying assets of the fund liquidate, which we expect to occur over the next 5 years.

Fair Value Option

The fair value option is an irrevocable election, generally only permitted upon initial recognition of financial assets or liabilities, to measure eligible financial instruments at fair value with changes in fair value reflected in earnings. We may elect the fair value option to align the measurement model with how the financial assets or liabilities are managed or to reduce complexity or accounting asymmetry. Following is a discussion of the portfolios for which we elected the fair value option.

TRADING ASSETS - LOANS We engage in holding loans for market-making purposes to support the buying and selling demands of our customers. These loans are generally held for a short period of time and managed within parameters of internally approved market risk limits. We have elected to measure and carry them at fair value, which best aligns with our risk management practices. Fair value for these loans is primarily determined using readily available market data based on recent transaction prices for similar loans.

MORTGAGES HELD FOR SALE (MHFS) We measure MHFS at fair value for MHFS originations for which an active secondary market and readily available market prices exist to reliably support fair value pricing models used for these loans. Loan origination fees on these loans are recorded when earned, and related direct loan origination costs are recognized when incurred. We also measure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe fair value measurement for MHFS and other interests held, which we hedge with economic hedge derivatives along with our MSRs measured at fair value, reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets.

LOANS HELD FOR SALE (LHFS) We elected to measure certain LHFS portfolios at fair value in conjunction with customer accommodation activities, which better aligns the measurement basis of the assets held with our management objectives given the trading nature of these portfolios.

LOANS Loans that we measure at fair value consist predominantly of reverse mortgage loans previously transferred under a GNMA reverse mortgage securitization program accounted for as a secured borrowing. Before the transfer, they were classified as MHFS measured at fair value and, as such, remain carried on our balance sheet under the fair value option.

OTHER FINANCIAL INSTRUMENTS We elected to measure at fair value certain letters of credit and nonmarketable equity securities that are hedged with derivative instruments to better reflect the economics of the transactions. The letters of credit are included in trading account assets or liabilities, and the nonmarketable equity securities are included in other assets.

Similarly, we may elect fair value option for the assets and liabilities of certain consolidated VIEs. This option is generally elected for newly consolidated VIEs for which predominantly all of our interests, prior to consolidation, are carried at fair value with changes in fair value recorded to earnings. Accordingly, such an election allows us to continue fair value accounting through earnings for those interests and eliminate income statement mismatch otherwise caused by differences in the measurement basis of the consolidated VIEs assets and liabilities.

The following table reflects differences between the fair value carrying amount of certain assets and liabilities for which we have elected the fair value option and the contractual aggregate unpaid principal amount at maturity.

	December 31, 2014			December 31, 2013		
(in millions)	**Fair value carrying amount**	**Aggregate unpaid principal**	**Fair value carrying amount less aggregate unpaid principal**	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Trading assets - loans:						
Total loans	**$ 1,387**	**1,410**	**(23)**	2,360	2,385	(25)
Nonaccrual loans	**—**	**1**	**(1)**	26	32	(6)
Mortgages held for sale:						
Total loans	**15,565**	**15,246**	**319**	13,879	13,966	(87)
Nonaccrual loans	**160**	**252**	**(92)**	205	359	(154)
Loans 90 days or more past due and still accruing	**27**	**30**	**(3)**	39	46	(7)
Loans held for sale:						
Total loans	**1**	**10**	**(9)**	1	9	(8)
Nonaccrual loans	**1**	**10**	**(9)**	1	9	(8)
Loans:						
Total loans	**5,788**	**5,527**	**261**	5,995	5,674	321
Nonaccrual loans	**367**	**376**	**(9)**	188	188	—
Other assets (1)	**2,512**	**n/a**	**n/a**	1,386	n/a	n/a
Long-term debt	**—**	**—**	**—**	—	(199)	199 (2)

(1) Consists of nonmarketable equity investments carried at fair value. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets) for more information.
(2) Represents collateralized, non-recourse debt securities issued by certain of our consolidated securitization VIEs that are held by third party investors. To the extent cash flows from the underlying collateral are not sufficient to pay the unpaid principal amount of the debt, those third party investors absorb losses.

The assets and liabilities accounted for under the fair value option are initially measured at fair value. Gains and losses from initial measurement and subsequent changes in fair value are recognized in earnings. The changes in fair value related to initial measurement and subsequent changes in fair value included in earnings for these assets and liabilities measured at fair value are shown below by income statement line item.

	Year ended December 31,								
	2014			2013			2012		
(in millions)	**Mortgage banking noninterest income**	**Net gains (losses) from trading activities**	**Other noninterest income**	Mortgage banking noninterest income	Net gains (losses) from trading activities	Other noninterest income	Mortgage banking noninterest income	Net gains (losses) from trading activities	Other noninterest income
Trading assets - loans	**$ —**	**29**	**4**	—	40	3	—	14	1
Mortgages held for sale	**2,211**	**—**	**—**	2,073	—	—	8,240	—	1
Loans held for sale	**—**	**—**	**—**	—	—	—	—	—	21
Loans	**—**	**—**	**(49)**	—	—	(216)	—	—	63
Other assets	**—**	**—**	**518**	—	—	324	—	—	—
Long-term debt	**—**	**—**	**—**	—	—	—	—	—	(27)
Other interests held (1)	**—**	**(12)**	**—**		(15)	—	—	(42)	34

(1) Consists of retained interests in securitizations and changes in fair value of letters of credit.

For performing loans, instrument-specific credit risk gains or losses were derived principally by determining the change in fair value of the loans due to changes in the observable or implied credit spread. Credit spread is the market yield on the loans less the relevant risk-free benchmark interest rate. For nonperforming loans, we attribute all changes in fair value to instrument-specific credit risk. The following table shows the estimated gains and losses from earnings attributable to instrument-specific credit risk related to assets accounted for under the fair value option.

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Gains (losses) attributable to instrument-specific credit risk:			
Trading assets - loans	**$ 29**	40	14
Mortgages held for sale	**60**	126	(124)
Loans held for sale	**—**	—	21
Total	**$ 89**	166	(89)

Disclosures about Fair Value of Financial Instruments

The table below is a summary of fair value estimates for financial instruments, excluding financial instruments recorded at fair value on a recurring basis as they are included within the Assets and Liabilities Recorded at Fair Value on a Recurring Basis table included earlier in this Note. The carrying amounts in the following table are recorded on the balance sheet under the indicated captions, except for nonmarketable equity investments, which are included in Other Assets.

We have not included assets and liabilities that are not financial instruments in our disclosure, such as the value of the long-term relationships with our deposit, credit card and trust customers, amortized MSRs, premises and equipment, goodwill and other intangibles, deferred taxes and other liabilities. The total of the fair value calculations presented does not represent, and should not be construed to represent, the underlying value of the Company.

		Estimated fair value			
(in millions)	Carrying amount	Level 1	Level 2	Level 3	Total
December 31, 2014					
Financial assets					
Cash and due from banks (1)	**$ 19,571**	**19,571**	**—**	**—**	**19,571**
Federal funds sold, securities purchased under resale agreements and other short-term investments (1)	**258,429**	**8,991**	**249,438**	**—**	**258,429**
Held-to-maturity securities	**55,483**	**41,548**	**9,021**	**5,790**	**56,359**
Mortgages held for sale (2)	**3,971**	**—**	**2,875**	**1,098**	**3,973**
Loans held for sale (2)	**721**	**—**	**739**	**—**	**739**
Loans, net (3)	**832,671**	**—**	**60,052**	**784,786**	**844,838**
Nonmarketable equity investments (cost method)	**7,033**	**—**	**—**	**8,377**	**8,377**
Financial liabilities					
Deposits	**1,168,310**	**—**	**1,132,845**	**35,566**	**1,168,411**
Short-term borrowings (1)	**63,518**	**—**	**63,518**	**—**	**63,518**
Long-term debt (4)	**183,934**	**—**	**174,996**	**10,479**	**185,475**
December 31, 2013					
Financial assets					
Cash and due from banks (1)	$ 19,919	19,919	—	—	19,919
Federal funds sold, securities purchased under resale agreements and other short-term investments (1)	213,793	5,160	208,633	—	213,793
Held to maturity securities	12,346	—	6,205	6,042	12,247
Mortgages held for sale (2)	2,884	—	2,009	893	2,902
Loans held for sale (2)	132	—	136	—	136
Loans, net (3)	789,513	—	58,350	736,214	794,564
Nonmarketable equity investments (cost method)	6,978	—	—	8,635	8,635
Financial liabilities					
Deposits	1,079,177	—	1,037,448	42,079	1,079,527
Short-term borrowings (1)	53,883	—	53,883	—	53,883
Long-term debt (4)	152,987	—	144,984	10,879	155,863

(1) Amounts consist of financial instruments in which carrying value approximates fair value.
(2) Balance reflects MHFS and LHFS, as applicable, other than those MHFS and LHFS for which election of the fair value option was made.
(3) Loans exclude balances for which the fair value option was elected and also exclude lease financing with a carrying amount of $12.3 billion and $12.4 billion at December 31, 2014 and 2013 respectively.
(4) The carrying amount and fair value exclude obligations under capital leases of $9 million and $11 million at December 31, 2014 and 2013, respectively.

Loan commitments, standby letters of credit and commercial and similar letters of credit are not included in the table above. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related allowance, which totaled $945 million and $597 million at December 31, 2014 and 2013, respectively.

Note 18: Preferred Stock

We are authorized to issue 20 million shares of preferred stock and 4 million shares of preference stock, both without par value. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. We have not issued any preference shares under this authorization. If issued, preference shares would be limited to one vote per share. Our total authorized, issued and outstanding preferred stock is presented in the following two tables along with the Employee Stock Ownership Plan (ESOP) Cumulative Convertible Preferred Stock.

	December 31, 2014		December 31, 2013	
	Liquidation preference per share	**Shares authorized and designated**	Liquidation preference per share	Shares authorized and designated
DEP Shares				
Dividend Equalization Preferred Shares (DEP)	**$ 10**	**97,000**	$ 10	97,000
Series G				
7.25% Class A Preferred Stock	**15,000**	**50,000**	15,000	50,000
Series H				
Floating Class A Preferred Stock	**20,000**	**50,000**	20,000	50,000
Series I				
Floating Class A Preferred Stock	**100,000**	**25,010**	100,000	25,010
Series J				
8.00% Non-Cumulative Perpetual Class A Preferred Stock	**1,000**	**2,300,000**	1,000	2,300,000
Series K				
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**1,000**	**3,500,000**	1,000	3,500,000
Series L				
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	**1,000**	**4,025,000**	1,000	4,025,000
Series N				
5.20% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**30,000**	25,000	30,000
Series O				
5.125% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**27,600**	25,000	27,600
Series P				
5.25% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**26,400**	25,000	26,400
Series Q				
5.85% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**69,000**	25,000	69,000
Series R				
6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**34,500**	25,000	34,500
Series S				
5.900% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**80,000**	—	—
Series T				
6.00% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**32,200**	—	—
ESOP				
Cumulative Convertible Preferred Stock (1)	**—**	**1,251,287**	—	1,105,664
Total		**11,597,997**		11,340,174

(1) See the ESOP Cumulative Convertible Preferred Stock section of this Note for additional information about the liquidation preference for the ESOP Cumulative Preferred Stock.

Note 18: Preferred Stock *(continued)*

(in millions, except shares)	December 31, 2014				December 31, 2013			
	Shares issued and outstanding	**Par value**	**Carrying value**	**Discount**	Shares issued and outstanding	Par value	Carrying value	Discount
DEP Shares								
Dividend Equalization Preferred Shares (DEP)	**96,546**	**—**	**—**	**—**	96,546	—	—	—
Series I (1)								
Floating Class A Preferred Stock	**25,010**	**2,501**	**2,501**	**—**	25,010	2,501	2,501	—
Series J (1)								
8.00% Non-Cumulative Perpetual Class A Preferred Stock	**2,150,375**	**2,150**	**1,995**	**155**	2,150,375	2,150	1,995	155
Series K (1)								
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**3,352,000**	**3,352**	**2,876**	**476**	3,352,000	3,352	2,876	476
Series L (1)								
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	**3,968,000**	**3,968**	**3,200**	**768**	3,968,000	3,968	3,200	768
Series N (1)								
5.20% Non-Cumulative Perpetual Class A Preferred Stock	**30,000**	**750**	**750**	**—**	30,000	750	750	—
Series O (1)								
5.125% Non-Cumulative Perpetual Class A Preferred Stock	**26,000**	**650**	**650**	**—**	26,000	650	650	—
Series P (1)								
5.25% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**625**	**625**	**—**	25,000	625	625	—
Series Q (1)								
5.85% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**69,000**	**1,725**	**1,725**	**—**	69,000	1,725	1,725	—
Series R (1)								
6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**33,600**	**840**	**840**	**—**	33,600	840	840	—
Series S (1)								
5.900% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**80,000**	**2,000**	**2,000**	**—**	—	—	—	—
Series T (1)								
6.00% Non-Cumulative Perpetual Class A Preferred Stock	**32,000**	**800**	**800**	**—**	—	—	—	—
ESOP								
Cumulative Convertible Preferred Stock	**1,251,287**	**1,251**	**1,251**	**—**	1,105,664	1,105	1,105	—
Total	**11,138,818**	**$ 20,612**	**19,213**	**1,399**	10,881,195	$ 17,666	16,267	1,399

(1) Preferred shares qualify as Tier 1 capital.

In April 2014, we issued 2 million Depositary Shares, each representing a 1/25th interest in a share of the Non-Cumulative Perpetual Class A Preferred Stock, Series S, for an aggregate public offering price of $2.0 billion. In July 2014, we issued 32 million Depositary Shares, each representing a 1/1,000th interest in a share of the Non-Cumulative Perpetual Class A Preferred Stock, Series T, for an aggregate public offering price of $800 million. See Note 8 (Securitizations and Variable Interest Entities) for additional information on our trust preferred securities. We do not have a commitment to issue Series G or H preferred stock.

ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK All shares of our ESOP Cumulative Convertible Preferred Stock (ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (the 401(k) Plan). Dividends on the ESOP Preferred Stock are cumulative from the date of initial issuance and are payable quarterly at annual rates based upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the 401(k) Plan is converted into shares of our common stock based on the stated value of the ESOP Preferred Stock and the then current market price of our common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. We have the option to redeem the ESOP Preferred Stock at any time, in whole or in part, at a redemption price per share equal to the higher of (a) $1,000 per share plus accrued and unpaid dividends or (b) the fair market value, as defined in the Certificates of Designation for the ESOP Preferred Stock.

	Shares issued and outstanding		Carrying value			
	Dec 31,	Dec 31,	**Dec 31,**	Dec 31,	Adjustable dividend rate	
(in millions, except shares)	**2014**	2013	**2014**	2013	Minimum	Maximum
ESOP Preferred Stock						
$1,000 liquidation preference per share						
2014	**352,158**	—	**$ 352**	—	8.70%	9.70
2013	**288,000**	349,788	**288**	350	8.50	9.50
2012	**189,204**	217,404	**189**	217	10.00	11.00
2011	**205,263**	241,263	**205**	241	9.00	10.00
2010	**141,011**	171,011	**141**	171	9.50	10.50
2008	**42,204**	57,819	**42**	58	10.50	11.50
2007	**24,728**	39,248	**25**	39	10.75	11.75
2006	**8,719**	21,139	**9**	21	10.75	11.75
2005	**—**	7,992	**—**	8	9.75	10.75
Total ESOP Preferred Stock (1)	**1,251,287**	1,105,664	**$ 1,251**	1,105		
Unearned ESOP shares (2)			**$ (1,360)**	(1,200)		

(1) At December 31, 2014 and December 31,2013, additional paid-in capital included $109 million and $95 million, respectively, related to ESOP preferred stock.
(2) We recorded a corresponding charge to unearned ESOP shares in connection with the issuance of the ESOP Preferred Stock. The unearned ESOP shares are reduced as shares of the ESOP Preferred Stock are committed to be released.

Note 19: Common Stock and Stock Plans

Common Stock

The following table presents our reserved, issued and authorized shares of common stock at December 31, 2014.

	Number of shares
Dividend reinvestment and common stock purchase plans	9,892,201
Director plans	942,715
Stock plans (1)	524,917,342
Convertible securities and warrants	104,259,902
Total shares reserved	640,012,160
Shares issued	5,481,811,474
Shares not reserved	2,878,176,366
Total shares authorized	9,000,000,000

(1) Includes employee options, restricted shares and restricted share rights, 401 (k) profit sharing and compensation deferral plans.

At December 31, 2014, we have warrants outstanding and exercisable to purchase 38,424,434 shares of our common stock with an exercise price of $33.996 per share, expiring on October 28, 2018. We did not purchase any of these warrants in 2014 or 2013. Warrants to purchase 684,430 and 435 shares of our common stock were exercised in 2014 and 2013, respectively. These warrants were issued in connection with our participation in the TARP CPP.

Dividend Reinvestment and Common Stock Purchase Plans

Participants in our dividend reinvestment and common stock direct purchase plans may purchase shares of our common stock at fair market value by reinvesting dividends and/or making optional cash payments, under the plan's terms.

Employee Stock Plans

We offer stock-based employee compensation plans as described below. For information on our accounting for stock-based compensation plans, see Note 1 (Summary of Significant Accounting Policies).

LONG-TERM INCENTIVE COMPENSATION PLANS Our Long-Term Incentive Compensation Plan (LTICP) provides for awards of incentive and nonqualified stock options, stock appreciation rights, restricted shares, restricted stock rights (RSRs), performance share awards (PSAs), performance units and stock awards with or without restrictions.

Beginning in 2010, we granted RSRs and performance shares as our primary long-term incentive awards instead of stock options. Holders of RSRs are entitled to the related shares of common stock at no cost generally vesting over three to five years after the RSRs were granted. RSRs generally continue to vest after retirement according to the original vesting schedule. Except in limited circumstances, RSRs are canceled when employment ends.

Holders of each vested PSA are entitled to the related shares of common stock at no cost. PSAs continue to vest after retirement according to the original vesting schedule subject to satisfying the performance criteria and other vesting conditions.

Holders of RSRs and PSAs may be entitled to receive additional RSRs and PSAs (dividend equivalents) or cash payments equal to the cash dividends that would have been paid had the RSRs or PSAs been issued and outstanding shares of common stock. RSRs and PSAs granted as dividend equivalents are subject to the same vesting schedule and conditions as the underlying award.

Stock options must have an exercise price at or above fair market value (as defined in the plan) of the stock at the date of grant (except for substitute or replacement options granted in connection with mergers or other acquisitions) and a term of no more than 10 years. Except for options granted in 2004 and 2005, which generally vested in full upon grant, options generally become exercisable over three years beginning on the first anniversary of the date of grant. Except as otherwise permitted under the plan, if employment is ended for reasons other than retirement, permanent disability or death, the option exercise period is reduced or the options are canceled.

Compensation expense for most of our RSRs, and PSAs granted prior to 2013, is based on the quoted market price of the related stock at the grant date; beginning in 2013 certain RSRs and all PSAs granted include discretionary performance based vesting conditions and are subject to variable accounting. For these awards, the associated compensation expense fluctuates with changes in our stock price. Stock option expense is based on the fair value of the awards at the date of grant. The following table summarizes the major components of stock incentive compensation expense and the related recognized tax benefit.

	Year ended December 31,		
(in millions)	**2014**	2013	2012
RSRs	**$ 639**	568	435
Performance shares	**219**	157	112
Stock options	**—**	—	13
Total stock incentive compensation expense	**$ 858**	725	560
Related recognized tax benefit	**$ 324**	273	211

For various acquisitions and mergers, we converted employee and director stock options of acquired or merged companies into stock options to purchase our common stock based on the terms of the original stock option plan and the agreed-upon exchange ratio. In addition, we converted restricted stock awards into awards that entitle holders to our stock after the vesting conditions are met. Holders receive cash dividends on outstanding awards if provided in the original award.

The total number of shares of common stock available for grant under the plans at December 31, 2014, was 245 million.

Director Awards

Beginning in 2011, we granted only common stock awards under the LTICP to non-employee directors elected or re-elected at the annual meeting of stockholders and prorated awards to directors who join the Board at any other time. Stock awards vest immediately. Options also were granted to directors prior to 2011, and can be exercised after twelve months through the tenth anniversary of the grant date. Options granted prior to 2005 may include the right to acquire a "reload" stock option. Reload grants are fully vested upon grant and are expensed immediately. The last reload options were granted in 2013. As of December 31, 2014, none of the options outstanding included a reload feature.

Restricted Share Rights

A summary of the status of our RSRs and restricted share awards at December 31, 2014, and changes during 2014 is in the following table:

	Number	Weighted-average grant-date fair value
Nonvested at January 1, 2014	60,643,994	$ 31.61
Granted	15,583,325	46.79
Vested	(21,307,272)	31.29
Canceled or forfeited	(1,347,898)	19.36
Nonvested at December 31, 2014	53,572,149	36.46

The weighted-average grant date fair value of RSRs granted during 2013 and 2012 was $35.52 and $31.49, respectively.

At December 31, 2014, there was $708 million of total unrecognized compensation cost related to nonvested RSRs. The cost is expected to be recognized over a weighted-average period of 2.5 years. The total fair value of RSRs that vested during 2014, 2013 and 2012 was $1.0 billion, $472 million and $89 million, respectively.

Performance Share Awards

Holders of PSAs are entitled to the related shares of common stock at no cost subject to the Company's achievement of specified performance criteria over a three-year period. PSAs are granted at a target number; based on the Company's performance, the number of awards that vest can be adjusted downward to zero and upward to a maximum of either 125% or 150% of target. The awards vest in the quarter after the end of the performance period. For PSAs whose performance period ended December 31, 2014, the determination of the number of performance shares that will vest will occur in the first quarter of 2015, after review of the Company's performance by the Human Resources Committee of the Board of Directors. Beginning in 2013, PSAs granted include discretionary performance based vesting conditions and are subject to variable accounting. For these awards, the associated compensation expense fluctuates with changes in our stock price and the estimated outcome of meeting the performance conditions. The total expense that will be recognized on these awards cannot be finalized until the determination of the awards that will vest.

A summary of the status of our PSAs at December 31, 2014 and changes during 2014 is in the following table, based on the target amount of awards:

	Number	Weighted-average grant-date fair value
Nonvested at January 1, 2014	10,839,148	$ 32.72
Granted	3,968,637	41.01
Vested	(5,513,017)	31.68
Nonvested at December 31, 2014	9,294,768	36.87

The weighted-average grant date fair value of performance awards granted during 2013 and 2012 was $33.56 and $31.44, respectively.

At December 31, 2014, there was $41 million of total unrecognized compensation cost related to nonvested performance awards. The cost is expected to be recognized over a weighted-average period of 1.6 years. The total fair value of PSAs that vested during 2014 and 2013 was $262 million and $168 million, respectively. No performance awards vested during 2012.

Stock Options

The table below summarizes stock option activity and related information for the stock plans. Options assumed in mergers are included in the activity and related information for Incentive Compensation Plans if originally issued under an employee plan, and in the activity and related information for Director Awards if originally issued under a director plan.

	Number	Weighted-average exercise price	Weighted-average remaining contractual term (in yrs.)	Aggregate intrinsic value (in millions)
Incentive compensation plans				
Options outstanding as of December 31, 2013	140,484,056	$ 42.86		
Canceled or forfeited	(2,844,648)	206.02		
Exercised	(39,976,208)	29.93		
Options exercisable and outstanding as of December 31, 2014	97,663,200	43.40	2.7	$ 2,476
Director awards				
Options outstanding as of December 31, 2013	479,637	31.95		
Exercised	(88,090)	31.43		
Options exercisable and outstanding as of December 31, 2014	391,547	32.07	2.1	9

As of December 31, 2014, there was no unrecognized compensation cost related to stock options. The total intrinsic value of options exercised during 2014, 2013 and 2012 was $805 million, $643 million and $694 million, respectively.

Cash received from the exercise of stock options for 2014, 2013 and 2012 was $1.2 billion, $1.6 billion and $1.5 billion, respectively.

We do not have a specific policy on repurchasing shares to satisfy share option exercises. Rather, we have a general policy on repurchasing shares to meet common stock issuance requirements for our benefit plans (including share option exercises), conversion of our convertible securities, acquisitions and other corporate purposes. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for acquisitions and employee benefit plans, market conditions (including the trading price of our stock), and regulatory and legal considerations. These factors can change at any time, and there can be no assurance as to the number of shares we will repurchase or when we will repurchase them.

The fair value of each option award granted on or after January 1, 2006, is estimated using a Black-Scholes valuation model. The expected term of reload options granted is generally based on the midpoint between the valuation date and the contractual termination date of the original option. Our expected volatilities are based on a combination of the historical volatility of our common stock and implied volatilities for traded options on our common stock. The risk-free rate is based on the U.S. Treasury zero-coupon yield curve in effect at the time of grant. Both expected volatility and the risk-free rates are based on a period commensurate with our expected term. The expected dividend is based on a fixed dividend amount.

The following table presents the weighted-average per share fair value of options granted and the assumptions used, based on a Black-Scholes option valuation model. All of the options granted in 2013 and 2012 resulted from the reload feature.

	Year ended December 31,		
	2014	2013	2012
Per share fair value of options granted	**$ —**	1.58	2.79
Expected volatility	**—%**	18.3	29.2
Expected dividends	**$ —**	0.93	0.68
Expected term (in years)	**—**	0.5	0.7
Risk-free interest rate	**—%**	0.1	0.1

Employee Stock Ownership Plan

The Wells Fargo & Company 401(k) Plan (401(k) Plan) is a defined contribution plan with an Employee Stock Ownership Plan (ESOP) feature. The ESOP feature enables the 401(k) Plan to borrow money to purchase our preferred or common stock. From 1994 through 2014, with the exception of 2009, we loaned money to the 401(k) Plan to purchase shares of our ESOP preferred stock. As our employer contributions are made to the 401(k) Plan and are used by the 401(k) Plan to make ESOP loan payments, the ESOP preferred stock in the 401(k) Plan is released and converted into our common stock shares. Dividends on the common stock shares allocated as a result of the release and conversion of the ESOP preferred stock reduce retained earnings and the shares are considered outstanding for computing earnings per share. Dividends on the unallocated ESOP preferred stock do not reduce retained earnings, and the shares are not considered to be common stock equivalents for computing earnings per share. Loan principal and interest payments are made from our employer contributions to the 401 (k) Plan, along with dividends paid on the ESOP preferred stock. With each principal and interest payment, a portion of the ESOP preferred stock is released and converted to common stock shares, which are allocated to the 401(k) Plan participants and invested in the Wells Fargo ESOP Fund within the 401(k) Plan.

The balance of common stock and unreleased preferred stock held in the Wells Fargo ESOP fund, the fair value of unreleased ESOP preferred stock and the dividends on allocated shares of common stock and unreleased ESOP Preferred Stock paid to the 401(k) Plan were:

			Shares outstanding December 31,
(in millions, except shares)	**2014**	2013	2012
Allocated shares (common)	**136,801,782**	137,354,139	136,821,035
Unreleased shares (preferred)	**1,251,287**	1,105,664	910,934
Fair value of unreleased ESOP preferred shares	**$ 1,251**	1,105	911

			Dividends paid Year ended December 31,
	2014	2013	2012
Allocated shares (common)	**$ 186**	159	117
Unreleased shares (preferred)	**152**	132	115

Deferred Compensation Plan for Independent Sales Agents

WF Deferred Compensation Holdings, Inc. is a wholly-owned subsidiary of the Parent formed solely to sponsor a deferred compensation plan for independent sales agents who provide investment, financial and other qualifying services for or with respect to participating affiliates.

The Nonqualified Deferred Compensation Plan for Independent Contractors, which became effective January 1, 2002, allowed participants to defer all or part of their eligible compensation payable to them by a participating affiliate. The Parent has fully and unconditionally guaranteed the deferred compensation obligations of WF Deferred Compensation Holdings, Inc. under the plan. No future deferrals may be made under this plan and participants may no longer reallocate their existing account balances under the plan among different investment options.

Note 20: Employee Benefits and Other Expenses

Pension and Postretirement Plans

We sponsor a frozen noncontributory qualified defined benefit retirement plan called the Wells Fargo & Company Cash Balance Plan (Cash Balance Plan), which covers eligible employees of Wells Fargo. The Cash Balance Plan was frozen on July 1, 2009 and no new benefits accrue after that date.

Prior to July 1, 2009, eligible employees' Cash Balance Plan accounts were allocated a compensation credit based on a percentage of their certified compensation; the freeze discontinued the allocation of compensation credits after June 30, 2009. Investment credits continue to be allocated to participants based on their accumulated balances.

We recognize settlement losses for our Cash Balance Plan based on an assessment of whether our estimated lump sum payments related to the Cash Balance Plan will, in aggregate for the year, exceed the sum of its annual service and interest cost (threshold). Lump sum payments did not exceed this threshold in 2014. In 2013, lump sum payments exceeded this threshold. Settlement losses of $123 million were recognized in 2013, representing the pro rata portion of the net loss remaining in cumulative other comprehensive income based on the percentage reduction in the Cash Balance Plan's projected benefit obligation. A remeasurement of the Cash Balance liability and related plan assets occurs at the end of each quarter in which settlement losses are recognized.

We did not make a contribution to our Cash Balance Plan in 2014. We do not expect that we will be required to make a contribution to the Cash Balance Plan in 2015; however, this is dependent on the finalization of the actuarial valuation in 2015. Our decision of whether to make a contribution in 2015 will be based on various factors including the actual investment performance of plan assets during 2015. Given these uncertainties, we cannot estimate at this time the amount, if any, that we will contribute in 2015 to the Cash Balance Plan. For the nonqualified pension plans and postretirement benefit plans, there is no minimum required contribution beyond the amount needed to fund benefit payments; we may contribute more to our postretirement benefit plans dependent on various factors.

We provide health care and life insurance benefits for certain retired employees and reserve the right to terminate, modify or amend any of the benefits at any time.

The information set forth in the following tables is based on current actuarial reports using the measurement date of December 31 for our pension and postretirement benefit plans. In October 2014, the Society of Actuaries (SOA) published updated mortality tables that reflect improved longevity. The benefit obligations at December 31, 2014 reflect the SOA's updated mortality tables, which did not have a material effect on these obligations.

The changes in the benefit obligation and the fair value of plan assets, the funded status and the amounts recognized on the balance sheet were:

	December 31, 2014			December 31, 2013		
	Pension benefits			Pension benefits		
(in millions)	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Change in benefit obligation:						
Benefit obligation at beginning of year	$ 10,198	669	982	11,717	719	1,293
Service cost	1	—	7	—	—	11
Interest cost	465	27	42	465	29	47
Plan participants' contributions	—	—	73	—	—	77
Actuarial loss (gain)	1,161	89	136	(1,106)	(17)	(306)
Benefits paid	(692)	(54)	(148)	(875)	(62)	(147)
Medicare Part D subsidy	—	—	9	—	—	8
Foreign exchange impact	(8)	(1)	(1)	(3)	—	(1)
Benefit obligation at end of year	11,125	730	1,100	10,198	669	982
Change in plan assets:						
Fair value of plan assets at beginning of year	9,409	—	645	9,539	—	636
Actual return on plan assets	909	—	26	743	—	71
Employer contribution	7	54	19	4	62	—
Plan participants' contributions	—	—	73	—	—	77
Benefits paid	(692)	(54)	(148)	(875)	(62)	(147)
Medicare Part D subsidy	—	—	9	—	—	8
Foreign exchange impact	(7)	—	—	(2)	—	—
Fair value of plan assets at end of year	9,626	—	624	9,409	—	645
Funded status at end of year	$ (1,499)	(730)	(476)	(789)	(669)	(337)
Amounts recognized on the balance sheet at end of year: Liabilities	$ (1,499)	(730)	(476)	(789)	(669)	(337)

The following table provides information for pension plans with benefit obligations in excess of plan assets.

(in millions)		**Dec 31, 2014**	Dec 31, 2013
Projected benefit obligation	**$**	**11,855**	10,822
Accumulated benefit obligation		**11,851**	10,820
Fair value of plan assets		**9,626**	9,364

The components of net periodic benefit cost and other comprehensive income were:

		December 31, 2014			December 31, 2013			December 31, 2012		
		Pension benefits			Pension benefits			Pension benefits		
(in millions)		**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Service cost	**$**	**1**	**—**	**7**	—	—	11	3	—	11
Interest cost		**465**	**27**	**42**	465	29	47	514	32	60
Expected return on plan assets		**(629)**	**—**	**(36)**	(674)	—	(36)	(652)	—	(36)
Amortization of net actuarial loss (gain)		**91**	**11**	**(28)**	137	15	(1)	131	10	—
Amortization of prior service credit		**—**	**—**	**(2)**	—	—	(2)	—	—	(2)
Settlement loss (1)		**—**	**2**	**—**	124	3	—	2	5	—
Curtailment gain		**—**	**—**	**—**	—	—	—	—	—	(3)
Net periodic benefit cost		**(72)**	**40**	**(17)**	52	47	19	(2)	47	30
Other changes in plan assets and benefit obligations recognized in other comprehensive income:										
Net actuarial loss (gain)		**881**	**89**	**146**	(1,175)	(17)	(341)	758	62	(42)
Amortization of net actuarial gain (loss)		**(91)**	**(11)**	**28**	(137)	(15)	1	(131)	(10)	—
Prior service cost		**—**	**—**	**—**	—	—	—	(2)	—	—
Amortization of prior service credit		**—**	**—**	**2**	—	—	2	—	—	2
Settlement (1)		**—**	**(2)**	**—**	(124)	(3)	—	(1)	(5)	—
Total recognized in other comprehensive income		**790**	**76**	**176**	(1,436)	(35)	(338)	624	47	(40)
Total recognized in net periodic benefit cost and other comprehensive income	**$**	**718**	**116**	**159**	(1,384)	12	(319)	622	94	(10)

(1) Qualified settlements in 2013 include $123 million for the Cash Balance Plan.

Amounts recognized in cumulative OCI (pre tax) consist of:

		December 31, 2014			December 31, 2013		
		Pension benefits			Pension benefits		
(in millions)		**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits
Net actuarial loss (gain)	**$**	**2,677**	**224**	**(147)**	1,887	148	(321)
Net prior service credit		**(2)**	**—**	**(20)**	(2)	—	(22)
Total	**$**	**2,675**	**224**	**(167)**	1,885	148	(343)

The net actuarial loss for the defined benefit pension plans and other post retirement plans that will be amortized from cumulative OCI into net periodic benefit cost in 2015 is $122 million. The net prior service credit for the defined benefit pension plans and other post retirement plans that will be amortized from cumulative OCI into net periodic benefit cost in 2015 is $2 million.

Plan Assumptions
For additional information on our pension accounting assumptions, see Note 1 (Summary of Significant Accounting Policies).The weighted-average discount rates used to estimate the projected benefit obligation for pension benefits were:

	December 31, 2014			December 31, 2013		
	Pension benefits			Pension benefits		
	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Discount rate	**4.00%**	**3.75**	**4.00**	4.75	4.25	4.50

The weighted-average assumptions used to determine the net periodic benefit cost were:

	December 31, 2014			December 31, 2013			December 31, 2012		
	Pension benefits			Pension benefits			Pension benefits		
	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Discount rate (1)	**4.75%**	**4.16**	**4.50**	4.38	4.08	3.75	5.00	4.92	4.75
Expected return on plan assets	**7.00**	**n/a**	**6.00**	7.50	n/a	6.00	7.50	n/a	6.00

(1) The discount rate for the 2013 qualified pension benefits and for the 2014, 2013, and 2012 nonqualified pension benefits includes the impact of quarter-end remeasurements when settlement losses are recognized.

To account for postretirement health care plans we use health care cost trend rates to recognize the effect of expected changes in future health care costs due to medical inflation, utilization changes, new technology, regulatory requirements and Medicare cost shifting. In determining the end of year benefit obligation we assume an average annual increase of approximately 7.00%, for health care costs in 2015. This rate is assumed to trend down 0.25% per year until the trend rate reaches an ultimate rate of 5.00% in 2023. The 2014 periodic benefit cost was determined using an initial annual trend rate of 7.25%. This rate was assumed to decrease 0.25% per year until the trend rate reached an ultimate rate of 5.00% in 2023. Increasing the assumed health care trend by one percentage point in each year would increase the benefit obligation as of December 31, 2014, by $45 million and the total of the interest cost and service cost components of the net periodic benefit cost for 2014 by $2 million. Decreasing the assumed health care trend by one percentage point in each year would decrease the benefit obligation as of December 31, 2014, by $40 million and the total of the interest cost and service cost components of the net periodic benefit cost for 2014 by $2 million.

Investment Strategy and Asset Allocation

We seek to achieve the expected long-term rate of return with a prudent level of risk given the benefit obligations of the pension plans and their funded status. Our overall investment strategy is designed to provide our Cash Balance Plan with long-term growth opportunities while ensuring that risk is mitigated through diversification across numerous asset classes and various investment strategies. We target the asset allocation for our Cash Balance Plan at a target mix range of 30% -50% equities, 40% -60% fixed income, and approximately 10% in real estate, venture capital, private equity and other investments. The Employee Benefit Review Committee (EBRC), which includes several members of senior management, formally reviews the investment risk and performance of our Cash Balance Plan on a quarterly basis. Annual Plan liability analysis and periodic asset/liability evaluations are also conducted.

Other benefit plan assets include (1) assets held in a 401(h) trust, which are invested with a target mix of 40%-60% for both equities and fixed income, and (2) assets held in the Retiree Medical Plan Voluntary Employees' Beneficiary Association (VEBA) trust, which are invested with a general target asset mix of 20%-40% equities and 60%-80% fixed income. In addition, the strategy for the VEBA trust assets considers the effect of income taxes by utilizing a combination of variable annuity and low turnover investment strategies. Members of the EBRC formally review the investment risk and performance of these assets on a quarterly basis.

Projected Benefit Payments

Future benefits that we expect to pay under the pension and other benefit plans are presented in the following table. Other benefits payments are expected to be reduced by prescription drug subsidies from the federal government provided by the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

	Pension benefits		Other benefits	
(in millions)	Qualified	Non-qualified	Future benefits	Subsidy receipts
Year ended December 31,				
2015	$ 750	92	88	10
2016	741	66	89	11
2017	732	61	89	11
2018	730	57	89	11
2019	738	55	89	12
2020-2024	3,568	233	424	59

Fair Value of Plan Assets

The following table presents the balances of pension plan assets and other benefit plan assets measured at fair value. See Note 17 (Fair Values of Assets and Liabilities) for fair value hierarchy level definitions.

	Carrying value at year end							
	Pension plan assets				Other benefits plan assets			
(in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
December 31, 2014								
Cash and cash equivalents	**$ 31**	**224**	**—**	**255**	**139**	**21**	**—**	**160**
Long duration fixed income (1)	**556**	**3,622**	**12**	**4,190**	**—**	**—**	**—**	**—**
Intermediate (core) fixed income (2)	**127**	**329**	**—**	**456**	**61**	**115**	**—**	**176**
High-yield fixed income	**1**	**321**	**5**	**327**	**—**	**—**	**—**	**—**
International fixed income	**53**	**284**	**—**	**337**	**—**	**—**	**—**	**—**
Domestic large-cap stocks (3)	**833**	**375**	**—**	**1,208**	**—**	**102**	**—**	**102**
Domestic mid-cap stocks	**252**	**140**	**—**	**392**	**—**	**47**	**—**	**47**
Domestic small-cap stocks (4)	**238**	**17**	**—**	**255**	**—**	**37**	**—**	**37**
Global stocks (5)	**47**	**155**	**—**	**202**	**—**	**—**	**—**	**—**
International stocks (6)	**457**	**276**	**—**	**733**	**25**	**53**	**—**	**78**
Emerging market stocks	**—**	**412**	**—**	**412**	**—**	**—**	**—**	**—**
Real estate/timber (7)	**121**	**1**	**265**	**387**	**—**	**—**	**—**	**—**
Hedge funds (8)	**—**	**203**	**84**	**287**	**—**	**—**	**—**	**—**
Private equity	**—**	**—**	**155**	**155**	**—**	**—**	**—**	**—**
Other	**—**	**23**	**52**	**75**	**2**	**—**	**22**	**24**
Total plan investments	**$ 2,716**	**6,382**	**573**	**9,671**	**227**	**375**	**22**	**624**
Payable upon return of securities loaned				**(53)**				**—**
Net receivables				**8**				**—**
Total plan assets				**$ 9,626**				**624**
December 31, 2013								
Cash and cash equivalents	$ 65	357	—	422	147	22	—	169
Long duration fixed income (1)	546	3,287	1	3,834	—	—	—	—
Intermediate (core) fixed income (2)	86	339	—	425	64	115	—	179
High-yield fixed income	5	326	—	331	—	—	—	—
International fixed income	201	112	—	313	—	—	—	—
Domestic large-cap stocks (3)	824	415	—	1,239	—	107	—	107
Domestic mid-cap stocks	260	145	—	405	—	46	—	46
Domestic small-cap stocks (4)	286	15	—	301	—	38	—	38
International stocks (6)	540	354	1	895	28	54	—	82
Emerging market stocks	—	405	—	405	—	—	—	—
Real estate/timber (7)	89	1	294	384	—	—	—	—
Hedge funds (8)	—	149	152	301	—	—	—	—
Private equity	—	—	158	158	—	—	—	—
Other	—	27	52	79	2	—	22	24
Total plan investments	$ 2,902	5,932	658	9,492	241	382	22	645
Payable upon return of securities loaned				(94)				—
Net receivables				11				—
Total plan assets				$ 9,409				645

(1) This category includes a diversified mix of assets which are being managed in accordance with a duration target of approximately 10 years and an emphasis on corporate credit bonds combined with investments in U.S. Treasury securities and other U.S. agency and non-agency bonds.

(2) This category includes assets that are primarily intermediate duration, investment grade bonds held in investment strategies benchmarked to the Barclays Capital U.S. Aggregate Bond Index. Includes U.S. Treasury securities, agency and non-agency asset-backed bonds and corporate bonds.

(3) This category covers a broad range of investment styles, including active, enhanced index and passive approaches, as well as style characteristics of value, core and growth emphasized strategies. Assets in this category are currently diversified across seven unique investment strategies with no single investment manager strategy representing more than 2.5% of total plan assets.

(4) This category consists of a highly diversified combination of four distinct investment management strategies with no single strategy representing more than 2% of total plan assets. Allocations in this category are spread across actively managed approaches with distinct value and growth emphasized approaches in fairly equal proportions.

(5) This category consists of three unique investment strategies providing exposure to broadly diversified, global equity investments, which generally have an allocation of 40-60% in U.S. domiciled equities and and an equivalent allocation range in primarily developed market, non-U.S. equities, with no single strategy representing more than 1.5% of total Plan assets.

(6) This category includes assets diversified across six unique investment strategies providing exposure to companies based primarily in developed market, non-U.S. countries with no single strategy representing more than 2.5% of total plan assets.

(7) This category primarily includes investments in private and public real estate, as well as timber specific limited partnerships; real estate holdings are diversified by geographic location and sector (e.g., retail, office, apartments).

(8) This category consists of several investment strategies diversified across more than 30 hedge fund managers. Single manager allocation exposure is limited to 0.15% (15 basis points) of total plan assets.

The changes in Level 3 pension plan and other benefit plan assets measured at fair value are summarized as follows:

(in millions)	Balance beginning of year	Gains (losses) Realized	Gains (losses) Unrealized (1)	Purchases, sales and settlements (net)	Transfers Into/(Out of) Level 3	Balance end of year
Year ended December 31, 2014						
Pension plan assets:						
Long duration fixed income	**$ 1**	**—**	**—**	**1**	**10**	**12**
High-yield fixed income	**—**	**—**	**—**	**3**	**2**	**5**
International stocks	**1**	**—**	**—**	**(1)**	**—**	**—**
Real estate/timber	**294**	**9**	**34**	**(72)**	**—**	**265**
Hedge funds	**152**	**1**	**4**	**(9)**	**(64)**	**84**
Private equity	**158**	**12**	**(3)**	**(12)**	**—**	**155**
Other	**52**	**2**	**1**	**(3)**	**—**	**52**
	$ 658	**24**	**36**	**(93)**	**(52)**	**573**
Other benefits plan assets:						
Other	**$ 22**	**—**	**—**	**—**	**—**	**22**
	$ 22	**—**	**—**	**—**	**—**	**22**
Year ended December 31, 2013						
Pension plan assets:						
Long duration fixed income	$ 1	—	—	—	—	1
International stocks	1	—	—	—	—	1
Real estate/timber	328	27	52	(113)	—	294
Hedge funds	71	5	6	56	14	152
Private equity	145	19	6	(12)	—	158
Other	48	1	5	(2)	—	52
	$ 594	52	69	(71)	14	658
Other benefits plan assets:						
Other	$ 22	—	—	—	—	22
	$ 22	—	—	—	—	22

(1) All unrealized gains (losses) relate to instruments held at period end.

VALUATION METHODOLOGIES Following is a description of the valuation methodologies used for assets measured at fair value.

Cash and Cash Equivalents – includes investments in collective investment funds valued at fair value based upon the quoted market values of the underlying net assets. The unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments traded on an active market. This group of assets also includes investments in registered investment companies valued at the NAV of shares held at year end.

Long Duration, Intermediate (Core), High-Yield, and International Fixed Income – includes investments traded on the secondary markets; prices are measured by using quoted market prices for similar securities, pricing models, and discounted cash flow analyses using significant inputs observable in the market where available, or a combination of multiple valuation techniques. This group of assets also includes highly liquid government securities such as U.S. Treasuries, limited partnerships valued at the NAV provided by the fund sponsor and registered investment companies and collective investment funds described above.

Domestic, Global, International and Emerging Market Stocks – investments in exchange-traded equity securities are valued at quoted market values. This group of assets also includes investments in registered investment companies and collective investment funds described above.

Real Estate and Timber – the fair value of real estate and timber is estimated based primarily on appraisals prepared by third-party appraisers. Market values are estimates and the actual market price of the real estate can only be determined by negotiation between independent third parties in a sales transaction. This group of assets also includes investments in exchange-traded equity securities described above.

Hedge Funds and Private Equity – the fair values of hedge funds are valued based on the proportionate share of the underlying net assets of the investment funds that comprise the fund, based on valuations supplied by the underlying investment funds. Investments in private equity funds are valued at the NAV provided by the fund sponsor. Market values are estimates and the actual market price of the investments can only be determined by negotiation between independent third parties in a sales transaction.

Other – insurance contracts that are generally stated at cash surrender value. This group of assets also includes investments in collective investment funds and private equity described above.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Defined Contribution Retirement Plans

We sponsor a defined contribution retirement plan named the Wells Fargo & Company 401(k) Plan (401(k) Plan). Under the 401(k) Plan, after one month of service, eligible employees may contribute up to 50% of their certified compensation, subject to statutory limits. Eligible employees who complete one year of service are eligible for company matching contributions, which are generally dollar for dollar up to 6% of an employee's eligible certified compensation. Effective January 1, 2010, matching contributions are 100% vested. The 401(k) Plan includes an employer discretionary profit sharing contribution feature to allow us to make a contribution to eligible employees' 401(k) Plan accounts. Eligible employees who complete one year of service are eligible for profit sharing contributions. Profit sharing contributions are vested after three years of service. Total defined contribution retirement plan expenses were $1.1 billion, $1.2 billion, and $1.1 billion in 2014, 2013, and 2012 respectively.

Other Expenses

Expenses exceeding 1% of total interest income and noninterest income in any of the years presented that are not otherwise shown separately in the financial statements or Notes to Financial Statements were:

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Outside professional services	**$ 2,689**	2,519	2,729
Operating losses	**1,249**	821	2,235
Outside data processing	**1,034**	983	910
Contract services	**975**	935	1,011
Travel and entertainment	**904**	885	839
Foreclosed assets	**583**	605	1,061

Note 21: Income Taxes

The components of income tax expense were:

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Current:			
Federal	**$ 7,321**	4,601	9,141
State and local	**520**	736	1,198
Foreign	**112**	91	61
Total current	**7,953**	5,428	10,400
Deferred:			
Federal	**2,117**	4,457	(1,151)
State and local	**224**	522	(166)
Foreign	**13**	(2)	20
Total deferred	**2,354**	4,977	(1,297)
Total	**$ 10,307**	10,405	9,103

The tax effects of our temporary differences that gave rise to significant portions of our deferred tax assets and liabilities are presented in the following table.

	December 31,	
(in millions)	**2014**	2013
Deferred tax assets		
Allowance for loan losses	**$ 4,592**	5,227
Deferred compensation and employee benefits	**4,608**	4,283
Accrued expenses	**1,213**	1,247
PCI loans	**1,935**	2,150
Basis difference in investments	**382**	1,084
Net operating loss and tax credit carry forwards	**631**	773
Other	**1,318**	1,720
Total deferred tax assets	**14,679**	16,484
Deferred tax assets valuation allowance	**(426)**	(457)
Deferred tax liabilities		
Mortgage servicing rights	**(5,860)**	(6,657)
Leasing	**(4,057)**	(4,274)
Mark to market, net	**(7,635)**	(5,761)
Intangible assets	**(1,494)**	(1,885)
Net unrealized gains on investment securities	**(2,737)**	(1,155)
Insurance reserves	**(2,087)**	(2,068)
Other	**(1,635)**	(1,733)
Total deferred tax liabilities	**(25,505)**	(23,533)
Net deferred tax liability (1)	**$ (11,252)**	(7,506)

(1) Included in accrued expenses and other liabilities.

Deferred taxes related to net unrealized gains (losses) on investment securities, net unrealized gains (losses) on derivatives, foreign currency translation, and employee benefit plan adjustments are recorded in cumulative OCI (see Note 23 (Other Comprehensive Income)). These associated adjustments decreased OCI by $1.3 billion in 2014.

We have determined that a valuation reserve is required for 2014 in the amount of $426 million predominantly attributable to deferred tax assets in various state and foreign jurisdictions where we believe it is more likely than not that these deferred tax assets will not be realized. In these jurisdictions, carry back limitations, lack of sources of taxable income, and tax planning strategy limitations contributed to our conclusion that the deferred tax assets would not be realizable. We have concluded that it is more likely than not that the remaining deferred tax assets will be realized based on our history of earnings, sources of taxable income in carry back periods, and our ability to implement tax planning strategies.

At December 31, 2014, we had net operating loss carry forwards with related deferred tax assets of $631 million. If these carry forwards are not utilized, they will expire in varying amounts through 2034.

At December 31, 2014, we had undistributed foreign earnings of $1.8 billion related to foreign subsidiaries. We intend to reinvest these earnings indefinitely outside the U.S. and accordingly have not provided $513 million of income tax liability on these earnings.

The following table reconciles the statutory federal income tax expense and rate to the effective income tax expense and rate. Our effective tax rate is calculated by dividing income tax expense by income before income tax expense less the net income from noncontrolling interests.

	December 31,					
	2014		2013		2012	
(in millions)	Amount	Rate	Amount	Rate	Amount	Rate
Statutory federal income tax expense and rate	**$ 11,677**	**35.0%**	$ 11,299	35.0%	$ 9,800	35.0%
Change in tax rate resulting from:						
State and local taxes on income, net of federal income tax benefit	**971**	**2.9**	964	3.0	856	3.1
Tax-exempt interest	**(550)**	**(1.6)**	(490)	(1.5)	(414)	(1.5)
Excludable dividends	**(70)**	**(0.2)**	(49)	(0.2)	(132)	(0.5)
Tax credits	**(1,074)**	**(3.2)**	(967)	(3.0)	(815)	(2.9)
Life insurance	**(179)**	**(0.5)**	(173)	(0.5)	(524)	(1.9)
Leveraged lease tax expense	**158**	**0.5**	302	0.9	347	1.2
Other	**(626)**	**(2.0)**	(481)	(1.5)	(15)	—
Effective income tax expense and rate	**$ 10,307**	**30.9%**	$ 10,405	32.2%	$ 9,103	32.5%

The effective tax rate for 2014, includes a net reduction in the reserve for uncertain tax positions primarily due to the resolution of prior period matters with state taxing authorities. The effective tax rate for 2013, included a net reduction in the reserve for uncertain tax positions primarily due to settlements with authorities regarding certain cross border transactions and tax benefits recognized from the realization for tax purposes of a previously written down investment. The 2012 effective tax rate included a tax benefit resulting from the surrender of previously written-down Wachovia life insurance investments.

The change in unrecognized tax benefits follows:

	Year ended December 31,	
(in millions)	**2014**	2013
Balance at beginning of year	**$ 5,528**	6,069
Additions:		
For tax positions related to the current year	412	427
For tax positions related to prior years	324	283
Reductions:		
For tax positions related to prior years	(213)	(540)
Lapse of statute of limitations	(50)	(74)
Settlements with tax authorities	(999)	(637)
Balance at end of year	**$ 5,002**	5,528

Of the $5.0 billion of unrecognized tax benefits at December 31, 2014, approximately $3.1 billion would, if recognized, affect the effective tax rate. The remaining $1.9 billion of unrecognized tax benefits relates to income tax positions on temporary differences.

We recognize interest and penalties as a component of income tax expense. At December 31, 2014 and 2013, we have accrued approximately $660 million and $832 million for the payment of interest and penalties, respectively. In 2014, we recognized in income tax expense, a net tax benefit related to interest and penalties of $142 million. In 2013, we recognized in income tax expense, interest and penalties of $69 million.

We are subject to U.S. federal income tax as well as income tax in numerous state and foreign jurisdictions. We are routinely examined by tax authorities in these various jurisdictions. The IRS is currently examining the 2007 through 2012 consolidated federal income tax returns of Wells Fargo & Company and its subsidiaries. In addition, we are currently subject to examination by various state, local and foreign taxing authorities. With few exceptions, Wells Fargo and its subsidiaries are not subject to federal, state, local and foreign income tax examinations for taxable years prior to 2007. Wachovia Corporation and its subsidiaries are no longer subject to federal examination and, with limited exception, are no longer subject to state, local and foreign income tax examinations.

We are litigating or appealing various issues related to our prior IRS examinations for the periods 2003 through 2006, and we are appealing various issues related to IRS examinations of Wachovia's 2006 through 2008 tax years. We have paid the IRS the contested income tax and interest associated with these issues and refund claims have been filed for the respective years. During 2014 we filed a petition for certiorari to the U.S. Supreme Court, which was denied, in connection with a lease restructuring transaction. It is possible that one or more of these examinations, appeals or litigation may be resolved within the next twelve months resulting in a decrease of up to $700 million to our gross unrecognized tax benefits.

Note 22: Earnings Per Common Share

The table below shows earnings per common share and diluted earnings per common share and reconciles the numerator and denominator of both earnings per common share calculations. See Note 1 (Summary of Significant Accounting Policies) for discussion of private share repurchases and the Consolidated Statement of Changes in Equity and Note 19 (Common Stock and Stock Plans) for information about stock and options activity and terms and conditions of warrants.

			Year ended December 31,
(in millions, except per share amounts)	**2014**	2013	2012
Wells Fargo net income	**$ 23,057**	21,878	18,897
Less: Preferred stock dividends and other	**1,236**	989	898
Wells Fargo net income applicable to common stock (numerator)	**$ 21,821**	20,889	17,999
Earnings per common share			
Average common shares outstanding (denominator)	**5,237.2**	5,287.3	5,287.6
Per share	**$ 4.17**	3.95	3.40
Diluted earnings per common share			
Average common shares outstanding	**5,237.2**	5,287.3	5,287.6
Add: Stock Options	**32.9**	33.1	27.5
Restricted share rights	**41.6**	44.8	36.4
Warrants	**12.7**	6.0	—
Diluted average common shares outstanding (denominator)	**5,324.4**	5,371.2	5,351.5
Per share	**$ 4.10**	3.89	3.36

The following table presents the outstanding options and warrants to purchase shares of common stock that were anti-dilutive (the exercise price was higher than the weighted-average market price), and therefore not included in the calculation of diluted earnings per common share.

	Weighted-average shares		
	Year ended December 31,		
(in millions)	**2014**	2013	2012
Options	**8.0**	11.1	56.4
Warrants	**—**	—	39.2

Note 23: Other Comprehensive Income

The following table provides the components of other comprehensive income (OCI), reclassifications to net income by income statement line item, and the related tax effects.

	Year ended December 31,								
			2014			2013			2012
(in millions)	**Before tax**	**Tax effect**	**Net of tax**	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Investment securities:									
Net unrealized gains (losses) arising during the period	**$ 5,426**	**(2,111)**	**3,315**	(7,661)	2,981	(4,680)	5,143	(1,921)	3,222
Reclassification of net (gains) losses to net income:									
Interest income on investment securities (1)	**(37)**	**14**	**(23)**	—	—	—	—	—	—
Net (gains) losses on debt securities	**(593)**	**224**	**(369)**	29	(11)	18	128	(48)	80
Net gains from equity investments	**(901)**	**340**	**(561)**	(314)	118	(196)	(399)	150	(249)
Other noninterest income	**(1)**	**—**	**(1)**	—	—	—	—	—	—
Subtotal reclassifications to net income	**(1,532)**	**578**	**(954)**	(285)	107	(178)	(271)	102	(169)
Net change	**3,894**	**(1,533)**	**2,361**	(7,946)	3,088	(4,858)	4,872	(1,819)	3,053
Derivatives and hedging activities:									
Net unrealized gains (losses) arising during the period	**952**	**(359)**	**593**	(32)	12	(20)	52	(12)	40
Reclassification of net (gains) losses to net income:									
Interest income on loans	**(588)**	**222**	**(366)**	(426)	156	(270)	(490)	185	(305)
Interest expense on long-term debt	**44**	**(17)**	**27**	91	(34)	57	96	(36)	60
Noninterest income	**—**	**—**	**—**	35	(13)	22	—	—	—
Salaries expense	**—**	**—**	**—**	4	(2)	2	6	(2)	4
Interest income on investment securities	**(1)**	**—**	**(1)**	—	—	—	—	—	—
Subtotal reclassifications to net income	**(545)**	**205**	**(340)**	(296)	107	(189)	(388)	147	(241)
Net change	**407**	**(154)**	**253**	(328)	119	(209)	(336)	135	(201)
Defined benefit plans adjustments:									
Net actuarial gains (losses) arising during the period	**(1,116)**	**420**	**(696)**	1,533	(578)	955	(775)	290	(485)
Reclassification of amounts to net periodic benefit costs (2):									
Amortization of net actuarial loss	**74**	**(28)**	**46**	151	(57)	94	141	(53)	88
Settlements and other	**—**	**—**	**—**	125	(46)	79	3	(1)	2
Subtotal reclassifications to net periodic benefit costs	**74**	**(28)**	**46**	276	(103)	173	144	(54)	90
Net change	**(1,042)**	**392**	**(650)**	1,809	(681)	1,128	(631)	236	(395)
Foreign currency translation adjustments:									
Net unrealized losses arising during the period	**(60)**	**(5)**	**(65)**	(44)	(7)	(51)	(6)	2	(4)
Reclassification of net gains to net income:									
Noninterest income	**6**	**—**	**6**	(12)	5	(7)	(10)	4	(6)
Net change	**(54)**	**(5)**	**(59)**	(56)	(2)	(58)	(16)	6	(10)
Other comprehensive income (loss)	**$ 3,205**	**(1,300)**	**1,905**	(6,521)	2,524	(3,997)	3,889	(1,442)	2,447
Less: Other comprehensive income (loss) from noncontrolling interests, net of tax			**(227)**			267			4
Wells Fargo other comprehensive income (loss), net of tax			**$ 2,132**			(4,264)			2,443

(1) Represents unrealized gains amortized over the remaining lives of securities that were transferred from the available-for-sale portfolio to the held-to-maturity portfolio.
(2) These items are included in the computation of net periodic benefit cost, which is recorded in employee benefits expense (see Note 20 (Employee Benefits and Other Expenses) for additional details).

Note 23: Other Comprehensive Income *(continued)*

Cumulative OCI balances were:

(in millions)	Investment securities	Derivatives and hedging activities	Defined benefit plans adjustments	Foreign currency translation adjustments	Cumulative other comprehensive income
Balance, December 31, 2011	$ 4,413	490	(1,786)	90	3,207
Net unrealized gains (losses) arising during the period	3,222	40	(485)	(4)	2,773
Amounts reclassified from accumulated other comprehensive income	(169)	(241)	90	(6)	(326)
Net change	3,053	(201)	(395)	(10)	2,447
Less: Other comprehensive income from noncontrolling interests	4	—	—	—	4
Balance, December 31, 2012	7,462	289	(2,181)	80	5,650
Net unrealized gains (losses) arising during the period	(4,680)	(20)	955	(51)	(3,796)
Amounts reclassified from accumulated other comprehensive income	(178)	(189)	173	(7)	(201)
Net change	(4,858)	(209)	1,128	(58)	(3,997)
Less: Other comprehensive income from noncontrolling interests	266	—	—	1	267
Balance, December 31, 2013	2,338	80	(1,053)	21	1,386
Net unrealized gains (losses) arising during the period	**3,315**	**593**	**(696)**	**(65)**	**3,147**
Amounts reclassified from accumulated other comprehensive income	**(954)**	**(340)**	**46**	**6**	**(1,242)**
Net change	**2,361**	**253**	**(650)**	**(59)**	**1,905**
Less: Other comprehensive loss from noncontrolling interests	**(227)**	**—**	**—**	**—**	**(227)**
Balance, December 31, 2014	**$ 4,926**	**333**	**(1,703)**	**(38)**	**3,518**

Note 24: Operating Segments

We have three reportable operating segments: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. The results for these reportable operating segments are based on our management accounting process, for which there is no comprehensive, authoritative guidance equivalent to GAAP for financial accounting. The management accounting process measures the performance of the operating segments based on our management structure and is not necessarily comparable with similar information for other financial services companies. We define our operating segments by product type and customer segment. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change.

Community Banking offers a complete line of diversified financial products and services to consumers and small businesses with annual sales generally up to $20 million in which the owner generally is the financial decision maker. Community Banking also offers investment management and other services to retail customers and securities brokerage through affiliates. These products and services include the *Wells Fargo Advantage Funds*[SM], a family of mutual funds. Loan products include lines of credit, auto floor plan lines, equity lines and loans, equipment and transportation loans, education loans, origination and purchase of residential mortgage loans and servicing of mortgage loans and credit cards. Other credit products and financial services available to small businesses and their owners include equipment leases, real estate and other commercial financing, Small Business Administration financing, venture capital financing, cash management, payroll services, retirement plans, Health Savings Accounts, credit cards, and merchant payment processing. Community Banking also offers private label financing solutions for retail merchants across the United States and purchases retail installment contracts from auto dealers in the United States and Puerto Rico. Consumer and business deposit products include checking accounts, savings deposits, market rate accounts, Individual Retirement Accounts, time deposits, global remittance and debit cards.

Community Banking serves customers through a complete range of channels, including traditional banking stores, in-store banking centers, business centers, ATMs, Online and Mobile Banking, and *Wells Fargo Customer Connection,* a 24-hours a day, seven days a week telephone service.

The Community Banking segment also includes the results of our Corporate Treasury activities net of allocations in support of other segments and results of investments in our affiliated venture capital partnerships.

Wholesale Banking provides financial solutions to businesses across the United States with annual sales generally in excess of $20 million and to financial institutions globally. Wholesale Banking provides a complete line of commercial, corporate, capital markets, cash management and real estate banking products and services. These include traditional commercial loans and lines of credit, letters of credit, asset-based lending, equipment leasing, international trade facilities, trade financing, collection services, foreign exchange services, treasury management, investment management, institutional fixed-income sales, interest rate, commodity and equity risk management, online/electronic products such as the *Commercial Electronic Office*® (*CEO*®) portal, insurance, corporate trust fiduciary and agency services, and investment banking services. Wholesale Banking manages customer investments through institutional separate accounts and mutual funds, including the Wells Fargo Advantage Funds and Wells Capital Management. Wholesale Banking also supports the CRE market with products and services such as construction loans for commercial and residential development, land acquisition and development loans, secured and unsecured lines of credit, interim financing arrangements for completed structures, rehabilitation loans, affordable housing loans and letters of credit, permanent loans for securitization, CRE loan servicing and real estate and mortgage brokerage services.

Wealth, Brokerage and Retirement provides a full range of financial advisory services to clients using a planning approach to meet each client's financial needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions, including financial planning, private banking, credit, investment management and fiduciary services. Abbot Downing, a Wells Fargo business, provides comprehensive wealth management services to ultra-high net worth families and individuals as well as endowments and foundations. Brokerage serves customers' advisory, brokerage and 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 and reinsurance services for the life insurance industry.

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

Note 24: Operating Segments *(continued)*

(income/expense in millions, average balances in billions)	Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Other (1)	Consolidated Company
2014					
Net interest income (2)	**$ 29,709**	**$ 11,955**	**$ 3,179**	**$ (1,316)**	**$ 43,527**
Provision (reversal of provision) for credit losses	**1,681**	**(266)**	**(50)**	**30**	**1,395**
Noninterest income	**21,153**	**11,527**	**11,039**	**(2,899)**	**40,820**
Noninterest expense	**28,126**	**12,975**	**10,907**	**(2,971)**	**49,037**
Income (loss) before income tax expense (benefit)	**21,055**	**10,773**	**3,361**	**(1,274)**	**33,915**
Income tax expense (benefit)	**6,350**	**3,165**	**1,276**	**(484)**	**10,307**
Net income (loss) before noncontrolling interests	**14,705**	**7,608**	**2,085**	**(790)**	**23,608**
Less: Net income from noncontrolling interests	**525**	**24**	**2**	**—**	**551**
Net income (loss) (3)	**$ 14,180**	**$ 7,584**	**$ 2,083**	**$ (790)**	**$ 23,057**
2013					
Net interest income (2)	$ 28,839	$ 12,298	$ 2,888	$ (1,225)	$ 42,800
Provision (reversal of provision) for credit losses	2,755	(445)	(16)	15	2,309
Noninterest income	21,500	11,766	10,315	(2,601)	40,980
Noninterest expense	28,723	12,378	10,455	(2,714)	48,842
Income (loss) before income tax expense (benefit)	18,861	12,131	2,764	(1,127)	32,629
Income tax expense (benefit)	5,799	3,984	1,050	(428)	10,405
Net income (loss) before noncontrolling interests	13,062	8,147	1,714	(699)	22,224
Less: Net income from noncontrolling interests	330	14	2	—	346
Net income (loss) (3)	$ 12,732	$ 8,133	$ 1,712	$ (699)	$ 21,878
2012					
Net interest income (2)	$ 29,045	$ 12,648	$ 2,768	$ (1,231)	$ 43,230
Provision (reversal of provision) for credit losses	6,835	286	125	(29)	7,217
Noninterest income	24,360	11,444	9,392	(2,340)	42,856
Noninterest expense	30,840	12,082	9,893	(2,417)	50,398
Income (loss) before income tax expense (benefit)	15,730	11,724	2,142	(1,125)	28,471
Income tax expense (benefit)	4,774	3,943	814	(428)	9,103
Net income (loss) before noncontrolling interests	10,956	7,781	1,328	(697)	19,368
Less: Net income from noncontrolling interests	464	7	—	—	471
Net income (loss) (3)	$ 10,492	$ 7,774	$ 1,328	$ (697)	$ 18,897
2014					
Average loans	**$ 503.2**	**313.4**	**52.1**	**(34.3)**	**834.4**
Average assets	**934.2**	**544.2**	**189.8**	**(74.9)**	**1,593.3**
Average core deposits	**642.3**	**274.0**	**154.9**	**(67.6)**	**1,003.6**
2013					
Average loans	499.3	287.7	46.1	(30.4)	802.7
Average assets	835.4	500.0	180.9	(70.3)	1,446.0
Average core deposits	620.1	237.2	150.1	(65.3)	942.1

(1) Includes corporate items not specific to a business segment and the elimination of certain items that are included in more than one business segment, substantially all of which represents products and services for wealth management customers provided in Community Banking stores.
(2) Net interest income is the difference between interest earned on assets and the cost of liabilities to fund those assets. Interest earned includes actual interest earned on segment assets and, if the segment has excess liabilities, interest credits for providing funding to other segments. The cost of liabilities includes interest expense on segment liabilities and, if the segment does not have enough liabilities to fund its assets, a funding charge based on the cost of excess liabilities from another segment.
(3) Represents segment net income (loss) for Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement segments and Wells Fargo net income for the consolidated company.

Note 25: Parent-Only Financial Statements

The following tables present Parent-only condensed financial statements.

Parent-Only Statement of Income

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Income			
Dividends from subsidiaries:			
Bank	**$ 15,077**	10,612	11,767
Nonbank	**526**	33	1,150
Interest income from subsidiaries	**772**	848	897
Other interest income	**216**	240	222
Other income	**1,032**	484	267
Total income	**17,623**	12,217	14,303
Expense			
Interest expense:			
Indebtedness to nonbank subsidiaries	**357**	334	287
Short-term borrowings	**7**	5	1
Long-term debt	**1,540**	1,546	1,877
Other	**5**	15	23
Noninterest expense	**797**	1,175	1,127
Total expense	**2,706**	3,075	3,315
Income before income tax benefit and equity in undistributed income of subsidiaries	**14,917**	9,142	10,988
Income tax benefit	**(926)**	(570)	(903)
Equity in undistributed income of subsidiaries	**7,214**	12,166	7,006
Net income	**$ 23,057**	21,878	18,897

Parent-Only Statement of Comprehensive Income

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Net income	**$ 23,057**	21,878	18,897
Other comprehensive income (loss), net of tax:			
Investment securities	**142**	(248)	61
Derivatives and hedging activities	**12**	39	31
Defined benefit plans adjustment	**(633)**	1,136	(379)
Equity in other comprehensive income (loss) of subsidiaries	**2,611**	(5,191)	2,730
Other comprehensive income (loss), net of tax:	**2,132**	(4,264)	2,443
Total comprehensive income	**$ 25,189**	17,614	21,340

Parent-Only Balance Sheet

	December 31,	
(in millions)	**2014**	2013
Assets		
Cash and cash equivalents due from:		
Subsidiary banks	**$ 43,843**	42,386
Nonaffiliates	**3**	3
Investment securities issued by:		
Subsidiary banks	**10,001**	—
Nonaffiliates	**10,753**	11,652
Loans to subsidiaries:		
Bank	**18,166**	7,140
Nonbank	**35,783**	38,504
Investments in subsidiaries:		
Bank	**162,806**	154,577
Nonbank	**24,567**	21,852
Other assets	**6,225**	7,329
Total assets	**$ 312,147**	283,443
Liabilities and equity		
Short-term borrowings	**$ 2,270**	5,121
Accrued expenses and other liabilities	**6,984**	7,241
Long-term debt	**97,275**	81,721
Indebtedness to nonbank subsidiaries	**21,224**	19,218
Total liabilities	**127,753**	113,301
Stockholders' equity	**184,394**	170,142
Total liabilities and equity	**$ 312,147**	283,443

Parent-Only Statement of Cash Flows

(in millions)		2014	Year ended December 31, 2013	2012
Cash flows from operating activities:				
Net cash provided by operating activities	**$**	**18,019**	8,607	13,365
Cash flows from investing activities:				
Available-for-sale securities:				
Sales proceeds		**1,196**	3,606	6,171
Prepayments and maturities:				
Subsidiary banks		**25**	—	—
Nonaffiliates		**—**	12	30
Purchases:				
Subsidiary banks		**(10,025)**	—	—
Nonaffiliates		**(14)**	(6,016)	(5,845)
Loans:				
Net repayments from (advances to) subsidiaries		**(2,199)**	655	9,191
Capital notes and term loans made to subsidiaries		**(11,275)**	(6,700)	(1,850)
Principal collected on notes/loans made to subsidiaries		**2,526**	1,472	2,462
Net increase in investment in subsidiaries		**(1,096)**	(1,188)	(5,218)
Other, net		**470**	461	(2)
Net cash provided (used) by investing activities		**(20,392)**	(7,698)	4,939
Cash flows from financing activities:				
Net increase in short-term borrowings and indebtedness to subsidiaries		**2,314**	6,732	5,456
Long-term debt:				
Proceeds from issuance		**22,627**	18,714	16,989
Repayment		**(8,659)**	(13,096)	(18,693)
Preferred stock:				
Proceeds from issuance		**2,775**	3,145	1,377
Cash dividends paid		**(1,235)**	(1,017)	(892)
Common stock warrants repurchased		**—**	—	(1)
Common stock:				
Proceeds from issuance		**1,840**	2,224	2,091
Repurchased		**(9,414)**	(5,356)	(3,918)
Cash dividends paid		**(6,908)**	(5,953)	(4,565)
Excess tax benefits related to stock option payments		**453**	271	226
Other, net		**37**	114	(14)
Net cash provided (used) by financing activities		**3,830**	5,778	(1,944)
Net change in cash and due from banks		**1,457**	**6,687**	**16,360**
Cash and due from banks at beginning of year		**42,389**	35,702	19,342
Cash and due from banks at end of year	**$**	**43,846**	42,389	35,702

Note 26: Regulatory and Agency Capital Requirements

The Company and each of its subsidiary banks are subject to regulatory capital adequacy requirements promulgated by federal bank regulatory agencies. The Federal Reserve establishes capital requirements, including well capitalized standards, for the consolidated financial holding company, and the OCC has similar requirements for the Company's national banks, including Wells Fargo Bank, N.A. (the Bank).

The following table presents regulatory capital information for Wells Fargo & Company and the Bank. Information presented for December 31, 2014, reflects the transition to Basel III capital requirements from previous regulatory capital adequacy guidelines under Basel I effective in 2013. Among other matters, Basel III revises the definition of capital, and changes are being phased-in effective January 1, 2014, through the end of 2021, with regulatory capital ratios determined using Basel III (General Approach) risk-weighted assets during 2014. Under the Basel III (General Approach), at December 31, 2014, the Company's Common Equity Tier 1 capital was $137.1 billion, or 11.04% of risk-weighted assets, and the Bank's Common Equity Tier 1 capital was $119.9 billion, or 10.49% of risk-weighted assets.

We do not consolidate our wholly-owned trust (the Trust) formed solely to issue trust preferred and preferred purchase securities (the Securities). Securities issued by the Trust includable in Tier 2 capital were $2.1 billion at December 31, 2014. Under the new Basel III capital requirements, our remaining trust preferred and preferred purchase securities will begin amortizing in 2016 and will no longer count as Tier 2 capital in 2022.

The Bank is an approved seller/servicer of mortgage loans and is required to maintain minimum levels of shareholders' equity, as specified by various agencies, including the United States Department of Housing and Urban Development, GNMA, FHLMC and FNMA. At December 31, 2014, the Bank met these requirements. Other subsidiaries, including the Company's insurance and broker-dealer subsidiaries, are also subject to various minimum capital levels, as defined by applicable industry regulations. The minimum capital levels for these subsidiaries, and related restrictions, are not significant to our consolidated operations.

	Wells Fargo & Company		Wells Fargo Bank, N.A.			
	Under Basel III (General Approach)	Under Basel I	**Under Basel III (General Approach)**	Under Basel I	Well-capitalized	Minimum capital
				December 31,		
(in billions, except ratios)	**2014**	2013	**2014**	2013	ratios (1)	ratios (1)
Regulatory capital:						
Tier 1	**$ 154.7**	140.7	**119.9**	110.0		
Total	**192.9**	176.2	**144.0**	136.4		
Assets:						
Risk-weighted	**$ 1,242.5**	1,141.5	**1,142.5**	1,057.3		
Adjusted average (2)	**1,637.0**	1,466.7	**1,487.6**	1,324.0		
Capital ratios:						
Tier 1 capital	**12.45%**	12.33	**10.49**	10.40	6.00	4.00
Total capital	**15.53**	15.43	**12.61**	12.90	10.00	8.00
Tier 1 leverage (2)	**9.45**	9.60	**8.06**	8.31	5.00	4.00

(1) As defined by the regulations issued by the Federal Reserve, OCC and FDIC.
(2) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items. The minimum leverage ratio guideline is 3% for banking organizations that do not anticipate significant growth and that have well-diversified risk, excellent asset quality, high liquidity, good earnings, effective management and monitoring of market risk and, in general, are considered top-rated, strong banking organizations.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Wells Fargo & Company:

We have audited the accompanying consolidated balance sheet of Wells Fargo & Company and Subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2015, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

San Francisco, California
February 25, 2015

Quarterly Financial Data

Condensed Consolidated Statement of Income - Quarterly (Unaudited)

	2014 Quarter ended				2013 Quarter ended			
(in millions, except per share amounts)	**Dec 31,**	**Sep 30,**	**Jun 30,**	**Mar 31,**	Dec 31,	Sep 30,	Jun 30,	Mar 31,
Interest income	**$12,183**	**11,964**	**11,793**	**11,612**	11,836	11,776	11,827	11,650
Interest expense	**1,003**	**1,023**	**1,002**	**997**	1,033	1,028	1,077	1,151
Net interest income	**11,180**	**10,941**	**10,791**	**10,615**	10,803	10,748	10,750	10,499
Provision for credit losses	**485**	**368**	**217**	**325**	363	75	652	1,219
Net interest income after provision for credit losses	**10,695**	**10,573**	**10,574**	**10,290**	10,440	10,673	10,098	9,280
Noninterest income								
Service charges on deposit accounts	**1,241**	**1,311**	**1,283**	**1,215**	1,283	1,278	1,248	1,214
Trust and investment fees	**3,705**	**3,554**	**3,609**	**3,412**	3,458	3,276	3,494	3,202
Card fees	**925**	**875**	**847**	**784**	827	813	813	738
Other fees	**1,124**	**1,090**	**1,088**	**1,047**	1,119	1,098	1,089	1,034
Mortgage banking	**1,515**	**1,633**	**1,723**	**1,510**	1,570	1,608	2,802	2,794
Insurance	**382**	**388**	**453**	**432**	453	413	485	463
Net gains from trading activities	**179**	**168**	**382**	**432**	325	397	331	570
Net gains (losses) on debt securities	**186**	**253**	**71**	**83**	(14)	(6)	(54)	45
Net gains from equity investments	**372**	**712**	**449**	**847**	654	502	203	113
Lease income	**127**	**137**	**129**	**133**	148	160	225	130
Other	**507**	**151**	**241**	**115**	39	191	(8)	457
Total noninterest income	**10,263**	**10,272**	**10,275**	**10,010**	9,862	9,730	10,628	10,760
Noninterest expense								
Salaries	**3,938**	**3,914**	**3,795**	**3,728**	3,811	3,910	3,768	3,663
Commission and incentive compensation	**2,582**	**2,527**	**2,445**	**2,416**	2,347	2,401	2,626	2,577
Employee benefits	**1,124**	**931**	**1,170**	**1,372**	1,160	1,172	1,118	1,583
Equipment	**581**	**457**	**445**	**490**	567	471	418	528
Net occupancy	**730**	**731**	**722**	**742**	732	728	716	719
Core deposit and other intangibles	**338**	**342**	**349**	**341**	375	375	377	377
FDIC and other deposit assessments	**231**	**229**	**225**	**243**	196	214	259	292
Other	**3,123**	**3,117**	**3,043**	**2,616**	2,897	2,831	2,973	2,661
Total noninterest expense	**12,647**	**12,248**	**12,194**	**11,948**	12,085	12,102	12,255	12,400
Income before income tax expense	**8,311**	**8,597**	**8,655**	**8,352**	8,217	8,301	8,471	7,640
Income tax expense	**2,519**	**2,642**	**2,869**	**2,277**	2,504	2,618	2,863	2,420
Net income before noncontrolling interests	**5,792**	**5,955**	**5,786**	**6,075**	5,713	5,683	5,608	5,220
Less: Net income from noncontrolling interests	**83**	**226**	**60**	**182**	103	105	89	49
Wells Fargo net income	**$ 5,709**	**5,729**	**5,726**	**5,893**	5,610	5,578	5,519	5,171
Less: Preferred stock dividends and other	**327**	**321**	**302**	**286**	241	261	247	240
Wells Fargo net income applicable to common stock	**5,382**	**5,408**	**5,424**	**5,607**	5,369	5,317	5,272	4,931
Per share information								
Earnings per common share	**$ 1.04**	**1.04**	**1.02**	**1.07**	1.02	1.00	1.00	0.93
Diluted earnings per common share	**1.02**	**1.02**	**1.01**	**1.05**	1.00	0.99	0.98	0.92
Dividends declared per common share	**0.35**	**0.35**	**0.35**	**0.30**	0.30	0.30	0.30	0.25
Average common shares outstanding	**5,192.5**	**5,225.9**	**5,268.4**	**5,262.8**	5,270.3	5,295.3	5,304.7	5,279.0
Diluted average common shares outstanding	**5,279.2**	**5,310.4**	**5,350.8**	**5,353.3**	5,358.6	5,381.7	5,384.6	5,353.5
Market price per common share (1)								
High	**$ 55.95**	**53.80**	**53.05**	**49.97**	45.64	44.79	41.74	38.20
Low	**46.44**	**49.47**	**46.72**	**44.17**	40.07	40.79	36.19	34.43
Quarter-end	**54.82**	**51.87**	**52.56**	**49.74**	45.40	41.32	41.27	36.99

(1) Based on daily prices reported on the New York Stock Exchange Composite Transaction Reporting System.

Average Balances, Yields and Rates Paid (Taxable-Equivalent basis) - Quarterly (1)(2) - (Unaudited)

	Quarter ended December 31,					
	2014			2013		
(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	$ 268,109	0.28%	$ 188	205,276	0.28%	$ 148
Trading assets	60,383	3.21	485	45,379	3.40	386
Investment securities (3):						
Available-for-sale securities:						
Securities of U S. Treasury and federal agencies	19,506	1.55	76	6,611	1.67	27
Securities of U S. states and political subdivisions	43,891	4.30	472	42,025	4.38	460
Mortgage-backed securities:						
Federal agencies	109,270	2.78	760	117,910	2.94	866
Residential and commercial	24,711	5.89	364	29,233	6.35	464
Total mortgage-backed securities	133,981	3.36	1,124	147,143	3.62	1,330
Other debt and equity securities	44,980	3.87	438	55,325	3.43	478
Total available-for-sale securities	242,358	3.48	2,110	251,104	3.65	2,295
Held-to-maturity securities:						
Securities of U S. Treasury and federal agencies	32,930	2.25	187	—	—	—
Securities of U S. states and political subdivisions	902	4.92	11	—	—	—
Federal agency mortgage-backed securities	5,586	2.07	29	2,780	3.11	22
Other debt securities	6,118	1.81	27	65	1.99	—
Total held-to-maturity securities	45,536	2.22	254	2,845	3.09	22
Total investment securities	287,894	3.28	2,364	253,949	3.65	2,317
Mortgages held for sale (4)	19,191	3.90	187	21,396	4.13	221
Loans held for sale (4)	6,968	1.43	25	138	8.21	3
Loans:						
Commercial:						
Commercial and industrial - U.S.	218,297	3.32	1,825	189,939	3.54	1,696
Commercial and industrial - Non U.S.	43,049	2.03	221	41,062	1.88	194
Real estate mortgage	112,277	3.69	1,044	110,674	3.90	1,087
Real estate construction	18,336	4.33	200	16,744	4.76	201
Lease financing	12,268	5.35	164	12,085	5.68	171
Total commercial	404,227	3.39	3,454	370,504	3.59	3,349
Consumer:						
Real estate 1-4 family first mortgage	264,799	4.16	2,754	257,265	4.15	2,672
Real estate 1-4 family junior lien mortgage	60,177	4.28	648	66,809	4.29	721
Credit card	29,477	11.71	870	25,865	12.23	798
Automobile	55,457	6.08	849	50,213	6.70	849
Other revolving credit and installment	35,292	6.01	534	42,662	4.94	531
Total consumer	445,202	5.06	5,655	442,814	5.01	5,571
Total loans (4)	849,429	4.27	9,109	813,318	4.36	8,920
Other	4,829	5.30	64	4,728	5.22	61
Total earning assets	$ 1,496,803	3.31%	$ 12,422	1 344 184	3.57%	$ 12 056
Funding sources						
Deposits:						
Interest-bearing checking	$ 40,498	0.06%	$ 6	35,171	0.07%	$ 6
Market rate and other savings	593,940	0.07	99	568,750	0.08	110
Savings certificates	35,870	0.80	72	43,067	0.94	102
Other time deposits	56,119	0.39	55	39,700	0.48	47
Deposits in foreign offices	99,289	0.15	37	86,333	0.15	32
Total interest-bearing deposits	825,716	0.13	269	773,021	0.15	297
Short-term borrowings	64,676	0.12	19	52,286	0.12	15
Long-term debt	183,286	1.35	620	153,470	1.65	635
Other liabilities	15,580	2.44	96	12,822	2.70	87
Total interest-bearing liabilities	1,089,258	0.37	1,004	991,599	0.42	1,034
Portion of noninterest-bearing funding sources	407,545	—	—	352,585	—	—
Total funding sources	$ 1,496,803	0.27	1,004	1 344 184	0.30	1 034
Net interest margin and net interest income on a taxable-equivalent basis (5)		3.04%	$ 11,418		3.27%	$ 11 022
Noninterest-earning assets						
Cash and due from banks	$ 16,932			15,998		
Goodwill	25,705			25,637		
Other	124,320			119,947		
Total noninterest-earning assets	$ 166,957			161 582		
Noninterest-bearing funding sources						
Deposits	$ 324,080			287,379		
Other liabilities	65,672			57,138		
Total equity	184,750			169,650		
Noninterest-bearing funding sources used to fund earning assets	(407,545)			(352,585)		
Net noninterest-bearing funding sources	$ 166,957			161,582		
Total assets	$ 1,663,760			1,505,766		

(1) Our average prime rate was 3.25% for the quarters ended December 31, 2014 and 2013. The average three-month London Interbank Offered Rate (LIBOR) was 0.24% for the same quarters.
(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 $238 million and $219 million for the quarters ended December 31, 2014 and 2013, respectively, primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate was 35% for the periods presented.

Glossary of Acronyms

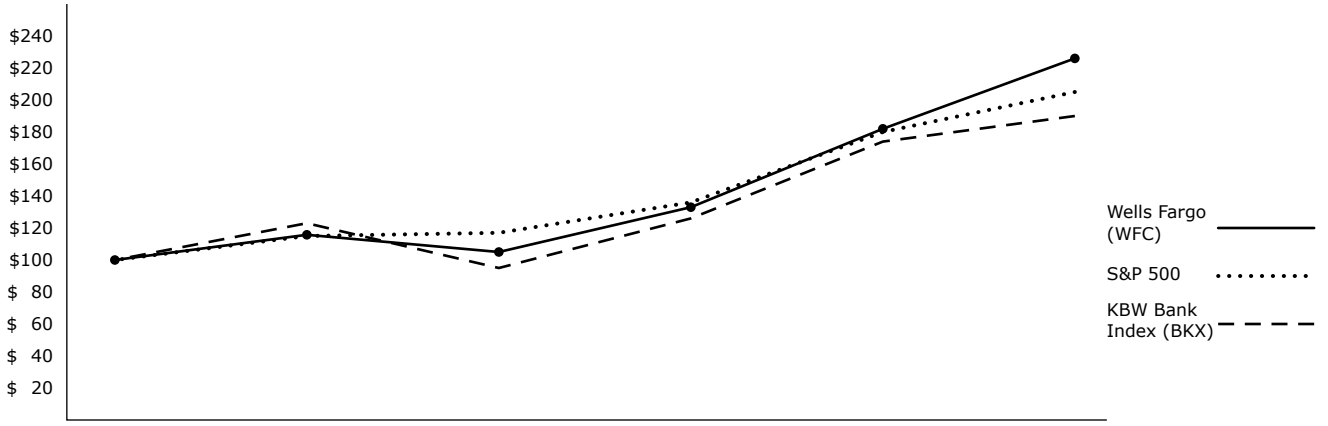
ABS	Asset-backed securities
ACL	Allowance for credit losses
ALCO	Asset/Liability Management Committee
ARM	Adjustable-rate mortgage
ARS	Auction rate security
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
AVM	Automated valuation model
BCBS	Basel Committee on Bank Supervision
BHC	Bank holding company
CCAR	Comprehensive Capital Analysis and Review
CD	Certificate of deposit
CDO	Collateralized debt obligation
CDS	Credit default swaps
CET1	Common Equity Tier 1
CFTC	U. S. Commodity Futures Trading Commission
CLO	Collateralized loan obligation
CLTV	Combined loan-to-value
CMBS	Commercial mortgage-backed securities
CPP	Capital Purchase Program
CRE	Commercial real estate
DOJ	U. S. Department of Justice
DPD	Days past due
ESOP	Employee Stock Ownership Plan
FAS	Statement of Financial Accounting Standards
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FFELP	Federal Family Education Loan Program
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICO	Fair Isaac Corporation (credit rating)
FNMA	Federal National Mortgage Association
FRB	Board of Governors of the Federal Reserve System
FSB	Financial Stability Board
GAAP	Generally accepted accounting principles
GNMA	Government National Mortgage Association
GSE	Government-sponsored entity
G-SIB	Globally systemic important bank
HAMP	Home Affordability Modification Program
HPI	Home Price Index
HUD	U.S. Department of Housing and Urban Development
LCR	Liquidity coverage ratio
LHFS	Loans held for sale
LIBOR	London Interbank Offered Rate
LIHTC	Low-Income Housing Tax Credit
LOCOM	Lower of cost or market value
LTV	Loan-to-value
MBS	Mortgage-backed security
MHA	Making Home Affordable programs
MHFS	Mortgages held for sale
MSR	Mortgage servicing right
MTN	Medium-term note
NAV	Net asset value
NPA	Nonperforming asset
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income
OTC	Over-the-counter
OTTI	Other-than-temporary impairment
PCI Loans	Purchased credit-impaired loans
PTPP	Pre-tax pre-provision profit
RBC	Risk-based capital
RMBS	Residential mortgage-backed securities
ROA	Wells Fargo net income to average total assets
ROE	Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity
RWAs	Risk-weighted assets
SEC	Securities and Exchange Commission
S&P	Standard & Poor's Ratings Services
SPE	Special purpose entity
TARP	Troubled Asset Relief Program
TDR	Troubled debt restructuring
VA	Department of Veterans Affairs
VaR	Value-at-Risk
VIE	Variable interest entity
WFCC	Wells Fargo Canada Corporation

Stock Performance

These graphs compare the cumulative total stockholder return and total compound annual growth rate (CAGR) for our common stock (NYSE: WFC) for the five- and ten-year periods ended December 31, 2014, with the cumulative total stockholder returns for the same periods for the Keefe, Bruyette and Woods (KBW) Total Return Bank Index (KBW Bank Index (BKX)) and the S&P 500 Index.

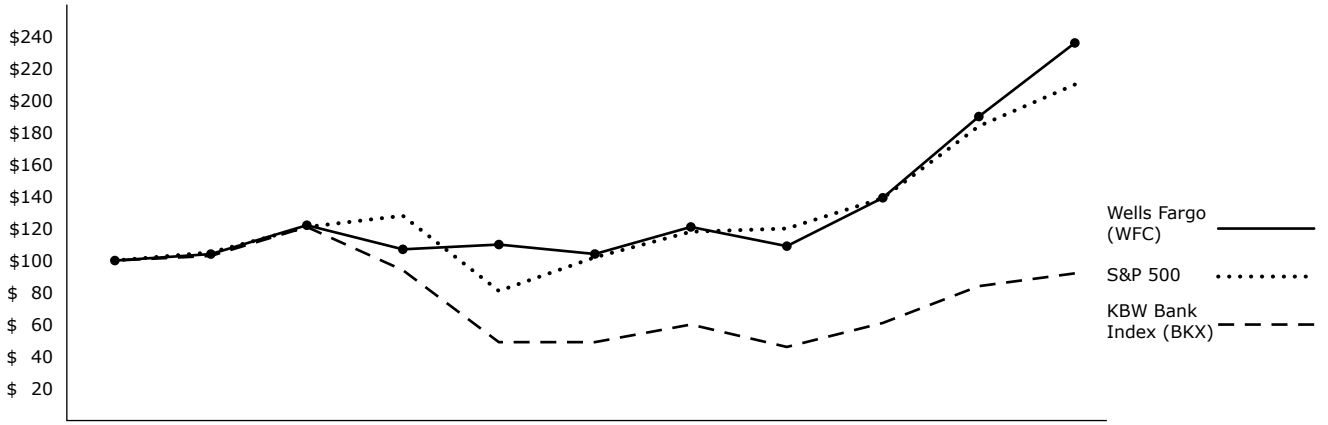
The cumulative total stockholder returns (including reinvested dividends) in the graphs assume the investment of $100 in Wells Fargo's common stock, the KBW Bank Index and the S&P 500 Index.

Five Year Performance Graph



	2009	2010	2011	2012	2013	2014	5-year CAGR	
	$100	**$116**	**$105**	**$133**	**$182**	**$226**	**18%**	**Wells Fargo**
	100	115	117	136	180	205	15%	S&P 500
	100	123	95	126	174	190	14%	KBW Bank Index

Ten Year Performance Graph



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	10-year CAGR	
	$100	**$104**	**$122**	**$107**	**$110**	**$104**	**$121**	**$109**	**$139**	**$190**	**$236**	**9%**	**Wells Fargo**
	100	105	121	128	81	102	118	120	139	184	210	8%	S&P 500
	100	103	121	94	49	49	60	46	61	84	92	(1)%	KBW Bank Index

Wells Fargo & Company

Wells Fargo & Company (NYSE: WFC) is a nationwide, diversified, community-based financial services company with $1.7 trillion in assets. Founded in 1852 and headquartered in San Francisco, Wells Fargo provides banking, insurance, investments, mortgage, and consumer and commercial finance services through more than 8,700 locations, 12,500 ATMs, the internet, and mobile banking, and has offices in 36 countries to support customers who conduct business in the global economy. With approximately 265,000 team members, Wells Fargo serves one in three households in the United States. Wells Fargo & Company was ranked No. 29 on *Fortune*'s 2014 rankings of America's largest corporations. Wells Fargo's vision is to satisfy all our customers' financial needs and help them succeed financially. Wells Fargo perspectives are also available at Wells Fargo Blogs and Wells Fargo Stories.

Common stock

Wells Fargo & Company is listed and trades on the New York Stock Exchange: WFC

5,170,349,198 common shares outstanding (12/31/14)

Stock purchase and dividend reinvestment

You can buy Wells Fargo stock directly from Wells Fargo, even if you're not a Wells Fargo stockholder, through optional cash payments or automatic monthly deductions from a bank account. You can also have your dividends reinvested automatically. It's a convenient, economical way to increase your Wells Fargo investment.

Call 1-877-840-0492 for an enrollment kit including a plan prospectus.

Form 10-K

We will send Wells Fargo's 2014 Annual Report on Form 10-K (including the financial statements filed with the Securities and Exchange Commission) free to any stockholder who asks for a copy in writing. Stockholders also can ask for copies of any exhibit to the Form 10-K. We will charge a fee to cover expenses to prepare and send any exhibits. Please send requests to: Corporate Secretary, Wells Fargo & Company, One Wells Fargo Center, MAC D1053-300, 301 S. College Street, 30th Floor, Charlotte, North Carolina 28202.

SEC filings

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge on our website (www.wellsfargo.com) as soon as practical after they are electronically filed with or furnished to the SEC. Those reports and amendments are also available free of charge on the SEC's website at www.sec.gov.

Forward-looking statements

This Annual 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. Some of these factors are described in the Financial Review and in the Financial Statements and related Notes. For a discussion of other factors, refer to "Forward-Looking Statements" and "Risk Factors" in the Financial Review.

Independent registered public accounting firm

KPMG LLP
San Francisco, California
1-415-963-5100

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Shareowner Services and Transfer Agent
Wells Fargo Shareowner Services
P.O. Box 64854
St. Paul, Minnesota 55164-0854
1-877-840-0492
www.shareowneronline.com

Annual Stockholders' Meeting
8:30 a.m. Central Time
Tuesday, April 28, 2015
The Ritz-Carlton, St. Louis
100 Carondelet Plaza
St. Louis, Missouri 63105

Strong for our customers and communities

Company

8th
Biggest Public Company in the World [1] (2014) *Forbes*

11th
Most Respected Company in the World (2014) *Barron's*

29th
Biggest Company by Revenue in the U.S. (2014) *Fortune*

35th
Most Admired Company in the World (2014) *Fortune*

Best U.S. Bank (2014) *The Banker* magazine

Best Global Bank (2013) *Euromoney*

Best U.S. Bank (2013) *Euromoney*

Most Admired Bank Outside of Asia Pacific and Gulf Regions (2013) *Asian Banker*

FImetrix Distinguished Provider for Transaction Services (2013 and 2014) *FImetrix*

Best Bank for Payments and Collections (North America) (2014) *Global Finance* magazine

Brand

Most Valuable Bank Brand in World (2014) *Brand Finance*

Most Valuable Brand in Banking (2014) **Top 100 Most Valuable Global Brands**, BrandZ™ [2]

Innovation leadership

Best Corporate/Institutional Internet Bank – United States (World's Best Corporate/Institutional Internet Banks in North America, 2014) *Global Finance* magazine

Best Online Treasury Services, Best Investment Management Services, Best in Mobile Banking, Best Web Site Design, Best Social Media, Best Mobile App, Best SMS/Text Banking (World's Best Corporate/Institutional Internet Banks in North America, 2014) *Global Finance* magazine

#1 in Overall Mobile Performance, Ease of Use, and Quality & Availability (2014) Keynote Competitive Research

Best Mobile App (Best Banks in America) (2014) *Money* magazine

Best iPhone and Android Apps (2014) Keynote Competitive Research

Diversity

2nd Top Company
For Lesbian, Gay, Bisexual, and Transgender Employees (LGBT) (2014) *DiversityInc*

6th Best Company
For Executive Women (2013) *DiversityInc*

8th Top Company
For Veterans (2014) *DiversityInc*

9th Best Company
For Diversity (2014) *Hispanic Business*

17th Top Company
For Diversity (2014) *DiversityInc*

18th Best Company
For Latinas (2014) *LATINA Style*

Social responsibility

#1
Largest national workplace employee giving campaign for sixth consecutive year, based on 2014 donations (U.S.) United Way Worldwide

#2
Most Generous Cash Donor (U.S.) (2013) *The Chronicle of Philanthropy*

100 Best Corporate Citizens (2014) *Corporate Responsibility Magazine*

Perfect Score – 100
Corporate Equality Index (2014, 11th year)
Human Rights Campaign

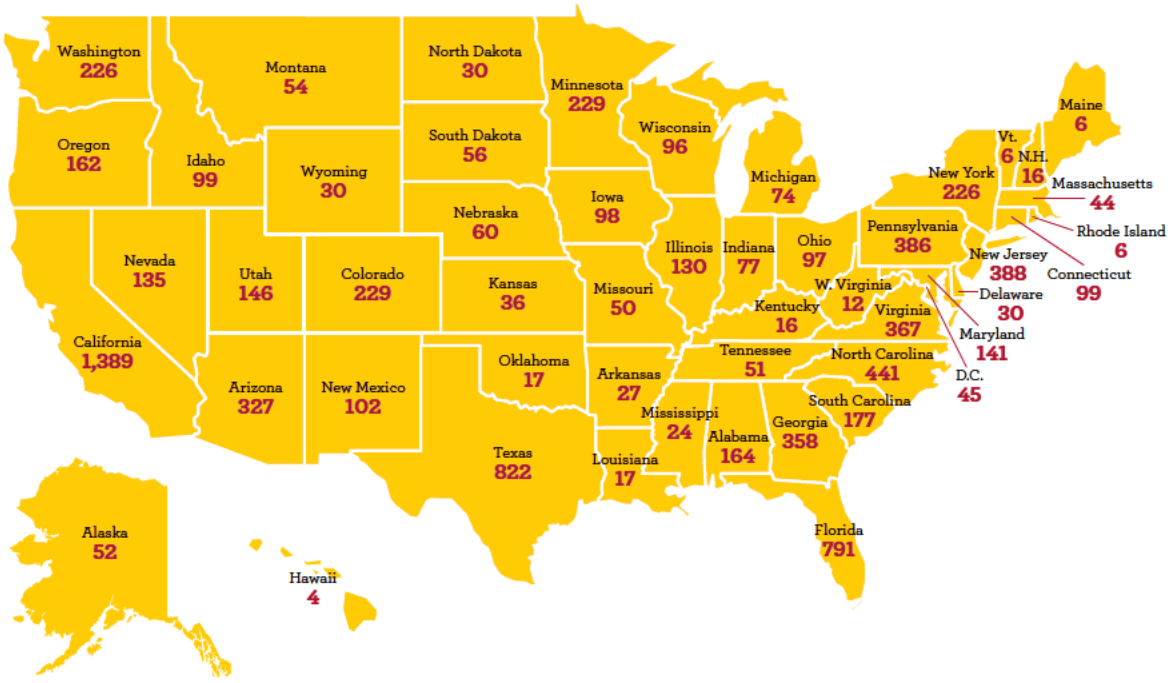
1 Based on sales, profits, assets, and market value.

2 Wells Fargo was the highest-rated bank brand in the world with a 2014 valuation of more than $54 billion, up 14 percent from 2013. Across all industries, Wells Fargo was among the top 20 brands in the world.

Wells Fargo's extensive network

Around the world

Argentina
Australia
Bahamas
Bangladesh
Brazil
Canada
Cayman Islands
Chile
China
Colombia
Dominican Republic
Ecuador
France
Germany
Hong Kong
India
Indonesia
Ireland
Israel
Italy
Japan
Korea
Malaysia
Mexico
Philippines
Russia
Singapore
South Africa
Spain
Taiwan
Thailand
Turkey
United Arab Emirates
United Kingdom
Vietnam



* *Numbers on map represent domestic stores*

Locations*
More than 8,700

ATMs
More than 12,500

Customers
70 million

wellsfargo.com
More than 25 million active online customers

Mobile banking
More than 14 million active mobile customers

Wells Fargo Customer Connection
430 million customer contacts annually

An industry leader

In supporting homeowners and consumers

#1
Retail mortgage lender (2014) *Inside Mortgage Finance*

#1
Home loan originator to minority and low- to moderate-income borrowers, and in low- to moderate-income neighborhoods (2013) HMDA data

#1
Mortgage servicer (2014) *Inside Mortgage Finance*

#1
Overall auto lender (Jan. 2014–Dec. 2014 excluding leases) AutoCount

#1
Used auto lender (Jan. 2014–Dec. 2014 excluding leases) AutoCount

#1
Provider of private student loans among banks (Jan. 2014–Dec. 2014) Company and competitor reports

#2
Provider of student loans overall (Jan. 2014–Dec. 2014) Company and competitor reports

In helping small businesses

#1
Small business lender (U.S., in dollars, 2013) Community Reinvestment Act government data

#1
SBA 7(a) lender in dollars (2014) Small Business Administration federal fiscal year-end data

In insurance

#1
Nation's largest crop insurance provider (2013) Risk Management Agency, a division of the USDA

Best Insurance Broker in the U.S. (2014) *Global Finance* magazine

#6
Provider of Health Savings Accounts (HSA) in U.S. (2014) Devenir

In commercial banking

#1
Share of lead banking relationships with middle-market companies (2013) *TNS Commercial Banking Momentum Monitor*

In commercial and residential real estate

#1
Winner of Global PERE Awards North American Debt Provider of the Year (2013) *Private Equity International*

#1
In total commercial real estate originations in the U.S. (2013) MBA Commercial/Multifamily Mortgage Origination Rankings

#1
Largest servicing portfolio of commercial real estate loans in the U.S. (Mid-year 2014) MBA Commercial/Multifamily Mortgage Servicer Rankings

#3
Affordable housing lender (2013) *Affordable Housing Finance*

In wealth, brokerage and retirement

#2 in U.S.
Annuity sales (2014) Transamerica Roundtable Survey

#3 in U.S.
Full-service retail brokerage provider, (4Q14) Company and competitor reports

#4 in U.S.
Wealth management provider, assets under management of accounts greater than $5 million (2014) *Barron's*

#6 in U.S.
IRA provider (3Q14) Cerulli Associates

#8 in U.S.
Institutional retirement plan record keeper, based on assets as of 12/31/13 (2014) *PLANSPONSOR* magazine

#9 internationally
Family wealth provider (2014) *Bloomberg*

Wells Fargo & Company
420 Montgomery Street
San Francisco, California 94104
1-866-878-5865 wellsfargo.com

Our Vision:

Satisfy all our customers' financial needs and help them succeed financially.

Nuestra visión:

Satisfacer todas las necesidades financieras de nuestros clientes y ayudarles a alcanzar el éxito financiero.

我們的願景：

滿足我們所有客戶的財務需求，並協助他們取得財務上的成功。

Notre Vision:

Répondre à tous les besoins financiers de nos clients et les aider à obtenir du succès financièrement.

MIX
Paper from responsible sources
FSC® C015197

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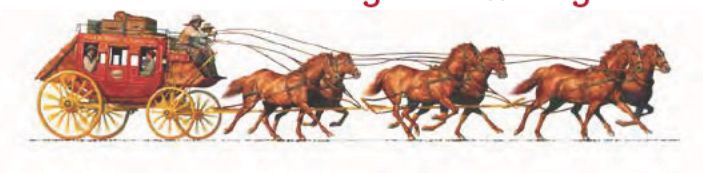
Deposit products offered through Wells Fargo Bank, N.A. Member FDIC.
CCM7043 (Rev 00, 1/each)

Together we'll go far



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2014 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: 1-866-878-5865

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $1-2/3	New York Stock Exchange (NYSE)
Warrants to purchase shares of Common Stock (expiring October 28, 2018)	NYSE
Depositary Shares, each representing a 1/40th interest in a share of 8.00% Non-Cumulative Perpetual Class A Preferred Stock, Series J	NYSE
7.5% Non-Cumulative Perpetual Convertible Class A Preferred Stock, Series L	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series N	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series O	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series P	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of 5.85% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series Q	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of 6.625% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series R	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series T	NYSE
Guarantee of 5.80% Fixed-to-Floating Rate Normal Wachovia Income Trust Securities of Wachovia Capital Trust III	NYSE

Securities registered pursuant to Section 12(g) of the Act:

Dividend Equalization Preferred Shares, no par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☑

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, and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
☑

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Act).
Yes ☐ No ☑

At June 30, 2014, the aggregate market value of common stock held by non-affiliates was approximately $274.8 billion, based on a closing price of $52.56. At January 30, 2015, 5,152,280,886 shares of common stock were outstanding.

Documents Incorporated by Reference in Form 10-K

Incorporated Documents	Where incorporated in Form 10-K
1. Portions of the Company's Annual Report to Stockholders for the year ended December 31, 2014 ("2014 Annual Report to Stockholders")	Part I – Items 1, 1A, 2 and 3; Part II – Items 5, 6, 7, 7A, 8 and 9A; and Part IV– Item 15.
2. Portions of the Company's Proxy Statement for the Annual Meeting of Stockholders to be held April 28, 2015 ("2015 Proxy Statement")	Part III – Items 10, 11, 12, 13 and 14

PART I.

ITEM 1. BUSINESS

Wells Fargo & Company is a corporation organized under the laws of Delaware and a financial holding company and a bank holding company registered under the Bank Holding Company Act of 1956, as amended (BHC Act). Its principal business is to act as a holding company for its subsidiaries. References in this report to "the Parent" mean the holding company. References to "we," "our," "us" or "the Company" mean the holding company and its subsidiaries that are consolidated for financial reporting purposes.

At December 31, 2014, we had assets of $1.7 trillion, loans of $863 billion, deposits of $1.2 trillion and stockholders' equity of $184 billion. Based on assets, we were the fourth largest bank holding company in the United States. At December 31, 2014, Wells Fargo Bank, N.A. was the Company's principal subsidiary with assets of $1.5 trillion, or 91% of the Company's assets.

At December 31, 2014, we had 264,500 active, full-time equivalent team members.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, are available for free at www.wellsfargo.com/invest_relations/filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (SEC). They are also available for free on the SEC's website at www.sec.gov.

DESCRIPTION OF BUSINESS

General

We are a diversified financial services company. We provide retail, commercial and corporate banking services through banking stores and offices, the internet and other distribution channels to individuals, businesses and institutions in all 50 states, the District of Columbia and in other countries. We provide other financial services through subsidiaries engaged in various businesses, principally: wholesale banking, mortgage banking, consumer finance, equipment leasing, agricultural finance, commercial finance, securities brokerage and investment banking, insurance agency and brokerage services, computer and data processing services, trust services, investment advisory services, mortgage-backed securities servicing and venture capital investment.

We have three operating segments for management reporting purposes: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. The 2014 Annual Report to Stockholders includes financial information and descriptions of these operating segments.

Competition

The financial services industry is highly competitive. Our subsidiaries compete with financial services providers such as banks, savings and loan associations, credit unions, finance companies, mortgage banking companies, insurance companies, investment banks and mutual fund companies. They also face increased competition from nonbank institutions such as brokerage houses, as well as from financial services subsidiaries of commercial and manufacturing companies. Many of these competitors enjoy fewer regulatory constraints and some may have lower cost structures.

Securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. Combinations of this type could significantly change the competitive environment in which we conduct business. The financial services industry is also likely to become more competitive as further technological advances enable more companies to provide financial services. These technological advances may diminish the importance of depository institutions and other financial intermediaries in the transfer of funds between parties.

REGULATION AND SUPERVISION

We describe below, and in Note 3 (Cash, Loan and Dividend Restrictions) and Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements included in the 2014 Annual Report to Stockholders, the material elements of the regulatory framework applicable to us. Banking statutes, regulations and policies are continually under review by Congress and state legislatures and federal and state regulatory agencies, as well as foreign governments and financial regulators, and a change in them, including changes in how they are interpreted or implemented, could have a material effect on our business. The regulatory framework applicable to bank holding companies is intended to protect depositors, federal deposit insurance funds, consumers and the banking system as a whole, and not necessarily investors in bank holding companies such as the Company.

Statutes, regulations and policies could restrict our ability to diversify into other areas of financial services, acquire depository institutions, and pay dividends on our capital stock. They may also require us to provide financial support to one or more of our subsidiary banks, maintain capital balances in excess of amounts desired by management, and pay higher deposit insurance premiums as a result of a general deterioration in the financial condition of depository institutions. See the “Regulatory Reform” and "Risk Factors" sections in the 2014 Annual Report to Stockholders for additional information.

General

Parent Bank Holding Company. As a bank holding company, the Parent is subject to regulation under the BHC Act and to inspection, examination and supervision by its primary regulator, the Board of Governors of the Federal Reserve System (Federal Reserve Board or FRB). The Parent is also subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, both as administered by the SEC. As a company with securities listed on the New York Stock Exchange (NYSE), the Parent is subject to the rules of the NYSE for listed companies.

Subsidiary Banks. Our subsidiary national banks, and their subsidiaries, are subject to regulation and examination primarily by the Office of the Comptroller of the Currency (OCC) and also by the Federal Deposit Insurance Corporation (FDIC), the FRB, the Consumer Financial Protection Bureau (CFPB), the SEC and the Commodities Futures Trading Commission (CFTC). The foreign branches and representative offices of our subsidiary national banks are subject to regulation and examination by their respective foreign financial regulators as well as by the OCC and the FRB. Foreign subsidiaries of our national bank subsidiaries may be subject to the laws and regulations of the foreign countries in which they conduct business. Our state-chartered bank is subject to primary federal regulation and examination by the FDIC and, in addition, is regulated and examined by its state banking department.

Nonbank Subsidiaries. Many of our nonbank subsidiaries are also subject to regulation by the FRB and other applicable federal and state agencies. Our insurance subsidiaries are subject to regulation by applicable state insurance regulatory agencies, as well as the FRB. Our brokerage subsidiaries are regulated by the SEC, the Financial Industry Regulatory Authority (FINRA) and, in some cases, the CFTC and the Municipal Securities Rulemaking Board, and state securities regulators. Our other nonbank subsidiaries may be subject to the laws and regulations of the federal government and/or the various states as well as foreign countries in which they conduct business.

Parent Bank Holding Company Activities

“Financial in Nature” Requirement. We became a financial holding company effective March 13, 2000. We continue to maintain our status as a bank holding company for purposes of other FRB regulations. As a bank holding company that has elected to become a financial holding company pursuant to the BHC Act, we may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature. “Financial in nature” activities include securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking; and activities that the FRB, in consultation with the Secretary of the U.S. Treasury, determines to be financial in nature or incidental to such financial activity. “Complementary activities” are activities that the FRB determines upon application to be complementary to a financial activity and do not pose a safety and soundness risk.

FRB approval is generally not required for us to acquire a company (other than a bank holding company, bank or savings association) engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the FRB. Prior notice to the FRB may be required, however, if the company to be acquired has total consolidated assets of $10 billion or more. Prior FRB approval is required before we may acquire the beneficial ownership or control of more than 5% of the voting shares or substantially all of the assets of a bank holding company, bank or savings association. In addition, the FRB has implemented a final rule under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that also prohibits our ability to merge, acquire all or substantially all of the assets of, or acquire control of another company if our total resulting consolidated liabilities would exceed 10% of the aggregate consolidated liabilities of all financial companies.

Because we are a financial holding company, if any of our subsidiary banks receives a rating under the Community Reinvestment Act of 1977, as amended (CRA), of less than satisfactory, we will be prohibited, until the rating is raised to satisfactory or better, from engaging in new activities or acquiring companies other than bank holding companies, banks or savings associations, except that we could engage in new activities, or acquire companies engaged in activities, that are closely related to banking under the BHC Act. In addition, if the FRB finds that the Company or any one of our subsidiary banks is not well capitalized or well managed, we would be required to enter into an agreement with the FRB to comply with all applicable capital and management requirements and which may contain additional limitations or conditions. Until corrected, we could be prohibited from engaging in any new activity or acquiring companies engaged in activities that are not closely related to banking under the BHC Act without prior FRB approval. If we fail to correct any such condition within a prescribed period, the FRB could order us to divest our banking subsidiaries or, in the alternative, to cease engaging in

activities other than those closely related to banking under the BHC Act.

Interstate Banking. Under the Riegle-Neal Interstate Banking and Branching Act (Riegle-Neal Act), a bank holding company may acquire banks in states other than its home state, subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company not control, prior to or following the proposed acquisition, more than 10% of the total amount of deposits of insured depository institutions nationwide or, unless the acquisition is the bank holding company's initial entry into the state, more than 30% of such deposits in the state (or such lesser or greater amount set by the state). The Riegle-Neal Act also authorizes banks to merge across state lines, subject to the same deposit limits noted above, thereby creating interstate branches. Banks are also permitted to acquire and to establish new branches in other states.

Regulatory Approval. In determining whether to approve a proposed bank acquisition, federal banking regulators will consider, among other factors, the effect of the acquisition on competition, financial condition, and future prospects including current and projected capital ratios and levels, the competence, experience, and integrity of management and record of compliance with laws and regulations, the convenience and needs of the communities to be served, including the acquiring institution's record of compliance under the CRA, the effectiveness of the acquiring institution in combating money laundering activities and the risk to the stability of the United States banking system.

Dividend Restrictions

The Parent is a legal entity separate and distinct from its subsidiary banks and other subsidiaries. A significant source of funds to pay dividends on our common and preferred stock and principal and interest on our debt is dividends from the Parent's subsidiaries. Various federal and state statutory provisions and regulations limit the amount of dividends the Parent's subsidiary banks and certain other subsidiaries may pay without regulatory approval. Federal banking regulators have the authority to prohibit the Parent's subsidiary banks from engaging in unsafe or unsound practices in conducting their businesses. The payment of dividends, depending on the financial condition of the bank in question, could be deemed an unsafe or unsound practice. The ability of the Parent's subsidiary banks to pay dividends in the future is currently, and could be further, influenced by bank regulatory policies and capital guidelines. For information about the restrictions applicable to the Parent's subsidiary banks, see Note 3 (Cash, Loan and Dividend Restrictions) to Financial Statements included in the 2014 Annual Report to Stockholders.

In addition to these restrictions on the ability of our subsidiary banks to pay dividends to us, the FRB requires large bank holding companies (BHCs), including Wells Fargo, to submit annual capital plans and to obtain regulatory approval before making capital distributions, such as the payment of dividends. The FRB also finalized rules in July 2013 implementing in the United States the Basel Committee on Banking Supervision's regulatory capital guidelines, including the reforms known as Basel III. These rules introduce new capital conservation buffer requirements. Moreover, federal banking regulators have finalized a rule that enhances the supplementary leverage ratio requirements for large BHCs, like Wells Fargo, and their insured depository institutions. The rule, which becomes effective on January 1, 2018, will require a covered BHC to maintain a supplementary leverage ratio of at least 5% to avoid restrictions on capital distributions and discretionary bonus payments. The rule will also require that all of our insured depository institutions maintain a supplementary leverage ratio of 6% in order to be considered well capitalized. In December 2014, the FRB also proposed rules to implement an additional capital surcharge on those U.S. banking organizations, such as the Company, that are designated as global systemically important banks. The failure to maintain any of these minimum capital ratios and capital buffers could result in limitations or restrictions on our ability to make capital distributions.

In addition, the FRB's enhanced supervision regulations for large BHCs, like Wells Fargo, impose capital distribution restrictions, including on the payment of dividends, upon the occurrence of capital, stress test, risk management, or liquidity risk management triggers.

Holding Company Structure

Transfer of Funds from Subsidiary Banks. The Parent's subsidiary banks are subject to restrictions under federal law that limit the transfer of funds or other items of value from such subsidiaries to the Parent and its nonbank subsidiaries (including affiliates) in so-called "covered transactions." In general, covered transactions include loans and other extensions of credit, investments and asset purchases, as well as certain other transactions involving the transfer of value from a subsidiary bank to an affiliate or for the benefit of an affiliate. Unless an exemption applies, covered transactions by a subsidiary bank with a single affiliate are limited to 10% of the subsidiary bank's capital and surplus and, with respect to all covered transactions with affiliates in the aggregate, to 20% of the subsidiary bank's capital and surplus. Also, loans and extensions of credit to affiliates generally are required to be secured by qualifying collateral. A bank's transactions with its nonbank affiliates are also generally required to be on arm's length terms.

Source of Strength. The FRB has a policy that a BHC is expected to act as a source of financial and managerial strength to each of its subsidiary banks and, under appropriate circumstances, to commit resources to support each such subsidiary bank. This support may be required at times when the BHC may not have the resources to provide the support.

The OCC may order an assessment of the Parent if the capital of one of its national bank subsidiaries were to become impaired. If the Parent failed to pay the assessment within three months, the OCC could order the sale of the Parent's stock in the national bank to cover the deficiency.

Depositor Preference. In the event of the "liquidation or other resolution" of an insured depository institution, the claims of deposits payable in the United States (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver will have priority over other general unsecured claims against the institution. If an insured depository institution fails, claims of insured and uninsured U.S. depositors, along with claims of the FDIC, will have priority in payment ahead of unsecured creditors, including the Parent, and depositors whose deposits

are solely payable at such insured depository institution's non-U.S. offices.

Liability of Commonly Controlled Institutions. All of the Company's subsidiary banks are insured by the FDIC. FDIC-insured depository institutions can be held liable for any loss incurred, or reasonably expected to be incurred, by the FDIC due to the default of an FDIC-insured depository institution controlled by the same bank holding company, and for any assistance provided by the FDIC to an FDIC-insured depository institution that is in danger of default and that is controlled by the same bank holding company. "Default" means generally the appointment of a conservator or receiver. "In danger of default" means generally the existence of certain conditions indicating that a default is likely to occur in the absence of regulatory assistance.

Dodd-Frank Act

The Dodd-Frank Act, enacted on July 21, 2010, has resulted in broad changes to the U.S. financial system and is the most significant financial reform legislation since the 1930s. Federal regulatory agencies have issued numerous rulemakings to implement its provisions, but a number of the provisions of the Dodd-Frank Act still require final rulemaking or additional guidance and interpretation by these agencies. As a result, the ultimate impact of the Dodd-Frank Act is not yet known, but it has affected, and we expect it will continue to affect most of our businesses in some way, either directly through regulation of specific activities or indirectly through regulation of concentration risks, capital or liquidity. At the enterprise level, the FRB has finalized a number of regulations designed to prevent or mitigate the risks that may arise from the material distress or failure of a large BHC. These rules implement enhanced prudential requirements for large BHCs like Wells Fargo regarding risk-based capital and leverage, risk and liquidity management, and stress testing and would impose debt-to-equity limits on any BHC that regulators determine poses a grave threat to the financial stability of the United States. The FRB has also proposed, but not yet finalized, additional enhanced prudential standards that would implement single counterparty credit limits and establish remediation requirements for large BHCs experiencing financial distress. The OCC, under separate authority, has also finalized guidelines establishing heightened governance and risk management standards for large national banks such as Wells Fargo Bank, N.A.

In addition to rules for the enhanced supervision and regulation of large BHCs and other systemically important firms, the FDIC and FRB have implemented rules under the Dodd-Frank Act requiring large BHCs like Wells Fargo to prepare and submit resolution plans, known as "living wills," to facilitate the rapid and orderly resolution of the Company in the event of material distress or its failure. The FDIC also released a notice regarding a proposed resolution strategy, known as "single point of entry," designed to resolve a large financial institution in a manner that holds management responsible for its failure, maintains market stability, and imposes losses on shareholders and creditors in accordance with statutory priorities, without imposing a cost on U.S. taxpayers.

Federal regulatory agencies have also finalized rules to implement the provisions of the Dodd-Frank Act known as the "Volcker Rule." The Volcker Rule substantially restricts banking entities from engaging in proprietary trading or owning any interest in or sponsoring or having certain relationships with a hedge fund, a private equity fund or certain structured transactions that are deemed covered funds.

With respect to consumer protection maters, the Dodd-Frank Act established the CFPB to ensure consumers receive clear and accurate disclosures regarding financial products and to protect consumers from hidden fees and unfair or abusive practices. The CFPB concentrated much of its initial rulemaking efforts on a variety of mortgage-related topics required under the Dodd-Frank Act, including ability-to-repay and qualified mortgage standards, mortgage servicing standards, loan originator compensation standards, high-cost mortgage requirements, appraisal and escrow standards and requirements for higher-priced mortgages. The CFPB also recently finalized rules integrating disclosures required of lenders and settlement agents under the Truth in Lending Act and the Real Estate Settlement Procedures Act. In addition to the exercise of its rulemaking authority, the CFPB is continuing its on-going examination activities with respect to a number of consumer businesses and products, including mortgage lending and servicing, fair lending requirements, student lending activities, and auto finance.

Federal regulatory agencies issued numerous other rules and proposals to implement various other requirements of the Dodd-Frank Act. For example, federal regulatory agencies have adopted rules establishing a comprehensive framework for regulating over-the-counter derivatives. In addition, federal regulatory agencies have issued rules to implement the Dodd-Frank Act's requirement that sponsors of asset-backed securities (ABS) retain at least a 5% ownership stake in the ABS. The SEC has also adopted a rule governing money market mutual funds that, among other things, requires significant structural changes to these funds, including requiring institutional prime money market funds to maintain a variable net asset value and providing for the imposition of liquidity fees and redemption gates for all non-governmental money market funds during periods in which they experience liquidity impairments of a certain magnitude.

For more information about the Dodd-Frank Act and its effect on our business, see the "Regulatory Reform" section of the 2014 Annual Report to Stockholders.

Capital Requirements and Planning

The Company and each of our insured depository institutions are subject to various regulatory capital adequacy requirements administered by federal banking regulators. These capital rules, among other things, establish required minimum ratios relating capital to different categories of assets and exposures. Federal banking regulators have also finalized rules to impose a supplementary leverage ratio on large BHCs like Wells Fargo and our insured depository institutions and to implement a liquidity coverage ratio. The FRB has also indicated that it is in the process of considering new rules to address the amount of equity and unsecured debt a company must hold to facilitate its orderly liquidation, often referred to as total loss absorbing capacity.

From time to time, the FRB and the Federal Financial Institutions Examination Council (FFIEC) propose changes and amendments to, and issue interpretations of, risk-based capital guidelines and related reporting instructions. In addition, the FRB closely monitors capital levels of the institutions it supervises and may require such institutions to modify capital levels based on FRB determinations. Such determinations, proposals or interpretations could, if

implemented in the future, affect our reported capital ratios and net risk-adjusted assets.

As an additional means to identify problems in the financial management of depository institutions, the Federal Deposit Insurance Act (FDI Act) requires federal banking regulators to establish certain non-capital safety and soundness standards for institutions for which they are the primary federal regulator. The standards relate generally to operations and management, asset quality, interest rate exposure, executive compensation and risk management. The agencies are authorized to take action against institutions that fail to meet such standards.

The FDI Act requires federal banking regulators to take "prompt corrective action" with respect to FDIC-insured depository institutions that do not meet minimum capital requirements. A depository institution's treatment for purposes of the prompt corrective action provisions will depend upon how its capital levels compare to various capital measures and certain other factors, as established by regulation.

In addition, the FRB's capital plan rule requires large BHCs to submit capital plans annually for review to determine if the FRB has any objections before making any capital distributions. The rule requires updates to capital plans in the event of material changes in a BHC's risk profile, including as a result of any significant acquisitions. Federal banking regulators also require stress tests to evaluate whether an institution has sufficient capital to continue to operate during periods of adverse economic and financial conditions.

For more information on our capital requirements and planning, see the "Capital Management" section of the 2014 Annual Report to Stockholders.

Deposit Insurance Assessments

Our bank subsidiaries, including Wells Fargo Bank, N.A., are members of the Deposit Insurance Fund (DIF) maintained by the FDIC. Through the DIF, the FDIC insures the deposits of our banks up to prescribed limits for each depositor and funds the DIF through assessments on member banks.

The Dodd-Frank Act gave the FDIC greater discretion to manage the DIF, changed the assessment base from domestic deposits to consolidated average assets less average tangible equity, and mandated a minimum Designated Reserve Ratio (reserve ratio or DRR) of 1.35%. In October 2010, the FDIC Board adopted a Restoration Plan to ensure that the DIF reserve ratio reaches 1.35% by September 30, 2020, as required by the Dodd-Frank Act. The FDIC Board has also finalized a comprehensive, long-range plan for DIF management, whereby the FDIC Board set the DRR at 2%.

In February 2011, the FDIC Board approved a final rule on assessments, dividends, assessment base and large bank pricing. To maintain the DIF, member institutions are assessed an insurance premium based on an assessment base and an assessment rate. For large and highly complex institutions (those that are very large and are structurally and operationally complex or that pose unique challenges and risks in the case of failure), the assessment rate is determined by combining supervisory ratings and certain financial measures into scorecards. The score received by an institution is converted into an assessment rate for the institution. The FDIC retains the ability to adjust the total score of large and highly complex institutions based upon quantitative or qualitative measures not adequately captured in the scorecards.

All FDIC-insured depository institutions must also pay a quarterly assessment towards interest payments on bonds issued by the Financing Corporation, a federal corporation chartered under the authority of the Federal Housing Finance Board. The bonds (commonly referred to as FICO bonds) were used to capitalize the former Federal Savings and Loan Insurance Corporation. This assessment was 0.62% of the assessable deposit base during 2014, and is 0.60% of the assessable deposit base for first quarter 2015. For the year ended December 31, 2014, the Company's FDIC deposit insurance assessments, including FICO assessments, totaled $928 million.

The FDIC may terminate a depository institution's deposit insurance upon a finding that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices or has violated any applicable rule, regulation, order or condition enacted or imposed by the institution's regulatory agency. The termination of deposit insurance for one or more of our bank subsidiaries could have a material adverse effect on our earnings, depending on the collective size of the particular banks involved.

Fiscal and Monetary Policies

Our business and earnings are affected significantly by the fiscal and monetary policies of the federal government and its agencies. We are particularly affected by the policies of the FRB, which regulates the supply of money and credit in the United States. Among the instruments of monetary policy available to the FRB are (a) conducting open market operations in United States government securities, (b) changing the discount rates of borrowings of depository institutions, (c) imposing or changing reserve requirements against depository institutions' deposits, and (d) imposing or changing reserve requirements against certain borrowings by banks and their affiliates. These methods are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. The policies of the FRB may have a material effect on our business, results of operations and financial condition.

Privacy Provisions of the Gramm-Leach-Bliley Act and Restrictions on Cross-Selling

Federal banking regulators, as required under the Gramm-Leach-Bliley Act (the GLB Act), have adopted rules limiting the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties. The rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to nonaffiliated third parties. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial services companies and conveyed to outside vendors. Federal financial regulators have issued regulations under the Fair and Accurate Credit Transactions Act that have the effect of increasing the length of the waiting period, after privacy disclosures are provided to new customers, before information can be shared among different affiliated companies for the purpose of cross-selling products and services between those affiliated companies.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) implemented a broad range of corporate governance and accounting measures to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies, and to protect investors by improving the accuracy and reliability of disclosures under federal securities laws. We are subject to Sarbanes-Oxley because we are required to file periodic reports with the SEC under the Securities Exchange Act of 1934. Among other things, Sarbanes-Oxley and/or its implementing regulations established membership requirements and additional responsibilities for our audit committee, imposed restrictions on the relationship between us and our outside auditors (including restrictions on the types of non-audit services our auditors may provide to us), imposed additional responsibilities for our external financial statements on our chief executive officer and chief financial officer, expanded the disclosure requirements for our corporate insiders, required our management to evaluate our disclosure controls and procedures and our internal control over financial reporting, and required our independent registered public accounting firm to issue a report on our internal control over financial reporting.

Patriot Act

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Patriot Act) is intended to strengthen the ability of U.S. law enforcement agencies and intelligence communities to work together to combat terrorism on a variety of fronts. The Patriot Act has significant implications for depository institutions, brokers, dealers and other businesses involved in the transfer of money. The Patriot Act required us to implement new or revised policies and procedures relating to anti-money laundering, compliance, suspicious activities, and currency transaction reporting and due diligence on customers. The Patriot Act also requires federal banking regulators to evaluate the effectiveness of an applicant in combating money laundering in determining whether to approve a proposed bank acquisition.

Future Legislation or Regulation

In light of recent conditions in the U.S. and global financial markets and the U.S. and global economy, legislators, the presidential administration and regulators have continued their increased focus on regulation of the financial services industry. Proposals that further increase regulation of the financial services industry have been and are expected to continue to be introduced in the U.S. Congress, in state legislatures and abroad. In addition, not all regulations authorized or required under the Dodd-Frank Act have been proposed or finalized by federal regulators. Further legislative changes and additional regulations may change our operating environment in substantial and unpredictable ways. Such legislation and regulations could increase our cost of doing business, affect our compensation structure, restrict or expand the activities in which we may engage or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether future legislative proposals will be enacted and, if enacted, the effect that they, or any implementing regulations, would have on our business, results of operations or financial condition. The same uncertainty exists with respect to regulations authorized or required under the Dodd-Frank Act but that have not yet been proposed or finalized.

ADDITIONAL INFORMATION

Additional information in response to this Item 1 can be found in the 2014 Annual Report to Stockholders under “Financial Review” and under “Financial Statements.” That information is incorporated into this item by reference.

ITEM 1A. RISK FACTORS

Information in response to this Item 1A can be found in this report on pages 2-6 and in the 2014 Annual Report to Stockholders under “Financial Review – Risk Factors.” That information is incorporated into this item by reference.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

	City	State
We own our corporate headquarters building in:	San Francisco	California
We own administrative facilities in:	Anchorage	Alaska
	Chandler	Arizona
	Glendale	Arizona
	Mesa	Arizona
	Phoenix	Arizona
	Tempe	Arizona
	Tucson	Arizona
	Irvine	California
	Millbrae	California
	Sacramento	California
	San Francisco	California
	San Jose	California
	Santa Clara	California
	Walnut Creek	California
	Greenwood Village	Colorado
	Littleton	Colorado
	Coeur D'Alene	Idaho
	West Des Moines	Iowa
	Marquette	Michigan
	Anoka	Minnesota
	Maplewood	Minnesota
	Minnetonka	Minnesota
	Rochester	Minnesota
	St. Louis	Missouri
	Omaha	Nebraska
	Summit	New Jersey
	Las Vegas	Nevada
	Charlotte	North Carolina
	Fargo	North Dakota
	Eugene	Oregon
	Portland	Oregon
	Austin	Texas
	Houston	Texas
	Round Rock	Texas
	San Antonio	Texas
	Clearfield	Utah
	Salt Lake City	Utah
	Tukwila	Washington
	Menomonee Falls	Wisconsin

	State	
We lease office space for various administrative departments in major locations in:	Alabama	New Mexico
	Arizona	New Jersey
	California	New York
	Colorado	North Carolina
	Delaware	Ohio
	Florida	Oregon
	Georgia	Pennsylvania
	Idaho	South Carolina
	Illinois	South Dakota
	Indiana	Tennessee
	Iowa	Texas
	Maryland	Utah
	Massachusetts	Virginia
	Minnesota	Washington
	Nebraska	Wisconsin
	Nevada	Washington, DC
		Puerto Rico
We lease office space for various operations/ servicing centers in:	Arizona	North Dakota
	California	Nevada
	Colorado	New York
	Florida	Oregon
	Georgia	Pennsylvania
	Iowa	South Carolina
	Maryland	South Dakota
	Minnesota	Texas
	Missouri	Virginia
	North Carolina	Washington
		Wisconsin

	City	State
We are also a joint venture partner in an office building in:	Minneapolis	Minnesota

(continued on next page)

(continued from prior page)

	City	State
We own operations/servicing centers in:	Anchorage	Alaska
	Birmingham	Alabama
	Homewood	Alabama
	Chandler	Arizona
	Phoenix	Arizona
	Tempe	Arizona
	Tucson	Arizona
	El Monte	California
	Fremont	California
	Fresno	California
	Irvine	California
	Pleasant Hill	California
	Sacramento	California
	San Diego	California
	San Francisco	California
	San Leandro	California
	Walnut Creek	California
	Denver	Colorado
	Orlando	Florida
	Riviera Beach	Florida
	Boise	Idaho
	Springfield	Illinois
	Clive	Iowa
	Des Moines	Iowa
	West Des Moines	Iowa
	Columbia	Maryland
	Minneapolis	Minnesota
	Shoreview	Minnesota
	Billings	Montana
	Omaha	Nebraska
	Albuquerque	New Mexico
	Las Vegas	Nevada
	Reno	Nevada
	Charlotte	North Carolina
	Winston-Salem	North Carolina
	Winterville	North Carolina
	Portland	Oregon
	Salem	Oregon
	Sioux Falls	South Dakota
	Irving	Texas
	Lubbock	Texas
	San Antonio	Texas
	Salt Lake City	Utah
	Glen Allen	Virginia
	Tukwila	Washington

	Country	
We lease office space for international operations in:	Argentina	Italy
	Australia	Japan
	Bahamas	Malaysia
	Bangladesh	Mexico
	Brazil	Netherlands
	Canada	Philippines
	Chile	Russia
	China	Singapore
	Colombia	South Africa
	Dominican Republic	South Korea
	Ecuador	Spain
	France	Taiwan
	Germany	Thailand
	India	Turkey
	Indonesia	United Arab Emirates
	Ireland	United Kingdom
	Israel	Vietnam

As of December 31, 2014, we provided banking, insurance, investments, mortgage and consumer and commercial finance from more than 8,700 domestic stores under ownership and lease agreements.

ADDITIONAL INFORMATION

Additional information in response to this Item 2 can be found in the 2014 Annual Report to Stockholders under "Financial Statements – Notes to Financial Statements – Note 7 (Premises, Equipment, Lease Commitments and Other Assets)." That information is incorporated into this item by reference.

ITEM 3. LEGAL PROCEEDINGS

Information in response to this Item 3 can be found in the 2014 Annual Report to Stockholders under "Financial Statements – Notes to Financial Statements – Note 15 (Legal Actions)." That information is incorporated into this item by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

The Company's common stock is listed on the NYSE (symbol "WFC"). The Quarterly Financial Data table of the 2014 Annual Report to Stockholders provides the quarterly prices of, and quarterly dividends paid on, the Company's common stock for the two-year period ended December 31, 2014, and is incorporated herein by reference. Prices shown represent the daily high and low, and the quarter-end sale prices of the Company's common stock as reported on the NYSE Composite Transaction Reporting System for the periods indicated. The "Stock Performance" section of the 2014 Annual Report to Stockholders provides stockholder return comparisons and is incorporated herein by reference. At January 31, 2015, there were 187,008 holders of record of the Company's common stock.

DIVIDENDS

The dividend restrictions discussions on page 3 of this report and in the 2014 Annual Report to Stockholders under "Financial Statements – Notes to Financial Statements – Note 3 (Cash, Loan and Dividend Restrictions)" are incorporated into this item by reference.

REPURCHASES OF EQUITY SECURITIES

In October 2012, our Board of Directors authorized the repurchase of 200 million shares of our common stock, and we used all remaining repurchase authority under this authorization in 2014. In March 2014, our Board of Directors authorized the repurchase of an additional 350 million shares of our common stock. The authorizations cover shares repurchased to meet team member benefit plan requirements. The Company maintains a variety of retirement plans for its team members and typically is a net issuer of shares of common stock to these plans. From time to time, it also purchases shares of common stock from these plans to accommodate team member preferences. Share repurchases are subtracted from the Company's repurchase authority without offset for share issuances. Shares may be repurchased as part of employee stock option exercises, from the different benefit plans or in the open market, subject to regulatory approval.

The amount and timing of stock repurchases will be based on various factors, 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. In June 2010, our Board of Directors also authorized the repurchase of up to $1 billion of warrants to purchase our common stock. The warrants are listed on the NYSE under the symbol "WFCWS." The amount and timing of warrant repurchases will be based on various factors including market conditions. See the "Capital Management" section in the 2014 Annual Report to Stockholders for additional information about our common stock and warrant repurchases.

The following table shows Company repurchases of its common stock for each calendar month in the quarter ended December 31, 2014.

Calendar month	Total number of shares repurchased (1)	Weighted-average price paid per share	Maximum number of shares that may yet be repurchased under the authorization
October (2)	31,116,572	$ 49.81	270,843,385
November	10,760,726	53.46	260,082,659
December	19,702,495	54.30	240,380,164
Total	61,579,793		

(1) All shares were repurchased under an authorization covering up to 350 million shares of common stock approved by the Board of Directors and publ cly announced by the Company on March 26, 2014. Unless modified or revoked by the Board, this authorization does not expire.

(2) Includes 19,846,349 shares at a weighted-average pr ce pa d per share of $50.39 repurchased in a private transaction.

The following table shows Company repurchases of the warrants for each calendar month in the quarter ended December 31, 2014.

Calendar month	Total number of warrants repurchased (1)	Average price paid per warrant	Maximum dollar value of warrants that may yet be purchased
October	—	$ —	451,944,402
November	—	—	451,944,402
December	—	—	451,944,402
Total	—		

(1) Warrants are purchased under the authorizat on covering up to $1 bill on in warrants approved by the Board of Directors (ratified and approved on June 22, 2010). Unless modified or revoked by the Board, this authorization does not expire.

ITEM 6. SELECTED FINANCIAL DATA

Information in response to this Item 6 can be found in the 2014 Annual Report to Stockholders under “Financial Review” in Table 1. That information is incorporated into this item by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANACIAL CONDITION AND RESULTS OF OPERATIONS

Information in response to this Item 7 can be found in the 2014 Annual Report to Stockholders under “Financial Review.” That information is incorporated into this item by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information in response to this Item 7A can be found in the 2014 Annual Report to Stockholders under “Financial Review – Risk Management – Asset/Liability Management.” That information is incorporated into this item by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information in response to this Item 8 can be found in the 2014 Annual Report to Stockholders under “Financial Statements,” under “Notes to Financial Statements” and under “Quarterly Financial Data.” That information is incorporated into this item by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Information in response to this Item 9A can be found in the 2014 Annual Report to Stockholders under "Controls and Procedures." That information is incorporated into this item by reference.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

EXECUTIVE OFFICERS OF THE REGISTRANT

Patricia R. Callahan

David M. Carroll

Hope A. Hardison

Michael J. Heid

Richard D. Levy

Michael J. Loughlin

Avid Modjtabai

Kevin A. Rhein

John R. Shrewsberry

Timothy J. Sloan [redacted]

James M. Strother [redacted]

John G. Stumpf [redacted]

Carrie L. Tolstedt [redacted]

There is no family relationship between any of the Company's executive officers or directors. All executive officers serve at the pleasure of the Board of Directors.

AUDIT COMMITTEE INFORMATION

The Audit and Examination Committee is a standing audit committee of the Board of Directors established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Committee has six members: John D. Baker II, Enrique Hernandez, Jr., Federico F. Peña, James H. Quigley (Chair), Susan G. Swenson, and Suzanne M. Vautrinot. Each member is independent, as independence for audit committee members is defined by NYSE rules. The Board of Directors has determined, in its business judgment, that each member of the Audit and Examination Committee is financially literate, as required by NYSE rules, and that each of Messrs. Baker, Hernandez, Peña, and Quigley and Ms. Swenson qualifies as an "audit committee financial expert" as defined by SEC regulations.

CODE OF ETHICS AND BUSINESS CONDUCT

The Company's Code of Ethics and Business Conduct for team members (including executive officers), Director Code of Ethics, the Company's corporate governance guidelines, and the charters for the Audit and Examination, Governance and Nominating, Human Resources, Corporate Responsibility, Credit, Finance, and Risk Committees are available at www.wellsfargo.com/about/corporate/corporate_governance. This information is also available in print to any stockholder upon written request to the Office of the Corporate Secretary, Wells Fargo & Company, MAC N9305-173, Wells Fargo Center, Sixth and Marquette, Minneapolis, Minnesota 55479.

ADDITIONAL INFORMATION

Additional information in response to this Item 10 can be found in the Company's 2015 Proxy Statement under "Ownership of Our Common Stock – Section 16(a) Beneficial Ownership Reporting Compliance," "Item 1 – Election of Directors – Director Nominees for Election" and "– Other Matters Relating to Directors" and "Corporate Governance – Director Nomination Process." That information is incorporated into this item by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information in response to this Item 11 can be found in the Company's 2015 Proxy Statement under "Item 1– Election of Directors – Compensation Committee Interlocks and Insider Participation," under "Corporate Governance – Director Compensation," under "Corporate Governance – Risk Management and Compensation Practices," under "Information About Related Persons – Related Person Transactions," and under "Item 2 – Executive Compensation and Advisory Resolution to Approve Executive Compensation (Say on Pay)" excluding "– Advisory Resolution to Approve Executive Compensation (Say on Pay)." That information is incorporated into this item by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about our equity compensation plans in effect on December 31, 2014, separately aggregated for plans approved by stockholders and for plans not approved by stockholders. A description of the material features of each equity compensation plan not approved by stockholders follows the table. All outstanding awards relate to shares of our common stock. Information is as of December 31, 2014, unless otherwise indicated.

Equity Compensation Plan Information (1)

Plan category	(a) # of shares to be issued upon exercise of outstanding options, warrants and rights		(b) Weighted-average exercise price of outstanding options, warrants and rights (2)	(c) # of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))	
Equity compensation plans approved by security holders	156,371,459	(3)	$ 28.15	248,063,702	(4)
Equity compensation plans not approved by security holders	17,714,435	(5)	152.12	2,887,788	(6)
Total	174,085,894		42.99	250,951,490	

(1) The table above does not include informat on about equity compensat on plans assumed in mergers that we froze at the time of the merger. Under these assumed plans a total of 349,567 shares of common stock were issuable upon exercise of options. The weighted average exercise price per share of our common stock of the outstanding options was $146.73. We assumed the amended and restated Wachovia Corporat on 2003 Stock Incentive Plan (2003 SIP) in the Wachovia merger and in February 2009 used substantially all remaining available shares for stock opt on grants to legacy Wachovia team members. Information for the 2003 SIP is included in the table above under the plan category for equity compensation plans not approved by security holders. No awards have been granted since February 2009, and no future awards will be granted under the 2003 SIP.

(2) Does not reflect restricted share rights (RSRs), restricted share units (RSUs), or restr cted share awards (RSAs) or deferred compensation benefits because they have no exercise price.

(3) For the Long-Term Incentive Compensat on Plan (LTICP), consists of 85,622,040 shares subject to options, 53,572,150 shares subject to unvested RSRs, and a maximum of 12,773,217 performance shares. For the Supplemental 401(k) Plan, consists of 3,322,131 shares issuable upon distribut on of benefits. For the Directors Stock Compensation and Deferral Plan (Directors Plan), consists of 391,547 shares subject to options, 302,578 shares issuable upon distribution of vested but deferred stock awards, and 387,796 shares issuable upon distribution of deferred compensat on benef ts.

(4) We could have issued the number of shares of our common stock ind cated in the following table pursuant to any of the award types listed for the plan or, if indicated for the plan, pursuant to distribut ons of deferred compensation benefits. Each share of common stock issued under the LTICP pursuant to awards other than options or SARs counts as two shares.

Plan	# of shares	Award types
LTICP	245,444,104	Stock options, stock, SARs, restricted stock, RSRs, performance shares, performance units
Supplemental 401(k) Plan	2,068,430	Deferral distribution
Directors Plan	551,168	Stock options, deferral distribution

(5) For the 2003 SIP, consists of 11,691,593 shares subject to options. For the other plans, consists of 6,022,842 shares of common stock issuable upon distribut on of deferred compensation benefits.

(6) We could have issued the number of shares of our common stock ind cated in the following table pursuant to distributions of deferred compensat on benef ts. No informat on is provided for the 2003 SIP, the Norwest Corporation Directors' Formula Stock Award Plan or the Norwest Corporat on Directors' Stock Deferral Plan because no future awards or deferrals will be made under these plans and because column (a) reflects all shares issuable under those plans upon exercise or distribution of outstanding awards or deferred compensation benefits.

Plan	# of shares	Award types
Deferred Compensation Plan	2,631,609	Deferral distribution
Non-Qualified Deferred Compensation Plan for Independent Contractors	256,179	Deferral distribution

Material Features of Equity Compensation Plans Not Approved by Stockholders

The 2003 SIP. The amended and restated Wachovia Corporation 2003 Stock Incentive Plan (2003 SIP) was originally approved by Wachovia's shareholders in 2003 and prior to the merger had been used for equity awards to Wachovia's executive officers and other key employees. We assumed the 2003 SIP in the merger and in February 2009 used substantially all remaining available shares for stock option grants to legacy Wachovia team members. No awards have been granted since then, and no future awards will be granted under the 2003 SIP.

At December 31, 2014, only options were outstanding under the 2003 SIP. The options generally expire on the tenth anniversary of the grant date and vest ratably over a three-year period from the grant date. The option price is payable to us in full by methods the Board's Human Resources Committee (HRC) designates, including, but not limited to, in cash or its equivalent, by tendering or withholding shares of our common stock having a fair market value at the time of exercise equal to the total option price, or by a combination of the foregoing. Unless the HRC determines otherwise or except as prohibited by applicable law, options may also be exercised by a "cashless exercise" where the participant gives irrevocable instructions to a broker to promptly deliver to us the amount of sale proceeds from the shares covered by the option exercised, together with any withholding taxes due to the Company. The proceeds from any cash payments upon option exercise are added to our general funds and used for general corporate purposes.

Deferred Compensation Plan. Under the Deferred Compensation Plan eligible team members may defer receipt of salary, bonuses and certain other compensation subject to the terms of the plan. Deferral elections are irrevocable once made except for limited re-deferral opportunities. We treat amounts deferred by a participant as if invested in the earnings options selected by the participant, and determine the deferred compensation benefit payable to the participant based on the performance of those earnings options. The plan offers a number of earnings options, including one based on our common stock with dividends reinvested. We generally distribute amounts allocated to the common stock option in shares of common stock. Participants have no direct interest in any of the earnings options and are general unsecured creditors of the Company with respect to their deferred compensation benefits under the plan.

Non-Qualified Deferred Compensation Plan for Independent Contractors. Under the Non-Qualified Deferred Compensation Plan for Independent Contractors participants who performed qualifying investment or other financial services for participating affiliates as independent contractors were able to defer all or part of their eligible compensation payable to them by the affiliate subject to the terms of the plan. Deferral elections were irrevocable once made. Amounts deferred by a participant were treated as if invested in the earnings options selected by the participant, which determine the deferred compensation benefit payable to the participant. The plan offered a number of earnings options, including one based on our common stock with dividends reinvested. We generally distribute amounts allocated to the common stock option in shares of common stock. No future deferrals may be made under this plan and participants may no longer reallocate their existing account balances under the plan among different investment options. Shares remaining available for issuance under the plan consist of shares issuable as a result of amounts credited to participant accounts denominated in our common stock to reflect cash dividends paid on the common stock. The plan is sponsored by a wholly owned subsidiary, WF Deferred Compensation Holdings, Inc. We have guaranteed its obligations under the plan. Participants have no direct interest in any of the earnings options and are general unsecured creditors of the plan sponsor and the Company with respect to their deferred compensation benefits under the plan.

Norwest Corporation Directors' Formula Stock Award Plan. Under the Norwest Corporation Directors' Formula Stock Award Plan we awarded shares of common stock to non-employee directors. The plan allowed participants to defer receipt of all or a portion of their awards, with dividends reinvested, until a future year or years as selected by the participants subject to the terms of the plan. Participants can elect one time to defer commencement of distribution of their deferral accounts if the election is made sufficiently in advance of the original distribution commencement date and the new distribution commencement date is sufficiently beyond the original distribution commencement date. Participants have no direct interest in the shares deferred under the plan and are general unsecured creditors of the Company with respect to payment of their deferred stock awards under the plan. No future stock awards or deferrals may be made under this plan.

Norwest Corporation Directors' Stock Deferral Plan. Under the Norwest Corporation Directors' Stock Deferral Plan a participating director could defer receipt of all or part of the annual cash retainer and meeting fees payable to the director until a future year or years as selected by the director subject to the terms of the plan. A participating director could elect distribution of his or her deferral account in a lump sum in either cash or whole shares of common stock, or a combination of both. Alternatively, the director could elect to receive the distribution in up to ten annual installments of cash. A participant can elect one time to defer commencement of distribution of his or her deferral account if the election is made sufficiently in advance of the original distribution commencement date and the new distribution commencement date is sufficiently beyond the original distribution commencement date. No future deferrals may be made under this plan.

ADDITIONAL INFORMATION

Additional information in response to this Item 12 can be found in the Company's 2015 Proxy Statement under "Ownership of Our Common Stock – Directors and Executive Officers" and "– Principal Stockholders." That information is incorporated into this item by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information in response to this Item 13 can be found in the Company's 2015 Proxy Statement under "Corporate Governance – Director Independence" and under "Information About Related Persons." That information is incorporated into this item by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information in response to this Item 14 can be found in the Company's 2015 Proxy Statement under "Item 3 – Appointment of Independent Registered Public Accounting Firm for 2015 – KPMG Fees" and "– Audit and Examination Committee Pre-Approval Policies and Procedures." That information is incorporated into this item by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. FINANCIAL STATEMENTS

The Company's consolidated financial statements, including the notes thereto, and the report of the independent registered public accounting firm thereon, are set forth in the 2014 Annual Report to Stockholders, and are incorporated into this item by reference.

2. FINANCIAL STATEMENT SCHEDULES

All financial statement schedules for the Company have been included in the consolidated financial statements or the related footnotes, or are either inapplicable or not required.

3. EXHIBITS

A list of exhibits to this Form 10-K is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated into this item by reference.

Stockholders may obtain a copy of any of the following exhibits, upon payment of a reasonable fee, by writing to Wells Fargo & Company, Office of the Corporate Secretary, Wells Fargo Center, N9305-173, Sixth and Marquette, Minneapolis, Minnesota 55479.

The Company's SEC file number is 001-2979. On and before November 2, 1998, the Company filed documents with the SEC under the name Norwest Corporation. The former Wells Fargo & Company filed documents under SEC file number 001-6214. The former Wachovia Corporation filed documents under SEC file number 001-10000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 25, 2015.

WELLS FARGO & COMPANY

By: [redacted]
John G. Stumpf
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: [redacted]
John G. Stumpf
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
February 25, 2015

By: [redacted]
John R. Shrewsberry
Senior Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
February 25, 2015

By: [redacted]
Richard D. Levy
Executive Vice President and Controller
(Principal Accounting Officer)
February 25, 2015

The Directors of Wells Fargo & Company listed below have duly executed powers of attorney empowering James H. Quigley to sign this document on their behalf.

John D. Baker II	Elizabeth A. Duke	Cynthia H. Milligan	Stephen W. Sanger
Elaine L. Chao	Susan E. Engel	Federico F. Peña	John G. Stumpf
John S. Chen	Enrique Hernandez, Jr.	James H. Quigley	Susan G. Swenson
Lloyd H. Dean	Donald M. James	Judith M. Runstad	

By: [redacted]
James H. Quigley
Director and Attorney-in-fact
February 25, 2015

EXHIBIT INDEX

Exhibit Number	Description	Location
3(a)	Restated Certificate of Incorporation, as amended and in effect on the date hereof.	Filed herewith.
3(b)	By-Laws.	Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed January 28, 2011.
4(a)	See Exhibits 3(a) and 3(b).	
4(b)	The Company agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of the Company.	
10(a)*	Long-Term Incentive Compensation Plan (as amended and restated on April 23, 2013), which includes Performance-Based Compensation Policy.	Incorporated by reference to Exhibit 10(b) to the Company's Current Report on Form 8-K filed April 26, 2013.
	Long-Term Incentive Compensation Plan.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
	Forms of Performance Share Award Agreement:	
	For grants on or after February 24, 2015;	Filed herewith.
	For grants on or after February 26, 2013;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
	For grants on February 28, 2012;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.
	For grants on February 22, 2011; and	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010.
	For grants to John G. Stumpf, David M. Carroll, David A. Hoyt, and Carrie L. Tolstedt on June 22, 2010.	Incorporated by reference to Exhibit 10(a) to the Company's Current Report on Form 8-K filed June 25, 2010.
	Forms of Award Agreement for grants of stock awards to John G. Stumpf and David A. Hoyt.	Incorporated by reference to Exhibits 10(a) and 10(c) to the Company's Current Report on Form 8-K filed August 6, 2009.
	Forms of Restricted Share Rights Award Agreement:	
	For grants on or after February 24, 2015, including grants to John G. Stumpf, John R. Shrewsberry, David M. Carroll, Avid Modjtabai, Timothy J. Sloan, and Carrie L. Tolstedt;	Filed herewith.
	For grants on or after February 26, 2013, including grants to John G. Stumpf, Timothy J. Sloan, David M. Carroll, David A. Hoyt, and Carrie L. Tolstedt;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
	For grants on February 28, 2012, including grants to John G. Stumpf, Timothy J. Sloan, David M. Carroll, David A. Hoyt, and Carrie L. Tolstedt;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.
	For grants on February 22, 2011, including grants to John G. Stumpf, David M. Carroll, David A. Hoyt, Timothy J. Sloan, and Carrie L. Tolstedt;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010.
	For grants prior to February 22, 2011, including grants to John G. Stumpf, David M. Carroll, David A. Hoyt, Timothy J. Sloan, and Carrie L. Tolstedt; and	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
	For grants to David A. Hoyt and Carrie L. Tolstedt on February 24, 2009, as amended on November 16, 2010.	Incorporated by reference to Exhibit 10(a) to the Company's Current Report on Form 8-K filed February 27, 2009, and Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

* Management contract or compensatory plan or arrangement.

Exhibit Number	Description	Location
	Form of Non-Qualified Stock Option Agreement, including grants to John G. Stumpf, David M. Carroll, David A. Hoyt, Timothy J. Sloan, and Carrie L. Tolstedt.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.
10(b)*	Long-Term Incentive Plan.	Incorporated by reference to Exhibit A to the former Wells Fargo's Proxy Statement filed March 14, 1994.
10(c)*	Wells Fargo Bonus Plan, as amended effective January 1, 2011.	Incorporated by reference to Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.
10(d)*	Performance-Based Compensation Policy.	Incorporated by reference to Exhibit 10(b) to the Company's Current Report on Form 8-K filed May 5, 2008.
10(e)*	Deferred Compensation Plan, as amended effective January 1, 2008.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
	Amendment to Deferred Compensation Plan, effective January 1, 2015.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.
	Amendment to Deferred Compensation Plan, effective January 1, 2013.	Incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
	Amendment to Deferred Compensation Plan, effective January 1, 2011.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.
	Amendment to Deferred Compensation Plan, effective December 1, 2009.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
10(f)*	Directors Stock Compensation and Deferral Plan.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.
	Amendment to Directors Stock Compensation and Deferral Plan, effective April 1, 2013.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.
	Amendment to Directors Stock Compensation and Deferral Plan, effective January 1, 2013.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.
	Amendment to Directors Stock Compensation and Deferral Plan, effective January 24, 2012.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.
	Amendment to Directors Stock Compensation and Deferral Plan, effective January 25, 2011.	Incorporated by reference to Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.
	Amendment to Directors Stock Compensation and Deferral Plan, effective February 24, 2009.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
	Amendments to Directors Stock Compensation and Deferral Plan, effective September 23, 2008.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.
	Amendment to Directors Stock Compensation and Deferral Plan, effective January 22, 2008.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.
	Action of Governance and Nominating Committee Increasing Amount of Formula Stock and Option Awards Under Directors Stock Compensation and Deferral Plan, effective January 1, 2007.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Exhibit Number	Description	Location
	Form of Non-Qualified Stock Option Agreement for grants to directors on or before April 29, 2008.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.
10(g)*	Deferred Compensation Plan for Non-Employee Directors of the former Norwest.	Incorporated by reference to Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
	Amendment to Deferred Compensation Plan for Non-Employee Directors, effective November 1, 2000.	Filed as paragraph (4) of Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.
	Amendment to Deferred Compensation Plan for Non-Employee Directors, effective January 1, 2004.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(h)*	Directors' Stock Deferral Plan for directors of the former Norwest.	Incorporated by reference to Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
	Amendment to Directors' Stock Deferral Plan, effective November 1, 2000.	Filed as paragraph (5) of Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.
	Amendment to Directors' Stock Deferral Plan, effective January 1, 2004.	Incorporated by reference to Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(i)*	Directors' Formula Stock Award Plan for directors of the former Norwest.	Incorporated by reference to Exhibit 10(e) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
	Amendment to Directors' Formula Stock Award Plan, effective November 1, 2000.	Filed as paragraph (6) of Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.
	Amendment to Directors' Formula Stock Award Plan, effective January 1, 2004.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(j)*	Deferral Plan for Directors of the former Wells Fargo.	Incorporated by reference to Exhibit 10(b) to the former Wells Fargo's Annual Report on Form 10-K for the year ended December 31, 1997.
	Amendment to Deferral Plan, effective January 1, 2004.	Incorporated by reference to Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(k)*	Supplemental 401(k) Plan.	Incorporated by reference to Exhibit 10(c) to the Company's Current Report on Form 8-K filed May 4, 2009.
	Amendment to Supplemental 401(k) Plan, effective January 1, 2015.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.
10(l)*	Supplemental Cash Balance Plan.	Incorporated by reference to Exhibit 10(b) to the Company's Current Report on Form 8-K filed May 4, 2009.
10(m)*	Supplemental Long-Term Disability Plan.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 1990.
	Amendment to Supplemental Long-Term Disability Plan.	Incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.

Exhibit Number	Description	Location
10(n)*	Description of Relocation Program.	Incorporated by reference to Exhibit 10(y) to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.
10(o)	Non-Qualified Deferred Compensation Plan for Independent Contractors.	Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.
	Amendment to Non-Qualified Deferred Compensation Plan for Independent Contractors, effective January 1, 2014.	Filed herewith.
	Amendment to Non-Qualified Deferred Compensation Plan for Independent Contractors, effective January 1, 2009.	Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
10(p)*	Description of Chairman/CEO Post-Retirement Policy.	Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(q)*	Description of the Company's Non-Employee Director Equity Compensation Program, effective January 1, 2015.	Filed herewith.
10(r)*	Description of the Company's Non-Employee Director Equity Compensation Program, effective January 1, 2014.	Incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-K for the year ended December 31, 2013.
10(s)*	Description of Wells Fargo Bank, N.A. Director Compensation Program, effective January 1, 2015.	Filed herewith.
10(t)*	Amended and Restated Wachovia Corporation Deferred Compensation Plan for Non-Employee Directors.	Incorporated by reference to Exhibit (10)(f) to Wachovia Corporation's Current Report on Form 8-K filed December 29, 2008.
	Amendment to Amended and Restated Wachovia Corporation Deferred Compensation Plan for Non-Employee Directors, effective June 1, 2009.	Incorporated by reference to Exhibit 10(aa) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
10(u)*	Wachovia Corporation Executive Deferred Compensation Plan.	Incorporated by reference to Exhibit (10)(d) to Wachovia Corporation's Annual Report on Form 10-K for the year ended December 31, 1997.
10(v)*	Wachovia Corporation Supplemental Executive Long-Term Disability Plan, as amended and restated.	Incorporated by reference to Exhibit (99) to Wachovia Corporation's Current Report on Form 8-K filed January 5, 2005.
10(w)*	Wachovia Corporation Savings Restoration Plan.	Incorporated by reference to Exhibit (10)(gg) to Wachovia Corporation's Annual Report on Form 10-K for the year ended December 31, 2002.
10(x)*	Amendment 2007-1 to Wachovia Corporation Savings Restoration Plan.	Incorporated by reference to Exhibit (10)(b) to Wachovia Corporation's Current Report on Form 8-K filed December 20, 2007.
	Amendment 2008-1 to Wachovia Corporation Savings Restoration Plan.	Incorporated by reference to Exhibit (10)(c) to Wachovia Corporation's Current Report on Form 8-K filed December 29, 2008.
10(y)*	Amended and Restated Wachovia Corporation Savings Restoration Plan.	Incorporated by reference to Exhibit (10)(b) to Wachovia Corporation's Current Report on Form 8-K filed December 29, 2008.
10(z)*	Form of stock award agreement for Executive Officers of Wachovia Corporation, including David M. Carroll.	Incorporated by reference to Exhibit (10)(ss) to Wachovia Corporation's Annual Report on Form 10-K for the year ended December 31, 2004.
10(aa)*	Amended and Restated Wachovia Corporation 2003 Stock Incentive Plan.	Incorporated by reference to Appendix E to Wachovia Corporation's Registration Statement on Form S-4 (Reg. No. 333-134656) filed on July 24, 2006.
	Amendment to Amended and Restated Wachovia Corporation 2003 Stock Incentive Plan, effective February 24, 2009.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.

Exhibit Number	Description	Location
10(bb)*	Amended and Restated SouthTrust Corporation Additional Retirement Benefit Plan (Pension) effective July 15, 1992, Addendum thereto dated April 20, 1994, and Amendment 2008-1 thereto dated December 29, 2008.	Filed herewith.
12(a)	Computation of Ratios of Earnings to Fixed Charges:	Filed herewith.

	Year ended December 31,				
	2014	2013	2012	2011	2010
Including interest on deposits	**8.56**	7.91	6.08	4.32	3.21
Excluding interest on deposits	**11.05**	10.68	8.40	5.92	4.32

12(b)	Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends:	Filed herewith.

	Year ended December 31,				
	2014	2013	2012	2011	2010
Including interest on deposits	**6.27**	5.99	4.90	3.67	2.84
Excluding interest on deposits	**7.44**	7.36	6.21	4.69	3.61

13	2014 Annual Report to Stockholders.	Filed herewith.
21	Subsidiaries of the Company.	Filed herewith.
23	Consent of Independent Registered Public Accounting Firm.	Filed herewith.
24	Powers of Attorney.	Filed herewith.
31(a)	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31(b)	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32(a)	Certification of Periodic Financial Report by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.	Furnished herewith.
32(b)	Certification of Periodic Financial Report by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.	Furnished herewith.
99	Description of Replacement Capital Covenants of Wells Fargo and Wachovia.	Incorporated by reference to Exhibit 99 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013.
101.INS	XBRL Instance Document.	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document.	Filed herewith.

WELLS FARGO

Earning lifelong relationships

“Earning lifelong relationships, one customer at a time, is fundamental to achieving our vision.”

- John G. Stumpf
Chairman and
Chief Executive Officer

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To Our Owners,

One of the many things that make Wells Fargo unique is our company's rich 164-year history. Wells Fargo is one of a handful of U.S. companies dating to the mid-1800s that is still in the same business and operates under the same name. In fact, our headquarters building at 420 Montgomery St. in San Francisco stands on the same spot where Wells Fargo first opened for business in 1852.

You can learn more about our past by visiting one of Wells Fargo's 11 history museums across the U.S. However, the most powerful expression of our heritage isn't in documents or artifacts or even our stagecoach. It is in any of the millions of relationships we have formed over generations with customers, team members, communities, and shareholders. "Relationships" define Wells Fargo.

JOHN G. STUMPF
Chairman and Chief Executive Officer
Wells Fargo & Company

Earning lifelong relationships, one customer at a time, is fundamental to achieving our vision, which is to "satisfy our customers' financial needs and help them succeed financially." Whether we're helping a student open a first checking account, a young family purchase a home, a business owner expand, or a retiree manage investments, we are on our customers' side, offering them the products and services they want and need. We believe the best way we can earn our customers' business is to listen and understand their needs.

Consider Biltmore, one of America's most beautiful historic estates and a popular tourist attraction, built by George Vanderbilt in 1895 in the Blue Ridge Mountains of North Carolina. At the turn of the 20th century, the Vanderbilt family used Wells Fargo for transport along the East Coast, and they later formed a banking relationship with us. Through listening to and working with The Biltmore Company, we have provided loans and financial services to help the business grow. Today, Biltmore draws more than 1.4 million visitors annually and includes not only an inn and hotel, but also a village with restaurants and retail shops, a winery, branded retail products, and a solar farm.

Earning relationships and helping customers like The Biltmore Company are the core of our business. We are honored to have relationships with one in three U.S. households. We lend more money to help individuals and families buy homes than any other American company. We are the nation's top lender to small businesses, based on Community Reinvestment Act data. We are the largest lender to mid-sized companies, and we help large companies with their domestic and global needs through our offices in 36 countries.

Our leading position across many of our businesses is important because it reflects how well we are serving our customers — individuals, households, businesses, and corporations — who make up the "real economy." We never take for granted the trust our customers have placed in us, and we understand the important role we play in helping grow the U.S. economy. If we serve our customers well and manage our business effectively and efficiently, we also will grow and succeed as a company. As we like to say, we never put the stagecoach ahead of the horses!

We never take for granted the trust our customers have placed in us, and we understand the important role we play in helping grow the U.S. economy.

Financial results

Our focus on customers, as well as our diversified business model and strong risk discipline, helped us to produce another solid year of financial performance in 2015, even as we navigated the pressures of low interest rates and global economic volatility.

Wells Fargo generated $86.1 billion in revenue in 2015, up 2 percent from 2014. Our time-tested business model — which produced a balanced mix of net interest income and noninterest income across more than 90 businesses — allowed us to deliver consistent performance despite the challenging environment.

Our 2015 net income was $22.9 billion, and our diluted earnings per common share of $4.12 represented a $0.02 increase from 2014. Our 2015 return on assets was 1.31 percent, and our return on equity was 12.60 percent.

At year-end, our total deposits reached a record $1.2 trillion, up 5 percent from the prior year, driven by both consumer and commercial growth. Total loans finished 2015 at $916.6 billion, up 6 percent from 2014, making our loan portfolio the largest among U.S. banks. We saw growth in commercial loans, residential mortgages, credit cards, and automobile lending while maintaining our strong credit and pricing discipline.

In fact, the credit quality of our portfolio proved to be about as good as I've seen in my 34 years at Wells Fargo. Credit losses of $2.9 billion improved 2 percent from 2014. Net charge-offs as a percentage of average loans remained near historic lows — 0.33 percent in 2015, compared with 0.35 percent in 2014.

We also continued to strengthen our balance sheet in 2015 and ended the year with our highest-ever levels of capital and liquidity. We finished 2015 with total equity of $193.9 billion, Common Equity Tier 1 capital of $142.4 billion, and a Common Equity Tier 1 ratio (fully phased-in) of 10.77 percent.[1]

[1] *For more information on our regulatory capital and related ratios, please see the "Financial Review — Capital Management" section in this Report.*

Our financial performance and balance sheet strength allowed us to return more capital to shareholders. In 2015, we returned $12.6 billion to our shareholders through common stock dividends and net share repurchases, reflecting the fifth consecutive year in which we returned more capital to shareholders than in the previous year. We increased our quarterly common stock dividend rate by 7 percent to $0.375 per share, and we repurchased 78.2 million shares of our common stock on a net basis. And we again ended the year as the world's most valuable bank by market capitalization.

We also continued to make strides in improving our company's efficiency and reinvesting for the future. In addition to simplifying our operations, we reduced our travel costs by 23 percent in 2015, and we have eliminated more than 20 million square feet of occupied real estate since 2009. We're investing those savings in areas such as innovation, risk management, and cybersecurity.

Another benefit of our company's consistent performance is the ability to be well positioned for strategic acquisitions to support growth. We were pleased to announce an agreement to acquire GE Capital's Commercial Distribution Finance and Vendor Finance platforms, as well as a portion of its Corporate Finance business. We anticipate adding approximately $31 billion in assets and welcoming about 2,900 GE Capital team members to Wells Fargo when the transaction closes. We also acquired GE Railcar Services, a railcar finance, leasing, and fleet management business, on Jan. 1, 2016, and in the second quarter of 2015 we completed a GE Capital commercial real estate loan portfolio transaction, which included approximately $11.5 billion in loan purchases and related financing.

These additions should grow our business and provide greater opportunities for us to expand our relationships with customers.

Our financial performance and customer focus earned us external recognition in many ways in 2015. For example, we ranked No. 7 on *Barron's* 2015 ranking of the world's "100 Most Respected Companies" — the fourth year in a row we ranked highest among all banks on the list. *Euromoney* magazine named Wells Fargo the "Best Bank in the U.S." in its 2015 Awards for Excellence. And *The Banker* magazine named Wells Fargo the Best Global and U.S. Bank of the Year.

Wells Fargo is one of the most valuable companies in the world

By market value as of Dec. 31, 2015 (in billions)

Apple	$ 587
Alphabet	528
Microsoft	443
Berkshire Hathaway	325
ExxonMobil	325
Amazon.com	317
Facebook	296
General Electric	294
Johnson & Johnson	284
Wells Fargo	**277**
JPMorgan Chase	243
Ind. & Comm. Bank (China)	243

U.S. companies except where stated
Source: Bloomberg

Relationships are at the core of our culture

While accolades are rewarding, our highest honor is the trust that customers place in us. And trust is best built through relationships.

No document better captures our relationship-based culture and focus on customers than *The Vision & Values of Wells Fargo,* which was first published more than 20 years ago. (I invite you to read our Vision & Values at wellsfargo.com.)

We bring the *Vision & Values* to life each day through delivering on our six priorities: putting customers first, growing revenue, managing expenses, living our vision and values, connecting with communities and stakeholders, and managing risk.

These priorities also support our focus on the relationships with customers, team members, communities, and shareholders that are at the heart of our culture.

Earning relationships with our customers

We work to make every relationship — new and old — a lasting one by following a few simple principles. We put our customers first and treat them as our valued guests. We are committed to our customers' satisfaction and financial success and to work in their best interest. In short, we are on our customers' side. You will read stories about how we do that in the following pages, including how we eased an older couple's budgeting concerns and helped a customer navigate the used-car buying process.

When we follow these principles, we gain trust and earn relationships that reach across decades and generations. Just as our customers trusted Wells Fargo and our Abbot Downing-built stagecoaches to transport their valuables in the 1800s, they trust us today with their financial needs.

One example is the Hearst family. We've nurtured a relationship with the Hearsts for more than 100 years. George Hearst, an entrepreneur and mining developer, used Wells Fargo stagecoaches and express services to transport gold and silver to U.S. Mints, starting in the 1860s. His wife, Phoebe, an active investor and philanthropist, was a Wells Fargo investment services and trust customer. Over the years, our relationship with the Hearsts broadened as their business grew from its origins as a mining company and a single newspaper to become one of the world's top private media and information companies encompassing more than 360 businesses in 150 countries. We are honored to help the Hearst family and business grow through a broad assortment of products and services, and today our ties are as

strong and deep as ever. Wealth and Investment Management serves the family's personal financial needs, and Wholesale Banking provides corporate services such as credit, treasury management, debt capital markets, trust, and investment banking to the Hearst Corporation.

The key to earning deep and long-lasting relationships is not only knowing our customers, but also understanding how they define financial success. We have a sincere desire to help them succeed, and we do so by working across our many businesses to provide them with the products and services they need.

That certainly is the case in our work with small business customers. We appreciate the important role that small businesses play in local communities and the overall economy. We have relationships with approximately 3 million U.S. small business owners, and in 2015, we were the top lender of U.S. Small Business Administration 7(a) loans in both number of loans and dollars. Our Wells Fargo Works *for Small Business*® initiative, launched in 2014, provides resources, guidance, and services for small business owners, and we are making strong progress on our goal to extend $100 billion in new lending to small businesses by 2018.

One of the most rewarding aspects of our small business relationships is helping our customers grow and contributing to their long-term success. One such relationship is with Deschutes Brewery. We provided entrepreneur Gary Fish with an initial loan to help open a brewpub in Bend, Oregon, in 1998. His craft beer quickly caught on, and today Gary's company employs 472 workers and is 7.9 percent employee-owned. As Deschutes Brewery grew, we were with the company every step of the way, providing capital, cash management, and a variety of advice and ancillary services. Now one of our Wholesale Banking customers, the company distributes beer — with the tagline "Born in Bend, Oregon" — in 28 states, and today is one of the top 10 craft brewers in the U.S. "We have been with Wells Fargo from the very beginning," Gary says. "They were the ones who gave us a loan to get started."

We are a relationship company, but our relationships with customers are only as strong as our relationships with each other.

Earning relationships with our team members

We are a relationship company, but our relationships with customers are only as strong as our relationships with each other. Products and technology don't fulfill the promises we make to our customers, our people do — people who are talented, motivated, and, I believe, more energized than our competitors.

Take Terri Steup as an example. Terri is a bank store manager in Fort Wayne, Indiana, who has been with our company for more than 40 years. Terri is a talented relationship builder with her team, and her enthusiasm is infectious. "We are having fun; we are a family!" she says about her team. Terri also recognizes the importance of earning relationships with customers. Understanding the community's diversity, Terri's team greets customers in three languages — English, Burmese, and Spanish — and Terri actively recruits new team members from among the Burmese, Vietnamese, and Hispanic immigrant population that her store serves.

We have always believed that our team members are our most valuable resource, and we want them to be with us for the long term. We invest in them by offering competitive salaries, professional training and development, leadership opportunities, and benefits that include affordable health care options, work-life balance programs, 401(k) matching contributions, tuition reimbursement, and a discretionary profit sharing plan.

We want all our team members to lead by bringing our vision and values to life. That is a shared responsibility — no matter a person's position in the company. As we say in our *Vision & Values*, we define leadership as the act of establishing, sharing, and communicating our vision, and as the art of motivating others to understand and embrace our vision.

Since our success depends on our team members, we survey them each year to hear what they think. This is important because the more connected team members feel to the company, the more likely they are to form lasting relationships with our customers. In 2015, our overall team member "engagement" score continued to increase, measuring 4.25 out of a possible 5, an increase over our 2014 score of 4.22. The Gallup Organization, which conducts our annual surveys, named Wells Fargo a "Gallup Great Workplace Award" winner in 2014 and 2015, which distinguishes the world's most engaged and productive companies.

This recognition is rewarding in that it reflects our Culture of Caring℠ approach in the relationships our team members build with our customers and with each other. A key part of that approach is working together, using what's in our hearts, not just in our heads, to care for and earn relationships with our customers.

A recent letter from a customer brought home to me the power of relationships to change lives. Five years ago, this customer would regularly come into one of our Portland, Oregon, bank stores to cash his paychecks. He gradually formed a relationship with Store Manager Ruvim Kruzhkov.

Our Performance

$ in millions, except per share amounts	2015	2014	% Change
FOR THE YEAR			
Wells Fargo net income	$ 22,894	23,057	(1)
Wells Fargo net income applicable to common stock	21,470	21,821	(2)
Diluted earnings per common share	4.12	4.10	–
Profitability ratios:			
Wells Fargo net income to average assets (ROA)	1.31%	1.45%	(10)
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity (ROE)	12.60	13.41	(6)
Efficiency ratio [1]	58.1	58.1	–
Total revenue	$ 86,057	84,347	2
Pre-tax pre-provision profit [2]	36,083	35,310	2
Dividends declared per common share	1.475	1.350	9
Average common shares outstanding	5,136.5	5,237.2	(2)
Diluted average common shares outstanding	5,209.8	5,324.4	(2)
Average loans	$ 885,432	834,432	6
Average assets	1,742,919	1,593,349	9
Average total deposits	1,194,073	1,114,144	7
Average consumer and small business banking deposits [3]	680,221	639,196	6
Net interest margin	2.95%	3.11%	(5)
AT YEAR-END			
Investment securities	$ 347,555	312,925	11
Loans	916,559	862,551	6
Allowance for loan losses	11,545	12,319	(6)
Goodwill	25,529	25,705	(1)
Assets	1,787,632	1,687,155	6
Deposits	1,223,312	1,168,310	5
Common stockholders' equity	172,036	166,433	3
Wells Fargo stockholders' equity	192,998	184,394	5
Total equity	193,891	185,262	5
Capital ratios [4]:			
Total equity to assets	10.85%	10.98%	(1)
Risk-based capital:			
Common Equity Tier 1	11.07	11.04	–
Tier 1 capital	12.63	12.45	1
Total capital	15.45	15.53	(1)
Tier 1 leverage	9.37	9.45	(1)
Common shares outstanding	5,092.1	5,170.3	(2)
Book value per common share [5]	$ 33.78	32.19	5
Team members (active, full-time equivalent)	264,700	264,500	–

[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] Consumer and small business banking deposits are total deposits excluding mortgage escrow and wholesale deposits.

[4] See the "Financial Review — Capital Management" section and Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

[5] Book value per common share is common stockholders' equity divided by common shares outstanding.

Ruvim realized that the customer needed the security of a bank account despite challenges with his credit history. He worked with the customer to open an Opportunity Checking Account, a type of account we created especially for customers with credit challenges. Over the years, the customer has improved his credit to qualify for a regular account, a credit card, and later a home mortgage and a line of credit for his growing business. He wrote to tell me, "I attribute much of that growth to Ruvim's support over the years… . All I can say is that there is a true feeling of care at Wells Fargo."

We also are on our customers' side when emergencies occur. For example, after the Memorial Day 2015 floods in the Houston area, our company donated $275,000 for relief efforts, and our team members staffed a specially designed mobile response unit six days a week, up to 10 hours a day, for customers. That allowed us to provide cash and mortgage assistance, insurance claim check processing, and help in starting the recovery process. We also provided grants and services to support disaster-relief efforts in other areas affected by devastating events such as wildfires in the West and in Alaska, the earthquake in Nepal, and flooding in South Carolina.

Earning relationships with our communities

At Wells Fargo, we earn long-term relationships with our communities by creating a positive, lasting connection. We are a Main Street bank, and we are committed to strengthening our communities through our operations, business practices, employment opportunities, philanthropy, and community engagement.

Our team members volunteer their time and donate to nonprofits and causes important to them. In 2015, Wells Fargo team members volunteered 1.8 million hours and contributed $98.8 million to nonprofits and schools. United Way Worldwide has ranked our workplace-giving campaign the largest in the U.S. each of the past seven years.

In addition to the generous donations from our team members, Wells Fargo is one of the top corporate cash donors among U.S. companies. Over the past five years (2011 – 2015), Wells Fargo has donated $1.4 billion to support and revitalize communities, help charitable organizations, and grow local economies.

In our communities we particularly focus on social, economic, and environmental programs and activities. Here are some examples:

Social: We are focused on supporting the varied needs of our global customer base. One of our most important commitments as a company is to support those in the military who have served or continue to serve our country. Since 2012, we have donated more than $66 million in the form of assistance to nonprofits, education, job training, and property, including more than 300 mortgage-free houses to wounded veterans and their families. We employ more than 8,000 self-identified veterans and are committed to hiring more.

Our long-term community relationship with the Metropolitan Economic Development Association (MEDA) is a terrific example of how we work with nonprofit partners to strengthen our communities. Wells Fargo co-founded MEDA with other business leaders in 1971 in Minneapolis to support the development of minority-owned businesses, break down barriers, and provide equal economic opportunities.

Since its start, MEDA has helped more than 19,000 entrepreneurs and assisted in the start-up of nearly 500 businesses. One of its clients, H&B Elevators, is a subcontractor for the construction of our new Minneapolis office buildings. H&B Elevators, which is African-American owned, is providing design and manufacturing services for the buildings' elevator cab interiors.

We are delighted to work with diverse suppliers such as H&B Elevators and, in 2015, surpassed our goal of spending at least 10 percent of our annual procurement budget with diverse vendors.

Economic: We are focused on strengthening individuals' financial knowledge and opportunities for underserved communities. We continue to provide free financial education courses to thousands of military members, seniors, small business owners, and youth each year through Hands on Banking®, now in its 13th year. Homeownership and access to safe, sustainable housing continue to be critical community needs. Our team members have volunteered more than 4.7 million hours through the Wells Fargo Housing Foundation since 1993, mobilizing to build and rehabilitate nearly 5,600 homes. We also have long-term relationships with Habitat for Humanity affiliates across the U.S.

Additionally, our LIFT programs have helped create more than 10,725 homeowners in 39 communities since 2012, through more than $278 million of down payment and other financial assistance. We're also working to create more Hispanic homebuyers through our support of the National Association of Hispanic Real Estate Professionals' Hispanic Wealth Project. In support of this project, Wells Fargo Home Mortgage has a goal of originating $125 billion in mortgages to our Hispanic homebuying customers during the next 10 years by increasing our presence in diverse communities, working with referral sources, and providing products and programs that support diverse homeownership.

Environmental: We also work to accelerate the transition to a lower-carbon economy

and reduce the impact of climate change. Our Environmental Solutions for Communities five-year grant program, begun in 2012, has funded more than $9.8 million in grants to more than 250 nonprofits to date that promote conservation and environmental sustainability in communities across the U.S.

We work hard to make our internal operations more efficient by minimizing waste and using renewable sources of energy. Today, more than 20 million square feet of office space across 418 bank stores and other locations is Leadership in Energy and Environmental Design (LEED) certified. The U.S. Green Building Council recognized our leadership, naming us the "green" building leader among financial institutions in 2015.

More information about our community efforts is available in our *Corporate Social Responsibility Report* at wellsfargo.com under "About Wells Fargo."

Earning relationships with our shareholders

We also work to build long-term relationships with our shareholders and earn their confidence through our performance over time.

We believe that we attract shareholders and sustain relationships through the many long-term advantages that we offer investors, including our leading market share in cornerstone products; diversified and balanced revenue sources; strong risk discipline; experienced management team; and consistent culture.

These advantages and our financial performance have enabled us to continue to return more capital to our shareholders than in the previous year. I noted earlier that in 2015 we returned $12.6 billion through common stock dividends and net share repurchases.

Further reinforcing the long-term nature of our commitment, Wells Fargo leads in total shareholder return among our bank peer group over the past five- and 10-year periods (ended Dec. 31, 2015).

Total Shareholder Return (annualized)

Ended Dec. 31, 2015

	5yr	Rank	10yr	Rank
Wells Fargo	**14.7%**	**1**	**8.5%**	**1**
Bank of America	5.4%	11	-7.6%	10
BB&T	10.5%	6	2.7%	5
Capital One	12.4%	2	-0.4%	6
Citigroup	2.0%	12	-18.6%	12
Fifth Third Bancorp	9.2%	8	-3.5%	8
JPMorgan Chase	12.1%	4	7.9%	2
KeyCorp	10.3%	7	-6.3%	9
PNC Financial Services	11.9%	5	7.1%	3
Regions Financial	7.9%	10	-9.5%	11
SunTrust	9.1%	9	-3.0%	7
U.S. Bancorp	12.1%	3	6.6%	4
S&P 500 (SPX)	12.5%		7.3%	
KBW Nasdaq bank index (BKX)	9.1%		-1.0%	

Source: Bloomberg, includes share price appreciation and reinvested dividends

Actively preparing for the future

While we take great pride in the relationships we are earning today, and those we've earned over our history, we are hardly anchored to the past. The world is changing rapidly, and one of the ways we keep the customer at the center of all we do is by innovating. In addition to the six priorities I mentioned earlier, which we concentrate on daily, we have identified four drivers that we believe are critical to our future success:

Creating exceptional customer experiences

Customer experience is at the core of our *Culture of Caring* focus, in how we treat our customers and each other. As our team members do their jobs, they demonstrate a positive and caring attitude for customers every day. This mindset is so important to our success that I like to say we hire for attitude and train for aptitude.

Exceptional customer experiences also stem from a can-do mindset. If there's a better way, we'll work hard to find it for our customers. For example, we enhanced the account-opening process for our retail banking customers in 2015 through our "Steps to Better Banking" program. The program provides information about how to avoid service fees, explains choosing and setting up numerous types of text alerts, and offers other key resources — all within an hour of opening an account.

A third mindset of caring for our customers is realizing that at Wells Fargo, we are better together. That means communicating clearly with our customers, such as sending timely alerts on account transactions. And we provide free retirement assessments and online educational resources such as our Smarter Credit™ center and My Money Map℠, an online tool that enables customers to track spending, budgeting, and savings in easy-to-understand charts. We care deeply for our customers and want to do all we can to help them achieve financial success.

Digitizing the enterprise

We continue to make new technology offerings and channels available throughout our businesses. Our customers have responded enthusiastically to text and email alerts, payment solutions like Apple Pay™ and Android Pay™, and pilots of biometric customer authentication for both business and retail customers that we expect to roll out later this year. We introduced the *your*LoanTracker℠ service in 2015 to allow our customers to monitor the status of their loans throughout the home-financing process using their computer, smartphone, or tablet.

We are careful not to create new technologies in isolation; the value of innovation is when technology is aligned. This means that all of our distribution channels — locations, phone banks, ATMs,

online, and mobile banking — work together, integrated with our products, to benefit customers.

In 2015, we brought together team members from existing Wells Fargo teams to form a new Innovation Group, a cross-functional organization to help keep us at the leading edge of technological innovation in financial services. Key focuses of the Innovation Group include research and development, payment strategies, design and delivery, and analytics.

Making diversity and inclusion part of our DNA

As a Main Street bank, it's critical that our team members reflect the makeup of our communities so we can better understand and serve the different needs of our customers. Our company is characterized by diversity — from our board of directors to customer-facing team members. Overall, 57 percent of U.S.-based team members are women, and 41 percent are ethnically/racially diverse. Women head two of our four major businesses, and our board is among the most diverse in the industry (44 percent women and 31 percent ethnically/racially diverse).

Our goals of recognizing and serving all customers include those customers with disabilities, and we are especially focused on using technology to eliminate accessibility barriers. We were the first bank to offer voice-enabled ATMs to assist our visually impaired customers, and these ATMs now speak in English and Spanish. We also offer credit and debit cards in Braille.

I am delighted by the recognition we've received by outside organizations that monitor diversity and inclusion. For example, in 2015 we were recognized by *DiversityInc* as the No. 1 Company for LGBT Employees, 7th Top Company for Veterans, and as the 11th Top Company for Diversity; and by *LATINA Style* as the 8th Best Company for Latinas. Additionally, we received a perfect score of 100 percent on the 2016 Corporate Equality Index, a national benchmarking survey and report on corporate policies and practices related to LGBT workplace equality. This is the 13th consecutive year that Wells Fargo has earned a 100 percent score.

At Wells Fargo, every team member is responsible for managing risk.

Leading the way in risk management and operational excellence

Effective risk management practices help us better serve our customers, maintain and improve our position in the market, and protect the long-term safety, soundness, and reputation of Wells Fargo. We understand that trust is the core of any meaningful relationship. At Wells Fargo, every team member is responsible for managing risk.

Protecting our customers' assets and providing financial security are key principles in our risk-focused culture. We continue to invest heavily in risk management and information security to meet our goals of protecting our customers' information and assets, safeguarding our infrastructure and systems, and setting the global standard for risk management excellence among financial institutions.

Operational excellence is part of our *Vision & Values* and is a key driver in the value we provide shareholders. We apply it at every level of the company, focusing on creating sustainable improvement for our business, enhancing the customer experience, mitigating risk, and increasing efficiency.

In closing

Our Annual Report would not be complete without recognizing the hard work of our board of directors. Their knowledge, experience, and leadership are integral to Wells Fargo's success. I want to acknowledge Judy Runstad, who will be retiring from the board at our annual meeting of stockholders in April. Judy joined our board in 1998, and she has been an outstanding director. We will miss her many contributions, and I thank her for her service.

As our company moves forward, we will continue to focus on earning and building lifelong relationships. That is how we have done business for the past 164 years, and that focus is at the heart of our culture.

I am thankful for the leadership of 265,000 team members who are focused on creating and sustaining relationships with our customers and on putting our customers' interests first. And I thank customers for allowing us to help them with their financial needs. I am grateful to our community partners that work with us to improve our communities. And I appreciate our shareholders, who show their trust by investing in our company.

Thanks for your part in allowing us to earn and nurture the relationships that are core to both our past and future successes.

John G. Stumpf
Chairman and Chief Executive Officer
Wells Fargo & Company
February 1, 2016

Julian Salazar and Paulette Drake
Portland, Oregon

Building confidence when 'it isn't easy to talk about money'

Paulette and Chris Drake

Paulette Drake

Retirees Paulette and Chris Drake live on a fixed income and realized they needed help budgeting. They knew online tools were an option, but entering their financial information on a website they weren't familiar with was a concern.

Enter Personal Banker Julian Salazar, who met with Paulette and Chris at their local Wells Fargo in Portland, Oregon. He introduced them to a Wells Fargo online tool to help the couple track their spending.

"Julian took the time on that first visit — and subsequent visits — to answer my questions," Paulette said. "I loved that he really listened to me and made me feel comfortable. That's so important, because it isn't easy to talk about money."

Julian found it easy to connect with the Drakes because he, too, uses Budget Watch, part of Wells Fargo's free online tool My Money Map℠. Having moved to Portland for better medical care for his young son, Julian said the tool has helped his family manage its money more effectively.

Once they gained confidence using Budget Watch, the Drakes set budgeting goals and said they found it easier to manage transactions online. A year later, Paulette said, "It's taken a lot of pressure off of me because I don't have to manually calculate our budget and save every receipt. Along with Julian's guidance, it's helped ease our financial concerns."

Because they're now tracking their spending online, they say they're more confident about the future.

Julian checks in with the Drakes each quarter to discuss their financial goals and how they're doing. He said, "I'm just glad the Drakes benefit from our guidance and online tools."

Learn more at wellsfargo.com/stories.

John Martinelli
Watsonville, California

Fruits of family's labor: From seed to sparkling success

In 1859, Stephen G. Martinelli moved from Switzerland to California's fertile Central Coast, where his brother had started farming apples a few years earlier. Because they didn't have a way to preserve apple juice, Stephen started to experiment with hard apple cider and developed an effervescent version.

Today, Stephen's great-grandson, John, runs S. Martinelli & Company, a Wells Fargo customer best known for Martinelli's Gold Medal apple juice and nonalcoholic sparkling ciders.

John Martinelli

Gun Ruder, Ryan Pacheco, and John Martinelli

"My grandfather, Stephen G. Martinelli Jr., also was a pioneer. A couple years before Prohibition would have rendered our primary product illegal, he developed a pasteurization process to preserve apple juice products," said John. "If it wasn't for his work, we wouldn't have been able to transition to a nonalcoholic sparkling cider, which is now our No. 1 product."

Wells Fargo has worked with S. Martinelli & Company for more than 100 years — from when it was a small, regional producer to today as a major national brand with export markets in Mexico, South Korea, Canada, Japan, and elsewhere.

"The Wells Fargo team has served us really well — even internationally — as we prepare to directly manage potential currency risks," said CFO Gun Ruder.

John said, "Wells Fargo has helped fund every one of our major projects, including property purchases, buildings, bottling equipment, and apple presses, as well as working capital needs."

As S. Martinelli & Company looks to vertically integrate and expand its operations, Wells Fargo has been a valuable consultant. Relationship Manager Ryan Pacheco said, "We've been talking with Martinelli's about agriculture lending and lines of credit for crops, which can be essential as the company integrates its growing operations to secure its apple supply."

Gun concluded, "Wells Fargo is flexible and responsive and has developed an excellent understanding of our business."

Learn more at wellsfargo.com/stories.

Shyam A. Maharaj
Fort Lauderdale, Florida

Refinancing paves the road to more savings — and a second car

Shyam Maharaj

As a physical therapist who sees patients in their homes, Shyam A. Maharaj had put a good deal of wear and tear on his sport utility vehicle while making house calls. As a result, he thought it was time to get a second car to avoid wearing out the SUV.

In his quest to find the best used vehicle, Shyam credits Wells Fargo's Kyle Fleeger, an auto-loan sales consultant, who helped at every step along the way. Shyam said he even called Kyle while he was on the road, shopping for a car, to check on pricing and the vehicle's value, and ultimately to make sure his preapproval would cover the car he was considering.

"It was very convenient for me, given that I work long hours and have to travel all over for my job. It was great working with Kyle on the phone," said Shyam.

Shyam's first priority was to find a way to afford a second vehicle. So Kyle helped him refinance his SUV loan and save enough money to make another vehicle possible. Shyam, who lives in Fort Lauderdale, Florida, said at first he didn't even realize that Kyle worked 2,300 miles away in Chandler, Arizona.

A telephone sales specialist for an inbound and outbound sales team, Kyle said more of his customers are using phone sales and support in the car-buying process. "We put them in a position to have some fun in their shopping," he said.

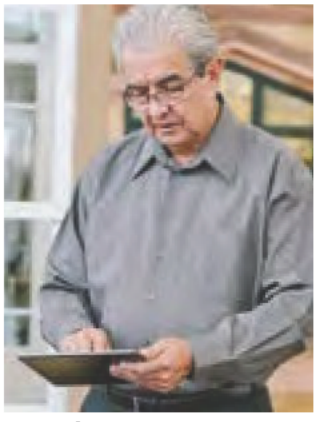
"Kyle went above and beyond what I could have hoped for in dealing with my situation," said Shyam, a long-time Wells Fargo customer. "He took the time to research everything, and I knew he was really working hard on what I needed."

Learn more at wellsfargo.com/stories.

Larry Chavez
Albuquerque, New Mexico

Banking relationship and business grow in tandem over the years

Larry Chavez and Laurie Cini-Donovan



Larry Chavez

Larry Chavez's relationship with his bank is as old as his business, Dreamstyle Remodeling of Albuquerque, New Mexico. And since 1989, both his business *and* his relationship with Wells Fargo have flourished.

"The day I started this company, I opened an account at Wells Fargo," Larry said. "We've had pretty dramatic growth since, and Wells Fargo has been an important collaborator throughout."

In the past five years, the home-remodeling company has expanded from 110 employees to 360, and annual sales have increased substantially. Wells Fargo helped finance the company's recent expansion into Southern California, Arizona, Idaho, and west Texas, which included three new facilities.

Just like the customers who want to enhance their homes for the future, Larry is intent on securing Dreamstyle Remodeling's future. "We're very focused on the company's succession, and we have the best people in place to lead us," Larry said.

Wells Fargo plays a big role in the company's future, he said, noting that bankers Katrina Tracy and Laurie Cini-Donovan "know my business inside and out, and they're responsive to all my business needs."

Dreamstyle Remodeling's relationship with Wells Fargo stretches from multiple commercial accounts to financing, merchant services, personal accounts, and investments. The company also relies on Wells Fargo to provide consumer finance options to its customers.

"It goes beyond the bank accounts and financing," Larry said. "Everything we've done with Wells Fargo has increased our efficiency."

Laurie said, "Knowing his business so well has deepened our relationship. Larry sees the potential and benefits in thinking of us as if we were true business consultants."

Learn more at wellsfargo.com/stories.

Jaejung and Gary Cohen
Livingston, New Jersey

House hunters find *the* one, with an assist from halfway across the U.S.

Gary Cohen and daughter Jyetta

Jaejung Cohen and daughter Rayel

Gary and Jaejung Cohen of Livingston, New Jersey, hunted relentlessly for the right house with just the right features in the school district they wanted for their two young daughters. Twice they canceled contracts for houses they decided ultimately didn't quite measure up to their expectations.

The third time was a charm, however, thanks, in part, to Wells Fargo's Shane Parker and Brittany Taylor — both halfway across the U.S. in Des Moines, Iowa.

"We had worked with Shane as our mortgage consultant six years ago when we refinanced our home," said Gary, a lawyer in metro New York. "It went so well then that we called him again this time for a preapproval — even before we started house shopping. He helped it go smoothly."

Once the Cohens had made an offer on a home, Brittany, a loan processor, helped them streamline their paperwork using an online tool called *your*LoanTracker℠. The tool lets customers check the status of their mortgage on their computers or mobile devices. The Cohens also used the tool to electronically file select documents and received email and text alerts about important milestones.

Jaejung, a risk manager for an insurance company, said, "Shane and Brittany did a great job of working with us throughout the process."

Shane said, "As phone-based mortgage consultants, we find that our role is growing every day as we preserve the human touch with customers while also using technology to shorten the distance between us. We have the ability not only to help customers walk through the process, but also to put more time into building relationships with them, which is just as important."

Learn more at wellsfargo.com/stories.

Paul Hartman and Cheryl Beckman
Louisville, Kentucky

Smooth transition of retirement plan goes down easy

When a company is helping its employees plan for a comfortable retirement, establishing trust is essential.

That's one reason Brown-Forman — an American-owned spirits and wine company in Louisville, Kentucky — chose Wells Fargo Institutional Retirement and Trust as its 401(k) plan provider.

"Wells Fargo made our more than 4,100 employees feel at ease," said Cheryl Beckman, director of Global Benefits at Brown-Forman, "tailoring transition communications based on where they are in their careers."

Wells Fargo's Paul Hartman said there are a lot of synergies between the two companies "in terms of how we view our relationships with customers, vendors, and team members."

Brown-Forman, founded in 1870, is the maker of many spirit brands, such as Jack Daniel's, Old Forester, Woodford Reserve, Finlandia Vodka, Sonoma–Cutrer wines, and others. The company started working with Institutional Retirement and Trust in 2014 after more than a decade of working with the Corporate Banking team on lines of credit and foreign exchange.

Together, Brown-Forman and Wells Fargo devised detailed communication plans, including informational sessions for employees at all the company's major locations, from corporate offices to barrel-making facilities to vineyards. Some sessions were conducted in both English and Spanish.

Andrew Simon, Brown-Forman's director of People Development and Rewards, said, "We're a growing company but have a small-company feel and strive to provide a premium experience for our employees. So giving them multiple ways to learn about retirement planning was important."

That, plus enhanced plan options such as the addition of a Roth feature and an employer-matching contribution, led to success: Brown-Forman has seen an 11 percent increase in employees raising their contribution percentage to take advantage of the full company match.

"When Wells Fargo commits something to us, it's going to happen," Andrew said.

Learn more at wellsfargo.com/stories.

Andrew Simon and Cheryl Beckman

Paul Hartman, Cheryl Beckman and Andrew Simon

Karen Spotted Tail
Rosebud, South Dakota

Teaming up to bring affordable solar power to the people

Karen Spotted Tail

In a six-year period, members of the Rosebud Sioux Tribe in South Dakota saw their electricity costs increase by 50 percent. As a result, Karen Spotted Tail, a member of the tribe, struggled to pay her bills.

In October 2015, GRID Alternatives — a nonprofit that makes renewable energy accessible to low-income communities — donated and installed solar panels on Karen's roof. After two months, the cost of her utilities had dropped significantly.

Such success has helped create awareness of solar energy across the tribal community, according to Ken Haukaas, a consultant for the tribe's utility commission.

GRID Alternatives also provides job training and employment opportunities in solar installation. Since 2007, Wells Fargo has provided the organization with $4 million in grants, helping it expand services from its home base in California to locations across the U.S.

And Wells Fargo team members have joined in as well. They have helped install panels for 58 families and volunteered more than 3,500 hours in the past 10 years.

Erica Mackie, GRID Alternatives CEO and co-founder, said, "Wells Fargo is a long-term supporter and a trusted advisor, helping us expand our reach to make renewable energy accessible to people who need it most."

Karen said, "I just wish everybody could receive this help."

Learn more at wellsfargo.com/stories.

Darnell Shields
Chicago, Illinois

Adopting a neighborhood: Where rough streets rule, revitalization now resides

Darnell Shields, Lisa Johnson, and United Way's Wendy DuBoe

Wendy DuBoe, Lisa Johnson, and Darnell Shields

In one of Chicago's most economically challenged neighborhoods, residents and community groups have teamed up to change its reputation.

"As the westernmost neighborhood of the city, Austin is the gateway to Chicago for many," said Darnell Shields of the nonprofit Austin Coming Together. "We want to live up to the greatness of our city."

One focus is on improving student success in third grade, a key indicator of educational advancement. But instead of looking solely at student achievement, organizers are taking a long-term, comprehensive approach — understanding that preparing kids for success in school starts with access to quality day care, economic opportunities for family members, and a safe neighborhood.

Wells Fargo has joined the effort, donating $300,000 to United Way of Metropolitan Chicago's Neighborhood Network Initiative, which supports the work of more than 60 community organizations in Austin, led by Austin Coming Together.

"We want to make a real difference in Austin," said Lisa Johnson, Wells Fargo Commercial Banking Midwest division manager. "Building up this community is one way we can bring to life everything we value as a company."

And aside from financial support, Wells Fargo team members also actively volunteer — at Austin schools, health care providers, food banks, job readiness programs, and more. In fact, local team members have selected the neighborhood as the beneficiary of a majority of their philanthropic and community support efforts.

Learn more at wellsfargo.com/stories.

Corporate Social Responsibility Highlights

Caring for our communities is part of our culture. We strive to create a positive, lasting impact — socially, environmentally, and economically — through earning lifelong relationships with community partners and other stakeholders.

$7B
in community development loans and investments in 2015 to support low- and moderate-income neighborhoods

$18.8B
in new loan commitments extended to small business customers* in 2015

$281.3M
donated to nonprofits in 2015

$278M
committed to Wells Fargo LIFT programs since 2012, helping more than 10,725 people and families buy homes

8,000
team members identify as military veterans, including 1,542 hired in 2015

$1.2B
spent with diverse suppliers in 2015, representing 12 percent of our annual procurement budget

$15B
in environmental loans and investments in 2015

30%
reduction in absolute greenhouse gas emissions since 2008 and 47% increase in water efficiency since 2012

20%
of total square footage in leased and owned buildings is LEED certified

For more information, please visit *wellsfargo.com/about/csr/reports.*

** Primarily businesses with annual revenues less than $20 million*

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(Cyber and technology consulting)

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Wells Fargo Operating Committee pictured (left to right): Carrie L. Tolstedt, John R. Shrewsberry, Avid Modjtabai, Timothy J. Sloan, John G. Stumpf, James M. Strother, David M. Carroll, David M. Julian, Hope A. Hardison, and Michael J. Loughlin

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Chief Market Risk Officer

Joseph J. Rice
Chief Operational Risk Officer

James R. Richards
Bank Secrecy Act Officer and Head of Financial Crimes

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James H. Rowe
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Eric D. Shand
Chief Loan Examiner

John R. Shrewsberry
*Chief Financial Officer **

Timothy J. Sloan
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James M. Strother
*General Counsel **

Oscar Suris
Head of Corporate Communications

A. Charles Thomas
Chief Data Officer

Carrie L. Tolstedt
*Head of Community Banking **

* *"Executive officers" according to Securities and Exchange Commission rules*

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Carrie L. Tolstedt

Deposit Products Group

Daniel I. Ayala, Global Remittance Services

Edward M. Kadletz, Debit and Prepaid Products

Wells Fargo Virtual Channels

James P. Smith

Regional Banking

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  - Darryl Harmon, Southeast
    - Leigh Vincent Collier, Mid-South
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    - Kendall K. Alley, Carolinas West
    - Andrew M. Bertamini, Maryland
    - Ravi Chandra, Western Virginia
    - Jack O. Clayton, Piedmont East
    - Michael L. Golden, Greater Washington D.C.
    - Glen M. Kelley, Greater Virginia
  - Larisa F. Perry, Northeast
    - Frederick A. Bertoldo, Northern New Jersey
    - Joseph F. Kirk, New York, Connecticut
    - Brenda K. Ross-Dulan, Southern New Jersey
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    - Gregory S. White, Greater Pennsylvania
- John K. Sotoodeh, Southwest
  - Pamela M. Conboy, Arizona, Utah, Nevada
    - Deborah (Dee) E. O'Donnell, Utah
    - Kirk V. Clausen, Nevada
  - John T. Gavin, Dallas-Fort Worth
  - Darryl Montgomery, Houston
  - Lisa J. Riley, New Mexico, Western Border
  - Jeffrey Schumacher, Central Texas
  - Kenneth A. Telg, Greater Texas
- Lisa J. Stevens, Pacific Midwest
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    - Celia C. Lanning, Greater San Diego
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    - Marla M. Clemow, Los Angeles Metro
  - James W. Foley, Pacific North
    - Tracy Curtis, Oregon
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    - Gregory L. Morgan, San Francisco
    - Micky S. Randhawa, Greater Bay
    - Patrick G. Yalung, Washington
  - David A. Galasso, Northern and Central California
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    - Jeff S. Rademann, Santa Clara Valley
  - David R. Kvamme, Great Lakes
    - Mary E. Bell, Indiana, Ohio
    - Sang Kim, Wisconsin, Michigan
    - Donald (Joe) Ravens, Minnesota
  - Frank Newman III, Rocky Mountain
    - Joy N. Ott, Montana, Wyoming
    - Don M. Melendez, Idaho
  - Donald J. Pearson, Great Plains
    - Kirk L. Kellner, Tristate
    - Daniel P. Murphy, North Dakota, South Dakota
  - Marc Bernstein, Enterprise Small Business Segment
    - Todd Reimringer, Business Payroll Services

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Group Head

Avid Modjtabai

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- Beverly J. Anderson, Consumer Financial Services
- John P. Rasmussen, Personal Lending Group

Dealer Services

Dawn Martin Harp

- Jerry Bowen, Commercial Dealer Services
- William Katafias, Indirect Auto Finance

Home Lending

Franklin R. Codel

- Bradley W. Blackwell, Portfolio Lending
- Michael J. DeVito, Mortgage Production
- Perry J. Hilzendeger, Home Lending Servicing
- Peter R. Diliberti, Capital Markets

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- Mary T. Mack, Wells Fargo Advisors
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- John M. Papadopulos, Retirement
- James P. Steiner, Abbot Downing
- Jay S. Welker, Wealth Management

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President, Chief Operating Officer, Group Head

Timothy J. Sloan

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Perry G. Pelos

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  - MaryLou Barreiro, Specialty Industry Banking
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  - Donna J. Serres, SBA Lending
  - Dean A. Rennell, Southwest Division Manager
  - Don A. Fracchia, Midwest Division Manager
  - Lucia D. Gibbons, East Division Manager
- Daniel C. Peltz, Treasury Management Group
  - Debra B. Rossi, Merchant Services
  - David B. Trotter, Treasury Management Sales & Delivery
  - Keith K. Theisen, Treasury Management Products
  - Secil T. Watson, Wholesale Internet Solutions
- Phil D. Smith, Government and Institutional Banking
  - Erin S. Gore, Education and Nonprofit Banking
  - William H. Morgan, Healthcare Financial Services
  - Kathleen S. McClure-Wight, Government Banking West
  - Lee M. Hanna, Government Banking East
  - Mara Holley, Government Banking, Specialty Sectors
  - Marty Bingham, WFS Sales & Trading
  - Peter Hill, Public Finance

Commercial Real Estate

Mark L. Myers

- William M. Cotter, Northeast Region
- Christopher J. Jordan, Hospitality Finance and Senior Housing
- Michael F. Marino, Southern California Region
- David M. Martin, New York Metro Region
- Robin W. Michel, Southwest Region and Homebuilder Banking
- Gregory J. Wolkom, REIT Finance
- William A. Vernon, Midwest, Southeast, International Region and Real Estate Merchant Banking
- Cynthia Wilusz Lovell, Northwest Region

Insurance Group

Laura L. Schupbach

- Kevin M. Brogan, Property and Casualty National Practice and Safehold Special Risk
- Jack S. (Sam) Elliott Jr., West Region, Insurance Brokerage and Consulting
- Peter A. Gilbertson, North Region, Insurance Brokerage and Consulting
- Tom C. Longhta, South Region, Insurance Brokerage and Consulting
- Laurie B. Nordquist, Personal and Small Business Insurance
- Tim Prichard, Employee Benefits National Practice

International Group

Richard J. Yorke

- Sara Wardell-Smith, Foreign Exchange and International Treasury Management
- Frank A. Pizzo, EMEA Regional President
- Christopher G. Lewis, International Trade Services
- John V. Rindlaub, Asia Pacific Regional President
- Charles H. Silverman, Global Financial Institutions

Principal Investments

George D. Wick

- Ross M. Berger, Corporate Credit
- Rosy Le Cohen and Arthur Evans, Municipal Bonds
- David Florian, Reinsurance
- Philip A. Hopkins and Barry Neal, Renewable Energy and Environmental Finance
- Jeff T. Nikora, Alternative Investment Management
- John Walbridge and Cecilia Fok, Structured Products

Specialized Lending and Investment

J. Edward Blakey

- Adam Davis, Structured Real Estate
  - Alan Kronovet, Commercial Mortgage Servicing
  - Douglas J. Mazer, Real Estate Capital Markets
  - Kara McShane, Commercial Real Estate Capital Markets and Finance
- Mary Katherine DuBose and Chris Pink, Asset Backed Finance
- Troy Kilpatrick, Corporate Trust Services
- William J. Mayer, Wells Fargo Equipment Finance
- Lesley A. Milovich, Community Lending and Investment
- Alan Wiener, Multifamily Housing

Wells Fargo Capital Finance

Henry K. Jordan

- Guy Fuchs
  - Scott R. Diehl, Global Capital Solutions Group
  - Steven V. Macko, Industries Group
  - Kurt Marsden, Corporate Finance Group

Wells Fargo Securities

Jonathan G. Weiss

- Walter E. Dolhare, Markets Division
- Robert A. Engel, Investment Banking and Capital Markets
- Benjamin V. Lambert, Eastdil Secured, LLC
  - Roy H. March, Eastdil Secured, LLC
- Diane Schumaker-Krieg, Research, Economics and Strategy

Wholesale Risk

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This Annual 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" and "Risk Factors" sections, and in the "Regulation and Supervision" section of our Annual Report on Form 10-K for the year ended December 31, 2015 (2015 Form 10-K).

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

Financial Review

Overview

Wells Fargo & Company is a diversified, community-based financial services company with $1.8 trillion in assets. Founded in 1852 and headquartered in San Francisco, we provide banking, insurance, investments, mortgage, and consumer and commercial finance through 8,700 locations, 13,000 ATMs, the internet (wellsfargo.com) and mobile banking, and we have offices in 36 countries to support our customers who conduct business in the global economy. With approximately 265,000 active, full-time equivalent team members, we serve one in three households in the United States and ranked No. 30 on *Fortune's* 2015 rankings of America's largest corporations. We ranked third in assets and first in the market value of our common stock among all U.S. banks at December 31, 2015.

We use our *Vision and Values* to guide us toward growth and success. Our vision is to satisfy 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. We aspire to create deep and enduring relationships with our customers by providing them with an exceptional experience and by discovering their needs and delivering the most relevant products, services, advice, and guidance.

We have five primary values, which are based on our vision and provide the foundation for everything we do. First, we value and support our people as a competitive advantage and strive to attract, develop, retain and motivate the most talented people we can find. Second, we strive for the highest ethical standards with our team members, our customers, our communities and our shareholders. Third, with respect to our customers, we strive to base our decisions and actions on what is right for them in everything we do. Fourth, for team members we strive to build and sustain a diverse and inclusive culture – one where they feel valued and respected for who they are as well as for the skills and experiences they bring to our company. Fifth, we also look to each of our team members to be leaders in establishing, sharing and communicating our vision. In addition to our five primary values, one of our key day-to-day priorities is to make risk management a competitive advantage by working hard to ensure appropriate controls are in place to reduce risks to our customers, maintain and increase our competitive market position, and protect Wells Fargo's long-term safety, soundness and reputation.

Financial Performance

In 2015, we generated $22.9 billion of net income and record diluted earnings per common share (EPS) of $4.12 and ended the year as the world's most valuable bank by market capitalization. We produced strong loan and deposit growth, grew the number of customers we serve, improved credit quality, enhanced our risk management practices, increased our capital and liquidity levels and rewarded our shareholders by increasing our dividend and continuing to repurchase shares of our common stock. Our achievements during 2015 continued to demonstrate the benefit of our diversified business model and our continued focus on the real economy. Our contribution to the real economy in 2015 was broad based and included originating $213.2 billion in residential mortgage loans, $31.1 billion of auto loans, $18.8 billion in new loan commitments to our small business customers, who primarily have less than $20 million in annual revenue, and $34.4 billion of middle market loans.

Noteworthy items included:

- revenue of $86.1 billion, up 2% from 2014;
- pre-tax pre-provision profit (PTPP) of $36.1 billion, up 2%;
- an increase in loans of $54.0 billion, up 6%, even with the planned runoff in our non-strategic/liquidating portfolios, and growth in our core loan portfolio of $62.8 billion, up 8%;
- strong customer deposit growth generated by our deposit franchise, with total deposits up $55.0 billion, or 5%;
- strong credit performance as our net charge-off ratio declined to 33 basis points of average loans;
- loan loss allowance releases declined from $1.6 billion in 2014 to $450 million in 2015;
- strengthening our capital levels as our Common Equity Tier I ratio (fully phased-in) was 10.77%; and
- returning $12.6 billion in capital to our shareholders, our 5th consecutive year of increased returns, through increased common stock dividends and additional net share repurchases.

Balance Sheet and Liquidity

Our balance sheet grew 6% in 2015 to $1.8 trillion, as we increased our liquidity position, improved the quality of our assets and held more capital. We grew deposits by 5% while reducing our deposit costs by two basis points. We also grew our loans each quarter on a year-over-year basis to end 2015 with our 18th consecutive quarter of growth (for the past 15 quarters year-over-year loan growth has been 3% or greater) despite the planned runoff from our non-strategic/liquidating portfolios. Our non-strategic/liquidating loan portfolios decreased $8.8 billion during the year (to less than 6% of total loans) and

our core loan portfolios increased $62.8 billion from the prior year. Our core loan portfolio growth included $11.5 billion from the GE Capital commercial real estate loan purchase and related financing transaction announced in first quarter 2015. We grew our investment securities portfolio by $34.6 billion in 2015 and our federal funds sold, securities purchased under resale agreements and other short-term investments (collectively referred to as federal funds sold and other short-term investments elsewhere in this Report) increased by $11.7 billion, or 5%, during the year. While we believe our liquidity position continued to remain strong with increased regulatory expectations, we have added to our position over the past year.

The strength of our balance sheet during 2015 positioned us for the agreement we announced in third quarter 2015 to purchase GE Capital's Commercial Distribution Finance and Vendor Finance businesses as well as a portion of its Corporate Finance business – an acquisition that will help us serve more markets and meet more of our customers' financial needs. The acquisition is expected to include total assets of approximately $31 billion and is expected to close in two phases. The North American portion, which represents approximately 90% of total assets to be acquired, is expected to close late in first quarter 2016. The international portion is expected to close in second quarter 2016. Also, in January 2016 we closed our purchase of GE Railcar Services, which included $4.0 billion of operating and capital leases, comprised of 77,000 railcars and just over 1,000 locomotives that were added to our existing First Union Rail business. During fourth quarter 2015 we issued long-term debt to partially fund the anticipated closing of these GE Capital acquisitions.

Deposit growth remained strong with period-end deposits up $55.0 billion from 2014. This increase reflected solid growth across both our commercial and consumer businesses. We grew our primary consumer checking customers by 5.6% and primary small business and business banking checking customers by 4.8% from a year ago (November 2015 compared with November 2014). Our ability to grow primary customers is important to our results because these customers have more interactions with us and are significantly more profitable than non-primary customers.

Credit Quality

Credit quality remained strong in 2015, demonstrating the benefit of our diversified loan portfolio. Solid performance in several of our commercial and consumer loan portfolios was evidenced by losses remaining near historically low levels, reflecting our long-term risk focus. Net charge-offs of $2.9 billion were 0.33% of average loans, down 2 basis points from a year ago. Net losses in our commercial portfolio were $387 million, or 9 basis points of average loans. Net consumer losses declined to 55 basis points in 2015 from 65 basis points in 2014. Our commercial real estate portfolios were in a net recovery position for each quarter of the last three years, reflecting our conservative risk discipline and improved market conditions. Losses on our consumer real estate portfolios declined $497 million, or 44%, from a year ago. The consumer loss levels reflected the benefit of the improving housing market and our continued focus on originating high quality loans. Approximately 67% of the consumer first mortgage portfolio was originated after 2008, when new underwriting standards were implemented.

Our provision for credit losses in 2015 was $2.4 billion compared with $1.4 billion a year ago reflecting a release of $450 million from the allowance for credit losses, compared with a release of $1.6 billion a year ago. We did not release or build our allowance in the last half of 2015 as the credit improvement in our residential real estate portfolios was offset by higher commercial allowance reflecting deterioration in our oil and gas portfolio. Total loans in the oil and gas portfolio were down 6% from a year ago and are now less than 2% of our total loans outstanding. Approximately $1.2 billion of the allowance at December 31, 2015 was allocated to our oil and gas portfolio; however the entire allowance is available to absorb credit losses inherent in the total loan portfolio. If oil prices remain low for a prolonged period of time, there could be additional performance deterioration in our oil and gas portfolio resulting in higher criticized assets, nonperforming loans, allowance levels and ultimately credit losses. Deteriorated performance can take the form of increased downgrades, borrower defaults, potentially higher commitment drawdowns prior to default, and downgraded borrowers being unable to fully access the capital markets. Furthermore, our loan exposure in communities where the employment base has a concentration in the oil and gas sector may experience some credit challenges.

Future allowance levels may increase or decrease based on a variety of factors, including loan growth, portfolio performance and general economic conditions.

In addition to lower net charge-offs, nonperforming assets (NPAs) through the end of 2015 have declined for 13 consecutive quarters and were down $2.7 billion, or 17%, from 2014. Nonaccrual loans declined $1.5 billion from the prior year while foreclosed assets were down $1.2 billion from 2014.

Capital

Our capital levels remained strong in 2015, even as we returned more capital to our shareholders, with total equity increasing to $193.9 billion at December 31, 2015, up $8.6 billion from the prior year. We returned $12.6 billion to shareholders in 2015 ($12.5 billion in 2014) through common stock dividends and net share repurchases and our net payout ratio (which is the ratio of (i) common stock dividends and share repurchases less issuances and stock compensation-related items, divided by (ii) net income applicable to common stock) was 59%. During 2015 we increased our quarterly common stock dividend by 7% to $0.375 per share. In 2015, our common shares outstanding declined by 78.2 million shares as we continued to reduce our common share count through the repurchase of 163.4 million common shares during the year. We also entered into a $500 million forward repurchase contract with an unrelated third party in December 2015 that settled in January 2016 for 9.2 million shares. In addition, we entered into a $750 million forward repurchase contract with an unrelated third party in January 2016 that settled in first quarter 2016 for 15.9 million shares. We expect our share count to continue to decline in 2016 as a result of anticipated net share repurchases.

We believe an important measure of our capital strength is the Common Equity Tier 1 ratio on a fully phased-in basis, which increased to 10.77% in 2015 from 10.43% a year ago. Likewise, our other regulatory capital ratios remained strong. See the “Capital Management” section in this Report for more information regarding our capital, including the calculation of our regulatory capital amounts.

Table 1: **Six-Year Summary of Selected Financial Data**

(in millions, except per share amounts)	2015	2014	2013	2012	2011	2010	% Change 2015/ 2014	Five-year compound growth rate
Income statement								
Net interest income	**$ 45,301**	43,527	42,800	43,230	42,763	44,757	**4%**	**—**
Noninterest income	**40,756**	40,820	40,980	42,856	38,185	40,453	**—**	**—**
Revenue	**86,057**	84,347	83,780	86,086	80,948	85,210	**2**	**—**
Provision for credit losses	**2,442**	1,395	2,309	7,217	7,899	15,753	**75**	**(31)**
Noninterest expense	**49,974**	49,037	48,842	50,398	49,393	50,456	**2**	**—**
Net income before noncontrolling interests	**23,276**	23,608	22,224	19,368	16,211	12,663	**(1)**	**13**
Less: Net income from noncontrolling interests	**382**	551	346	471	342	301	**(31)**	**5**
Wells Fargo net income	**22,894**	23,057	21,878	18,897	15,869	12,362	**(1)**	**13**
Earnings per common share	**4.18**	4.17	3.95	3.40	2.85	2.23	**—**	**13**
Diluted earnings per common share	**4.12**	4.10	3.89	3.36	2.82	2.21	**—**	**13**
Dividends declared per common share	**1.475**	1.350	1.150	0.880	0.480	0.200	**9**	**49**
Balance sheet (at year end)								
Investment securities	**$ 347,555**	312,925	264,353	235,199	222,613	172,654	**11%**	**15**
Loans	**916,559**	862,551	822,286	798,351	769,631	757,267	**6**	**4**
Allowance for loan losses	**11,545**	12,319	14,502	17,060	19,372	23,022	**(6)**	**(13)**
Goodwill	**25,529**	25,705	25,637	25,637	25,115	24,770	**(1)**	**1**
Assets	**1,787,632**	1,687,155	1,523,502	1,421,746	1,313,867	1,258,128	**6**	**7**
Deposits	**1,223,312**	1,168,310	1,079,177	1,002,835	920,070	847,942	**5**	**8**
Long-term debt	**199,536**	183,943	152,998	127,379	125,354	156,983	**8**	**5**
Wells Fargo stockholders' equity	**192,998**	184,394	170,142	157,554	140,241	126,408	**5**	**9**
Noncontrolling interests	**893**	868	866	1,357	1,446	1,481	**3**	**(10)**
Total equity	**193,891**	185,262	171,008	158,911	141,687	127,889	**5**	**9**

Table 2: Ratios and Per Common Share Data

	Year ended December 31,		
	2015	2014	2013
Profitability ratios			
Wells Fargo net income to average assets (ROA)	**1.31%**	1.45	1.51
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity (ROE)	**12.60**	13.41	13.87
Efficiency ratio (1)	**58.1**	58.1	58.3
Capital ratios (2)(3)			
At year end:			
Wells Fargo common stockholders' equity to assets	**9.62**	9.86	10.17
Total equity to assets	**10.85**	10.98	11.22
Risk-based capital:			
Common Equity Tier 1	**11.07**	11.04	10.82
Tier 1 capital	**12.63**	12.45	12.33
Total capital	**15.45**	15.53	15.43
Tier 1 leverage	**9.37**	9.45	9.60
Average balances:			
Average Wells Fargo common stockholders' equity to average assets	**9.78**	10.22	10.41
Average total equity to average assets	**10.99**	11.32	11.41
Per common share data			
Dividend payout (4)	**35.8**	32.9	29.6
Book value	**$ 33.78**	32.19	29.48
Market price (5)			
High	**58.77**	55.95	45.64
Low	**47.75**	44.17	34.43
Year end	**54.36**	54.82	45.40

(1) The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).
(2) The risk-based capital ratios presented at December 31, 2015, were calculated under the lower of Standardized or Advanced Approach determined pursuant to Basel III with Transition Requirements. Accordingly, the total capital ratio was calculated under the Advanced Approach and the other ratios were calculated under the Standardized Approach. The risk-based capital ratios were calculated under the Basel III General Approach at December 31, 2014, and under Basel I at December 31, 2013.
(3) See the "Capital Management" section and Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.
(4) Dividends declared per common share as a percentage of diluted earnings per common share.
(5) Based on daily prices reported on the New York Stock Exchange Composite Transaction Reporting System.

Earnings Performance

Wells Fargo net income for 2015 was $22.9 billion ($4.12 diluted earnings per common share), compared with $23.1 billion ($4.10 diluted per share) for 2014 and $21.9 billion ($3.89 diluted per share) for 2013. Our 2015 earnings reflected continued strong execution of our business strategy as well as growth in many of our businesses. Our financial performance in 2015 benefited from a $1.8 billion increase in net interest income, which was offset by a $1.0 billion increase in our provision for credit losses and a $937 million increase in noninterest expense.

Revenue, the sum of net interest income and noninterest income, was $86.1 billion in 2015, compared with $84.3 billion in 2014 and $83.8 billion in 2013. The increase in revenue for 2015 compared with 2014 was predominantly due to an increase in net interest income, reflecting increases in income from trading assets, investment securities, and loans. Our diversified sources of revenue generated by our businesses continued to be balanced between net interest income and noninterest income. In 2015, net interest income of $45.3 billion represented 53% of revenue, compared with $43.5 billion (52%) in 2014 and $42.8 billion (51%) in 2013.

Noninterest income was $40.8 billion in 2015, representing 47% of revenue, compared with $40.8 billion (48%) in 2014 and $41.0 billion (49%) in 2013. Noninterest income was relatively stable in 2015 compared with a year ago, reflecting our continued ability to generate fee income despite fluctuations in market sensitive revenue.

Noninterest expense was $50.0 billion in 2015, compared with $49.0 billion in 2014 and $48.8 billion in 2013. The increase in noninterest expense in 2015, compared with 2014, reflected higher compensation expense and operating losses. Noninterest expense as a percentage of revenue (efficiency ratio) was 58.1% in 2015, 58.1% in 2014 and 58.3% in 2013, reflecting our expense management efforts.

Table 3 presents the components of revenue and noninterest expense as a percentage of revenue for year-over-year results.

Table 3: Net Interest Income, Noninterest Income and Noninterest Expense as a Percentage of Revenue

	Year ended December 31,					
(in millions)	**2015**	**% of revenue**	2014	% of revenue	2013	% of revenue
Interest income (on a taxable equivalent basis)						
Trading assets	**$ 2,010**	**2%**	$ 1,712	2%	$ 1,406	2%
Investment securities	**9,906**	**12**	9,253	11	8,841	11
Mortgages held for sale (MHFS)	**785**	**1**	767	1	1,290	2
Loans held for sale (LHFS)	**19**	**—**	78	—	13	—
Loans	**36,663**	**43**	35,715	42	35,618	43
Other interest income	**990**	**1**	932	1	724	1
Total interest income (on a taxable equivalent basis)	**50,373**	**59**	48,457	57	47,892	57
Interest expense						
Deposits	**963**	**1**	1,096	1	1,337	2
Short-term borrowings	**64**	**—**	62	—	71	—
Long-term debt	**2,592**	**4**	2,488	3	2,585	3
Other interest expense	**357**	**—**	382	—	307	—
Total interest expense	**3,976**	**5**	4,028	4	4,300	5
Net interest income (on a taxable-equivalent basis)	**46,397**	**54**	44,429	53	43,592	52
Taxable-equivalent adjustment	**(1,096)**	**(1)**	(902)	(1)	(792)	(1)
Net interest income (A)	**45,301**	**53**	43,527	52	42,800	51
Noninterest income						
Service charges on deposit accounts	**5,168**	**6**	5,050	6	5,023	6
Trust and investment fees (1)	**14,468**	**16**	14,280	17	13,430	16
Card fees	**3,720**	**4**	3,431	4	3,191	4
Other fees (1)	**4,324**	**5**	4,349	5	4,340	5
Mortgage banking (1)	**6,501**	**7**	6,381	8	8,774	10
Insurance	**1,694**	**2**	1,655	2	1,814	2
Net gains from trading activities	**614**	**1**	1,161	1	1,623	2
Net gains (losses) on debt securities	**952**	**1**	593	1	(29)	—
Net gains from equity investments	**2,230**	**3**	2,380	3	1,472	2
Lease income	**621**	**1**	526	1	663	1
Other	**464**	**1**	1,014	1	679	1
Total noninterest income (B)	**40,756**	**47**	40,820	48	40,980	49
Noninterest expense						
Salaries	**15,883**	**19**	15,375	18	15,152	18
Commission and incentive compensation	**10,352**	**12**	9,970	12	9,951	12
Employee benefits	**4,446**	**5**	4,597	5	5,033	6
Equipment	**2,063**	**2**	1,973	2	1,984	2
Net occupancy	**2,886**	**3**	2,925	3	2,895	3
Core deposit and other intangibles	**1,246**	**1**	1,370	2	1,504	2
FDIC and other deposit assessments	**973**	**1**	928	1	961	1
Other (2)	**12,125**	**15**	11,899	14	11,362	14
Total noninterest expense	**49,974**	**58**	49,037	58	48,842	58
Revenue (A) + (B)	**$ 86,057**		$ 84,347		$ 83,780	

(1) See Table 7 – Noninterest Income in this Report for add tional detail.
(2) See Table 8 – Noninterest Expense in this Report for addit onal detail.

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 for 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 5 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 assets portfolio and the cost of funding those assets. In addition, some variable 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 growth has been challenged during the prolonged low interest rate environment as higher yielding loans and securities runoff have been replaced with lower yielding assets.

Net interest income on a taxable-equivalent basis was $46.4 billion in 2015, compared with $44.4 billion in 2014, and $43.6 billion in 2013. The net interest margin was 2.95% in 2015, down 16 basis points from 3.11% in 2014, which was down 29 basis points from 3.40% in 2013. The increase in net interest income for 2015, compared with 2014, was primarily driven by loan growth, the benefit of swapping a portion of our variable rate commercial loans to fixed rate, securities purchases, higher trading balances, and reduced deposit costs. Strong growth in commercial loans, retained first lien real estate loans and credit cards contributed to higher net interest income as originations more than replaced runoff in the non-strategic/liquidating portfolios. This increase was partially offset by the impact of increased interest expense on higher long-term debt balances and reduced interest income from loans held for sale (LHFS) following the sale of substantially all of the government guaranteed student loan portfolio in 2014. Funding costs in 2015 remained relatively flat compared with 2014 due to lower deposit costs as a result of disciplined pricing, partially offset by increased long-term debt interest expense. The decline in net interest margin in 2015, compared with 2014, was primarily due to customer-driven deposit growth and higher long-term debt balances, partially offset by growth in loans and securities. The growth in customer-driven deposits and funding balances during 2015 kept cash, federal funds sold, and other short-term investments elevated, which diluted net interest margin but was essentially neutral to net interest income. During fourth quarter 2015, we issued long-term debt to partially fund the previously announced acquisition of certain commercial lending businesses and assets from GE Capital, with the majority of assets anticipated to close in first quarter 2016.

Table 4 presents the components of earning assets and funding sources as a percentage of earning assets to provide a more meaningful analysis of year-over-year changes that influenced net interest income.

Average earning assets increased $142.4 billion in 2015 from a year ago, as average investment securities increased $55.1 billion and average federal funds sold and other short-term investments increased $25.6 billion for the same period, respectively. In addition, average loans increased $51.0 billion in 2015, compared with a year ago.

Deposits are an important low-cost source of funding and affect both net interest income and the net interest margin. Deposits include noninterest-bearing deposits, interest-bearing checking, market rate and other savings, savings certificates, other time deposits, and deposits in foreign offices. Average deposits rose to $1.2 trillion in 2015, compared with $1.1 trillion in 2014, and funded 135% of average loans compared with 134% a year ago. Average deposits decreased to 76% of average earning assets in 2015, compared with 78% 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.

Table 5 presents the individual components of net interest income and the net interest margin. The effect on interest income and costs of earning asset and funding mix changes described above, combined with rate changes during 2015, are analyzed in Table 6.

Table 4: Average Earning Assets and Funding Sources as a Percentage of Average Earnings Assets

	Year ended December 31,			
	2015		2014	
(in millions)	Average balance	% of earning assets	Average balance	% of earning assets
Earning assets				
Federal funds sold, securities purchased under resale agreements and other short-term investments	$ 266,832	17%	$ 241,282	17%
Trading assets	66,679	4	55,140	4
Investment securities:				
Available-for-sale securities:				
Securities of U.S. Treasury and federal agencies	32,093	2	10,400	1
Securities of U.S. states and political subdivisions	47,404	3	43,138	3
Mortgage-backed securities:				
Federal agencies	100,218	6	114,076	8
Residential and commercial	22,490	2	26,475	2
Total mortgage-backed securities	122,708	8	140,551	10
Other debt and equity securities	49,752	3	47,488	3
Total available-for-sale securities	251,957	16	241,577	17
Held-to-maturity securities	74,048	5	29,319	2
Mortgages held for sale (1)	21,603	2	19,018	2
Loans held for sale (1)	573	—	4,226	—
Loans:				
Commercial:				
Commercial and industrial - U.S.	237,844	15	204,819	14
Commercial and industrial - Non U.S.	46,028	3	42,661	3
Real estate mortgage	116,893	7	112,710	8
Real estate construction	20,979	1	17,676	1
Lease financing	12,301	1	12,257	1
Total commercial	434,045	27	390,123	27
Consumer:				
Real estate 1-4 family first mortgage	268,560	17	261,620	18
Real estate 1-4 family junior lien mortgage	56,242	4	62,510	4
Credit card	31,307	2	27,491	2
Automobile	57,766	4	53,854	4
Other revolving credit and installment	37,512	2	38,834	3
Total consumer	451,387	29	444,309	31
Total loans (1)	885,432	56	834,432	58
Other	4,947	—	4,673	—
Total earning assets	$ 1,572,071	100%	$ 1,429,667	100%
Funding sources				
Deposits:				
Interest-bearing checking	$ 38,640	2%	$ 39,729	3%
Market rate and other savings	625,549	40	585,854	41
Savings certificates	31,887	2	38,111	3
Other time deposits	51,790	3	51,434	3
Deposits in foreign offices	107,138	7	95,889	7
Total interest-bearing deposits	855,004	54	811,017	57
Short-term borrowings	87,465	6	60,111	4
Long-term debt	185,078	12	167,420	12
Other liabilities	16,545	1	14,401	1
Total interest-bearing liabilities	1,144,092	73	1,052,949	74
Portion of noninterest-bearing funding sources	427,979	27	376,718	26
Total funding sources	$ 1,572,071	100%	$ 1,429,667	100%
Noninterest-earning assets				
Cash and due from banks	$ 17,327		16,361	
Goodwill	25,673		25,687	
Other	127,848		121,634	
Total noninterest-earning assets	$ 170,848		163,682	
Noninterest-bearing funding sources				
Deposits	$ 339,069		303,127	
Other liabilities	68,174		56,985	
Total equity	191,584		180,288	
Noninterest-bearing funding sources used to fund earning assets	(427,979)		(376,718)	
Net noninterest-bearing funding sources	$ 170,848		163,682	
Total assets	$ 1,742,919		1,593,349	

(1) Nonaccrual loans are included in their respective loan categories.

Table 5: Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis) (1)(2)

	2015			2014		
(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	**$ 266,832**	**0.28%**	**$ 738**	241,282	0.28%	$ 673
Trading assets	**66,679**	**3.01**	**2,010**	55,140	3.10	1,712
Investment securities (3):						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**32,093**	**1.58**	**505**	10,400	1.64	171
Securities of U.S. states and political subdivisions	**47,404**	**4.23**	**2,007**	43,138	4.29	1,852
Mortgage-backed securities:						
Federal agencies	**100,218**	**2.73**	**2,733**	114,076	2.84	3,235
Residential and commercial	**22,490**	**5.73**	**1,289**	26,475	6.03	1,597
Total mortgage-backed securities	**122,708**	**3.28**	**4,022**	140,551	3.44	4,832
Other debt and equity securities	**49,752**	**3.42**	**1,701**	47,488	3.66	1,741
Total available-for-sale securities	**251,957**	**3.27**	**8,235**	241,577	3.56	8,596
Held-to-maturity securities:						
Securities of U.S. Treasury and federal agencies	**44,173**	**2.19**	**968**	17,239	2.23	385
Securities of U.S. states and political subdivisions	**2,087**	**5.40**	**113**	246	4.93	12
Federal agency mortgage-backed securities	**21,967**	**2.23**	**489**	5,921	2.55	151
Other debt securities	**5,821**	**1.73**	**101**	5,913	1.85	109
Held-to-maturity securities	**74,048**	**2.26**	**1,671**	29,319	2.24	657
Total investment securities	**326,005**	**3.04**	**9,906**	270,896	3.42	9,253
Mortgages held for sale (4)	**21,603**	**3.63**	**785**	19,018	4.03	767
Loans held for sale (4)	**573**	**3.25**	**19**	4,226	1.85	78
Loans:						
Commercial:						
Commercial and industrial - U.S.	**237,844**	**3.29**	**7,836**	204,819	3.35	6,869
Commercial and industrial - non U.S.	**46,028**	**1.90**	**877**	42,661	2.03	867
Real estate mortgage	**116,893**	**3.41**	**3,984**	112,710	3.64	4,100
Real estate construction	**20,979**	**3.57**	**749**	17,676	4.21	744
Lease financing	**12,301**	**4.70**	**577**	12,257	5.63	690
Total commercial	**434,045**	**3.23**	**14,023**	390,123	3.40	13,270
Consumer:						
Real estate 1-4 family first mortgage	**268,560**	**4.10**	**11,002**	261,620	4.19	10,961
Real estate 1-4 family junior lien mortgage	**56,242**	**4.25**	**2,391**	62,510	4.30	2,686
Credit card	**31,307**	**11.70**	**3,664**	27,491	11.98	3,294
Automobile	**57,766**	**5.84**	**3,374**	53,854	6.27	3,377
Other revolving credit and installment	**37,512**	**5.89**	**2,209**	38,834	5.48	2,127
Total consumer	**451,387**	**5.02**	**22,640**	444,309	5.05	22,445
Total loans (4)	**885,432**	**4.14**	**36,663**	834,432	4.28	35,715
Other	**4,947**	**5.11**	**252**	4,673	5.54	259
Total earning assets	**$ 1,572,071**	**3.20%**	**$ 50,373**	1,429,667	3.39%	$ 48,457
Funding sources						
Deposits:						
Interest-bearing checking	**$ 38,640**	**0.05%**	**$ 20**	39,729	0.07%	$ 26
Market rate and other savings	**625,549**	**0.06**	**367**	585,854	0.07	403
Savings certificates	**31,887**	**0.63**	**201**	38,111	0.85	323
Other time deposits	**51,790**	**0.45**	**232**	51,434	0.40	207
Deposits in foreign offices	**107,138**	**0.13**	**143**	95,889	0.14	137
Total interest-bearing deposits	**855,004**	**0.11**	**963**	811,017	0.14	1,096
Short-term borrowings	**87,465**	**0.07**	**64**	60,111	0.10	62
Long-term debt	**185,078**	**1.40**	**2,592**	167,420	1.49	2,488
Other liabilities	**16,545**	**2.15**	**357**	14,401	2.65	382
Total interest-bearing liabilities	**1,144,092**	**0.35**	**3,976**	1,052,949	0.38	4,028
Portion of noninterest-bearing funding sources	**427,979**	**—**	**—**	376,718	—	—
Total funding sources	**$ 1,572,071**	**0.25**	**3,976**	1,429,667	0.28	4,028
Net interest margin and net interest income on a taxable-equivalent basis (5)		**2.95%**	**$ 46,397**		3.11%	$ 44,429
Noninterest-earning assets						
Cash and due from banks	**$ 17,327**			16,361		
Goodwill	**25,673**			25,687		
Other	**127,848**			121,634		
Total noninterest-earning assets	**$ 170,848**			163,682		
Noninterest-bearing funding sources						
Deposits	**$ 339,069**			303,127		
Other liabilities	**68,174**			56,985		
Total equity	**191,584**			180,288		
Noninterest-bearing funding sources used to fund earning assets	**(427,979)**			(376,718)		
Net noninterest-bearing funding sources	**$ 170,848**			163,682		
Total assets	**$ 1,742,919**			1,593,349		

(1) Our average prime rate was 3.26% for the year ended December 31, 2015, and 3.25% for the years ended December 31, 2014, 2013, 2012, and 2011, respectively. The average three-month London Interbank Offered Rate (LIBOR) was 0.32%, 0.23%, 0.27%, 0.43%, and 0.34% for the same years, respectively.
(2) Yield/rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.

	2013			2012			2011		
	Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense
$	154,902	0.32%	$ 489	84,081	0.45%	$ 378	87,186	0.40%	$ 345
	44,745	3.14	1,406	41,950	3.29	1,380	39,737	3.68	1,463
	6,750	1.66	112	3,604	1.31	47	5,503	1.25	69
	39,922	4.38	1,748	34,875	4.48	1,561	24,035	5.09	1,223
	107,148	2.83	3,031	92,887	3.12	2,893	74,665	4.36	3,257
	30,717	6.47	1,988	33,545	6.75	2,264	31,902	8.20	2,617
	137,865	3.64	5,019	126,432	4.08	5,157	106,567	5.51	5,874
	55,002	3.53	1,940	49,245	4.04	1,992	38,625	5.03	1,941
	239,539	3.68	8,819	214,156	4.09	8,757	174,730	5.21	9,107
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	701	3.09	22	—	—	—	—	—	—
	16	1.99	—	—	—	—	—	—	—
	717	3.06	22	—	—	—	—	—	—
	240,256	3.68	8,841	214,156	4.09	8,757	174,730	5.21	9,107
	35,273	3.66	1,290	48,955	3.73	1,825	37,232	4.42	1,644
	163	7.95	13	661	6.22	41	1,104	5.25	58
	185,813	3.66	6,807	173,913	4.01	6,981	157,608	4.37	6,894
	40,987	2.03	832	38,838	2.34	910	35,042	2.13	745
	107,316	3.94	4,233	105,492	4.19	4,416	102,320	4.07	4,167
	16,537	4.76	787	18,047	4.97	897	21,672	4.88	1,057
	12,373	6.10	755	13,067	7.18	939	13,223	7.52	994
	363,026	3.70	13,414	349,357	4.05	14,143	329,865	4.20	13,857
	254,012	4.22	10,717	235,011	4.55	10,704	227,676	4.90	11,156
	70,264	4.29	3,014	80,887	4.28	3,460	90,755	4.33	3,930
	24,757	12.46	3,084	22,809	12.68	2,892	21,556	13.04	2,811
	48,476	6.94	3,365	44,986	7.54	3,390	43,834	8.14	3,568
	42,135	4.80	2,024	42,174	4.57	1,928	43,458	4.56	1,980
	439,644	5.05	22,204	425,867	5.25	22,374	427,279	5.49	23,445
	802,670	4.44	35,618	775,224	4.71	36,517	757,144	4.93	37,302
	4,354	5.39	235	4,438	4.70	209	4,929	4.12	203
$	1,282,363	3.73%	$ 47,892	1,169,465	4.20%	$ 49,107	1,102,062	4.55%	$ 50,122
$	35,570	0.06%	$ 22	30,564	0.06%	$ 19	47,705	0.08%	$ 40
	550,394	0.08	450	505,310	0.12	592	464,450	0.18	836
	49,510	1.13	559	59,484	1.31	782	69,711	1.43	995
	28,090	0.69	194	13,363	1.68	225	13,126	2.04	268
	76,894	0.15	112	67,920	0.16	109	61,566	0.22	136
	740,458	0.18	1,337	676,641	0.26	1,727	656,558	0.35	2,275
	54,716	0.13	71	51,196	0.18	94	51,781	0.18	94
	134,937	1.92	2,585	127,547	2.44	3,110	141,079	2.82	3,978
	12,471	2.46	307	10,032	2.44	245	10,955	2.88	316
	942,582	0.46	4,300	865,416	0.60	5,176	860,373	0.77	6,663
	339,781	—	—	304,049	—	—	241,689	—	—
$	1,282,363	0.33	4,300	1,169,465	0.44	5,176	1,102,062	0.61	6,663
		3.40%	$ 43,592		3.76%	$ 43,931		3.94%	$ 43,459
$	16,272			16,303			17,388		
	25,637			25,417			24,904		
	121,711			130,450			125,911		
$	163,620			172,170			168,203		
$	280,229			263,863			215,242		
	58,178			61,214			57,399		
	164,994			151,142			137,251		
	(339,781)			(304,049)			(241,689)		
$	163,620			172,170			168,203		
$	1,445,983			1,341,635			1,270,265		

(3) The average balance amounts represent amortized cost for the per ods presented.
(4) Nonaccrual loans and related income are included in their respective loan categories.
(5) Includes taxable-equivalent adjustments of $1.1 billion, $902 million, $792 million, $701 million and $696 mill on for 2015, 2014, 2013, 2012 and 2011, respectively, primarily related to tax-exempt income on certain loans and secur ties. The federal statutory tax rate utilized was 35% for the per ods presented.

Table 6 allocates the changes in net interest income on a taxable-equivalent basis to changes in either average balances or average rates for both interest-earning assets and interest-bearing liabilities. Because of the numerous simultaneous volume and rate changes during any period, it is not possible to precisely allocate such changes between volume and rate. For this table, changes that are not solely due to either volume or rate are allocated to these categories on a pro-rata basis based on the absolute value of the change due to average volume and average rate.

Table 6: Analysis of Changes of Net Interest Income

	Year ended December 31,					
	2015 over 2014			2014 over 2013		
(in millions)	Volume	Rate	Total	Volume	Rate	Total
Increase (decrease) in interest income:						
Federal funds sold, securities purchased under resale agreements and other short-term investments	$ 65	—	65	252	(68)	184
Trading assets	349	(51)	298	324	(18)	306
Investment securities:						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	340	(6)	334	60	(1)	59
Securities of U.S. states and political subdivisions	181	(26)	155	140	(36)	104
Mortgage-backed securities:						
Federal agencies	(381)	(121)	(502)	193	11	204
Residential and commercial	(232)	(76)	(308)	(262)	(129)	(391)
Total mortgage-backed securities	(613)	(197)	(810)	(69)	(118)	(187)
Other debt and equity securities	79	(119)	(40)	(270)	71	(199)
Total available-for-sale securities	(13)	(348)	(361)	(139)	(84)	(223)
Held-to-maturity securities:						
Securities of U.S. Treasury and federal agencies	590	(7)	583	385	—	385
Securities of U.S. states and political subdivisions	100	1	101	12	—	12
Federal agency mortgage-backed securities	359	(21)	338	137	(8)	129
Other debt securities	(2)	(6)	(8)	109	—	109
Total held-to-maturity securities	1,047	(33)	1,014	643	(8)	635
Mortgages held for sale	98	(80)	18	(643)	120	(523)
Loans held for sale	(95)	36	(59)	82	(17)	65
Loans:						
Commercial:						
Commercial and industrial - U.S.	1,092	(125)	967	664	(602)	62
Commercial and industrial - non U.S.	66	(56)	10	35	—	35
Real estate mortgage	149	(265)	(116)	203	(336)	(133)
Real estate construction	127	(122)	5	52	(95)	(43)
Lease financing	2	(115)	(113)	(7)	(58)	(65)
Total commercial	1,436	(683)	753	947	(1,091)	(144)
Consumer:						
Real estate 1-4 family first mortgage	283	(242)	41	320	(76)	244
Real estate 1-4 family junior lien mortgage	(265)	(30)	(295)	(335)	7	(328)
Credit card	448	(78)	370	332	(122)	210
Automobile	237	(240)	(3)	354	(342)	12
Other revolving credit and installment	(74)	156	82	(167)	270	103
Total consumer	629	(434)	195	504	(263)	241
Total loans	2,065	(1,117)	948	1,451	(1,354)	97
Other	14	(21)	(7)	17	7	24
Total increase (decrease) in interest income	3,530	(1,614)	1,916	1,987	(1,422)	565
Increase (decrease) in interest expense:						
Deposits:						
Interest-bearing checking	(1)	(5)	(6)	2	2	4
Market rate and other savings	26	(62)	(36)	21	(68)	(47)
Savings certificates	(47)	(75)	(122)	(114)	(122)	(236)
Other time deposits	1	24	25	117	(104)	13
Deposits in foreign offices	16	(10)	6	32	(7)	25
Total interest-bearing deposits	(5)	(128)	(133)	58	(299)	(241)
Short-term borrowings	23	(21)	2	7	(16)	(9)
Long-term debt	258	(154)	104	551	(648)	(97)
Other liabilities	52	(77)	(25)	50	25	75
Total increase (decrease) in interest expense	328	(380)	(52)	666	(938)	(272)
Increase (decrease) in net interest income on a taxable-equivalent basis	$ 3,202	(1,234)	1,968	1,321	(484)	837

Noninterest Income

Table 7: Noninterest Income

(in millions)	2015	2014	2013
	Year ended December 31,		
Service charges on deposit accounts	$ 5,168	5,050	5,023
Trust and investment fees:			
Brokerage advisory, commissions and other fees	9,435	9,183	8,395
Trust and investment management	3,394	3,387	3,289
Investment banking	1,639	1,710	1,746
Total trust and investment fees	14,468	14,280	13,430
Card fees	3,720	3,431	3,191
Other fees:			
Charges and fees on loans	1,228	1,316	1,540
Merchant processing fees (1)	607	726	669
Cash network fees	522	507	493
Commercial real estate brokerage commissions	618	469	338
Letters of credit fees	353	390	410
All other fees	996	941	890
Total other fees	4,324	4,349	4,340
Mortgage banking:			
Servicing income, net	2,441	3,337	1,920
Net gains on mortgage loan origination/sales activities	4,060	3,044	6,854
Total mortgage banking	6,501	6,381	8,774
Insurance	1,694	1,655	1,814
Net gains from trading activities	614	1,161	1,623
Net gains (losses) on debt securities	952	593	(29)
Net gains from equity investments	2,230	2,380	1,472
Lease income	621	526	663
Life insurance investment income	579	558	566
All other (1)	(115)	456	113
Total	$ 40,756	40,820	40,980

(1) Reflects deconsolidation of the Company's merchant services joint venture in fourth quarter 2015. The Company's proportionate share of earnings is now reflected in all other income.

Noninterest income of $40.8 billion represented 47% of revenue for 2015, compared with $40.8 billion, or 48%, for 2014 and $41.0 billion, or 49%, for 2013. The small decline in noninterest income in 2015 was primarily driven by lower gains from trading activity and all other income, mostly offset by growth in many of our businesses, including credit and debit cards, mortgage, commercial banking, commercial real estate brokerage, multi-family capital, reinsurance, municipal products, and retail brokerage. The decrease in noninterest income in 2014 compared with 2013 was primarily due to a decline in mortgage banking, partially offset by growth in many of our other businesses.

Service charges on deposit accounts were $5.2 billion in 2015, up from $5.1 billion in 2014 due to account growth, higher commercial deposit product sales and commercial deposit product re-pricing, partially offset by lower overdraft fees driven by changes we implemented in early October 2014. Service charges on deposits increased $27 million in 2014 from 2013 due to account growth, new commercial deposit product sales and commercial deposit product re-pricing, partially offset by lower overdraft fees driven by changes we implemented in early October 2014 designed to provide customers with more real time information to manage their deposit accounts and avoid overdrafts.

Brokerage advisory, commissions and other fees are received for providing full-service and discount brokerage services predominantly to retail brokerage clients. Income from these brokerage-related activities include asset-based fees for advisory accounts, which are based on the market value of the client's assets, and transactional commissions based on the number and size of transactions executed at the client's direction. These fees increased to $9.4 billion in 2015, from $9.2 billion and $8.4 billion in 2014 and 2013, respectively. The increase in these fees for 2015 was primarily due to growth in asset-based fees driven by higher average advisory account assets in 2015 than 2014. The increase for 2014 was predominantly due to higher asset-based fees as a result of higher market values and growth in advisory account assets. Retail brokerage client assets totaled $1.39 trillion at December 31, 2015, compared with $1.42 trillion and $1.36 trillion at December 31, 2014 and 2013, respectively, with all retail brokerage services provided by our Wealth and Investment Management (WIM) operating segment. For additional information on retail brokerage client assets, see the discussion and Tables 9d and 9e in the "Operating Segment Results – Wealth and Investment Management – Retail Brokerage Client Assets" section in this Report.

We earn trust and investment management fees from managing and administering assets, including mutual funds, institutional separate accounts, corporate trust, personal trust, employee benefit trust and agency assets. Trust and investment management fee income is predominantly from client assets under management (AUM) for which the fees are determined based on a tiered scale relative to the market value of the AUM. AUM consists of assets for which we have investment management discretion. Our AUM totaled $653.4 billion at December 31, 2015, compared with $661.6 billion and $647.2 billion at December 31, 2014 and 2013, respectively, with substantially all of our AUM managed by our WIM operating segment. Additional information regarding our WIM operating segment AUM is provided in Table 9f and the related discussion in the "Operating Segment Results – Wealth and Investment Management – Trust and Investment Client Assets Under Management" section in this Report. In addition to AUM we have client assets under administration (AUA) that earn various administrative fees which are generally based on the extent of the services provided to administer the account. Our AUA totaled $1.4 trillion at December 31, 2015, compared with $1.5 trillion and $1.4 trillion at December 31, 2014 and 2013, respectively. Trust and investment management fees of $3.4 billion in 2015 remained stable compared with 2014, but increased $98 million in 2014 compared with 2013, substantially due to growth in AUM reflecting higher market values.

We earn investment banking fees from underwriting debt and equity securities, arranging loan syndications, and performing other related advisory services. Investment banking fees decreased to $1.6 billion in 2015 from $1.7 billion in 2014, driven by reductions in equity capital markets and loan syndications partially offset by increased fees in advisory services and investment-grade debt origination. Investment banking fees remained unchanged at $1.7 billion in 2014 compared with 2013 as higher advisory services results were offset by lower loan syndication and origination fees.

Card fees were $3.7 billion in 2015, compared with $3.4 billion in 2014 and $3.2 billion in 2013. Card fees increased in 2015 and 2014 primarily due to account growth and increased purchase activity.

Other fees of $4.3 billion in 2015 were unchanged compared with 2014 as increases in commercial real estate brokerage commissions were offset by lower charges and fees on loans primarily due to the phase out of the direct deposit advance product during the first half of 2014, and lower merchant processing fees. The decrease in merchant processing fees reflected deconsolidation of our merchant services joint venture in fourth quarter 2015, which resulted in our proportionate

share of that income now being reported in all other income. Other fees in 2014 were unchanged compared with 2013 as a decline in charges and fees on loans was offset by an increase in commercial real estate brokerage commissions. Commercial real estate brokerage commissions increased to $618 million in 2015 compared with $469 million in 2014 and $338 million in 2013, driven by increased sales and other property-related activities including financing and advisory services.

Mortgage banking income, consisting of net servicing income and net gains on loan origination/sales activities, totaled $6.5 billion in 2015, compared with $6.4 billion in 2014 and $8.8 billion in 2013.

In addition to servicing fees, 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 of $2.4 billion for 2015 included a $885 million net MSR valuation gain ($214 million increase in the fair value of the MSRs and a $671 million hedge gain). Net servicing income of $3.3 billion for 2014 included a $1.4 billion net MSR valuation gain ($2.1 billion decrease in the fair value of the MSRs offset by a $3.5 billion hedge gain), and net servicing income of $1.9 billion for 2013 included a $489 million net MSR valuation gain ($3.4 billion increase in the fair value of MSRs offset by a $2.9 billion hedge loss). The decrease in net MSR valuation gains in 2015, compared with 2014, was primarily attributable to lower hedge gains. The lower net MSR valuation gain in 2013, compared with 2014, was attributable to MSR valuation adjustments associated with higher prepayments and increases in servicing and foreclosure costs.

Our portfolio of loans serviced for others was $1.78 trillion at December 31, 2015, $1.86 trillion at December 31, 2014, and $1.90 trillion at December 31, 2013. At December 31, 2015, the ratio of MSRs to related loans serviced for others was 0.77%, compared with 0.75% at December 31, 2014 and 0.88% at December 31, 2013. See the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section in this Report for additional information regarding our MSRs risks and hedging approach.

Net gains on mortgage loan origination/sale activities were $4.1 billion in 2015, compared with $3.0 billion in 2014 and $6.9 billion in 2013. The increase in 2015 compared to 2014 was primarily driven by increased origination volumes and margins. The decrease in 2014 from 2013 was primarily driven by lower origination volume and margins. Mortgage loan originations were $213 billion in 2015, compared with $175 billion for 2014 and $351 billion for 2013. The production margin on residential held-for-sale mortgage originations, which represents net gains on residential mortgage loan origination/sales activities divided by total residential held-for-sale mortgage originations, provides a measure of the profitability of our residential mortgage origination activity. Table 7a presents the information used in determining the production margin.

Table 7a: Selected Residential Mortgage Production Data

		Year ended December 31,		
		2015	2014	2013
Net gains on mortgage loan origination/sales activities (in millions):				
Residential	(A)	**$ 2,861**	2,217	6,227
Commercial		**362**	285	356
Residential pipeline and unsold/ repurchased loan management (1)		**837**	542	271
Total		**$ 4,060**	3,044	6,854
Residential real estate originations (in billions):				
Held-for-sale	(B)	**$ 155**	129	300
Held-for-investment		**58**	46	51
Total		**$ 213**	175	351
Production margin on residential held-for-sale mortgage originations	(A)/(B)	**1.84%**	1.72	2.08

(1) Primarily includes the results of GNMA loss mitigation activities, interest rate management activ ties and changes in estimate to the liabil ty for mortgage loan repurchase losses.

The production margin was 1.84% for 2015, compared with 1.72% for 2014 and 2.08% for 2013. Mortgage applications were $311 billion in 2015, compared with $262 billion in 2014 and $438 billion in 2013. The 1-4 family first mortgage unclosed pipeline was $29 billion at December 31, 2015, compared with $26 billion at December 31, 2014 and $25 billion at December 31, 2013. For additional information about our mortgage banking activities and results, see the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section and Note 9 (Mortgage Banking Activities) and Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Net gains on mortgage loan origination/sales activities include adjustments 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. For 2015, we released a net $159 million from the repurchase liability, compared with a net release of $140 million for 2014 and a provision of $428 million for 2013. For additional information about mortgage loan repurchases, see the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section and Note 9 (Mortgage Banking Activities) to Financial Statements in this Report.

We engage in trading activities primarily to accommodate the investment activities of our customers, and to execute economic hedging to manage certain components of our balance sheet risks. Net gains (losses) from trading activities, which reflect unrealized changes in fair value of our trading positions and realized gains and losses, were $614 million in 2015, $1.2 billion in 2014 and $1.6 billion in 2013. The decrease in 2015 was driven by lower economic hedge income, lower trading from customer accommodation activity, and lower deferred compensation gains (offset in employee benefits expense). The decrease in 2014 from 2013 was driven by lower trading from customer accommodation activity within our capital markets business and lower deferred compensation gains (offset in employee benefits expense). Net gains from trading activities do not include interest and dividend income and expense on trading securities. Those amounts are reported within interest income from trading assets and other interest expense from trading liabilities. For additional information about trading activities, see the "Risk Management – Asset/Liability Management – Market Risk – Trading Activities" section in this Report.

Net gains on debt and equity securities totaled $3.2 billion for 2015 and $3.0 billion and $1.4 billion for 2014 and 2013, respectively after other-than-temporary impairment (OTTI) write-downs of $559 million, $322 million and $344 million, respectively, for the same periods. The increase in OTTI write-downs in 2015 mainly reflected deterioration in energy sector corporate debt and nonmarketable equity investments. The increase in net gains on debt and equity securities in 2015 compared with 2014 was due to higher net gains on debt securities combined with continued strong equity markets throughout the majority of 2015. The increase in net gains on debt and equity securities in 2014 compared with 2013 reflected the benefit of strong public and private equity markets.

All other income was $(115) million for 2015 compared with $456 million in 2014 and $113 million in 2013. All other income includes ineffectiveness recognized on derivatives that qualify for hedge accounting, the results of certain economic hedges, losses on low-income housing tax credit investments, foreign currency adjustments and income from investments accounted for under the equity method, any of which can cause decreases and net losses in other income. The decrease in other income in 2015 compared with 2014 primarily reflected changes in ineffectiveness recognized on interest rate swaps used to hedge our exposure to interest rate risk on long-term debt and cross-currency swaps, cross-currency interest rate swaps and forward contracts used to hedge our exposure to foreign currency risk and interest rate risk involving non-U.S. dollar denominated long-term debt. The decline in other income in 2015 resulting from these changes in ineffectiveness was partially offset by our proportionate share of earnings from a merchant services joint venture that we deconsolidated in 2015. Higher other income for 2014 compared with 2013 primarily reflected larger hedge ineffectiveness gains on derivatives that qualify for hedge accounting, a gain on sale of government-guaranteed student loans in fourth quarter 2014, and a gain on sale of 40 insurance offices in second quarter 2014 partially offset by lower income from equity method investments.

Noninterest Expense

Table 8: Noninterest Expense

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Salaries	**$ 15,883**	15,375	15,152
Commission and incentive compensation	**10,352**	9,970	9,951
Employee benefits	**4,446**	4,597	5,033
Equipment	**2,063**	1,973	1,984
Net occupancy	**2,886**	2,925	2,895
Core deposit and other intangibles	**1,246**	1,370	1,504
FDIC and other deposit assessments	**973**	928	961
Outside professional services	**2,665**	2,689	2,519
Operating losses	**1,871**	1,249	821
Outside data processing	**985**	1,034	983
Contract services	**978**	975	935
Postage, stationery and supplies	**702**	733	756
Travel and entertainment	**692**	904	885
Advertising and promotion	**606**	653	610
Insurance	**448**	422	437
Telecommunications	**439**	453	482
Foreclosed assets	**381**	583	605
Operating leases	**278**	220	204
All other	**2,080**	1,984	2,125
Total	**$ 49,974**	49,037	48,842

Noninterest expense was $50.0 billion in 2015, up 2% from $49.0 billion in 2014, which was up slightly from $48.8 billion in 2013. The increase in 2015 was driven predominantly by higher personnel expenses ($30.7 billion, up from $29.9 billion in 2014) and higher operating losses ($1.9 billion, up from $1.2 billion in 2014), partially offset by lower travel and entertainment expense ($692 million, down from $904 million in 2014) and lower foreclosed assets expense ($381 million, down from $583 million in 2014). The increase in 2014 from 2013 was driven by higher operating losses and higher outside professional services, partially offset by lower personnel expenses.

Personnel expenses, which include salaries, commissions, incentive compensation and employee benefits, were up $739 million, or 2%, compared with 2014, due to annual salary increases, staffing growth across various businesses, and higher revenue-related incentive compensation. Lower employee benefits expense was predominantly due to lower deferred compensation expense (offset in trading revenue), partially offset by increases in other employee benefits. Personnel expenses were down 1% in 2014, compared with 2013, due to lower employee benefits expense, reduced staffing and lower volume-related compensation in our mortgage business, partially offset by increased personnel expenses in our non-mortgage businesses.

Outside professional services in 2015 were flat compared with 2014, which was up 7% compared with 2013. Many noninterest expense categories in 2015, including outside professional services, reflected continued investments in our products, technology and service delivery, as well as costs for the heightened industry focus on regulatory compliance and evolving cybersecurity risk.

Operating losses were up $622 million, or 50%, in 2015 compared with 2014, and up $428 million, or 52%, in 2014 compared with 2013, predominantly due to litigation expense in each year for various legal matters.

Travel and entertainment expense was down $212 million, or 23%, in 2015 compared with 2014, primarily driven by travel expense reduction initiatives. Travel and entertainment expense remained relatively stable in 2014 compared with 2013.

Foreclosed assets expense was down $202 million, or 35%, compared with 2014, primarily driven by higher gains on sales of foreclosed properties, lower write-downs and lower operating expenses.

All other noninterest expense in 2015 included a $126 million contribution to the Wells Fargo Foundation.

Our full year 2015 efficiency ratio was 58.1%, compared with 58.1% in 2014 and 58.3% in 2013. The Company expects to operate at the higher end of its targeted efficiency ratio range of 55-59% for full year 2016.

Income Tax Expense

The 2015 annual effective tax rate was 31.2% compared with 30.9% in 2014 and 32.2% in 2013. The effective tax rate for 2015 included net reductions in reserves for uncertain tax positions primarily due to audit resolutions of prior period matters with U.S. federal and state taxing authorities. The effective tax rate for 2014 included a net reduction in the reserve for uncertain tax positions primarily due to the resolution of prior period matters with state taxing authorities. The effective tax rate for 2013 included a net reduction in the reserve for uncertain tax positions primarily due to settlements with authorities regarding certain cross border transactions and tax benefits recognized from the realization for tax purposes of a previously written down investment. See Note 21 (Income Taxes) to Financial Statements in this Report for additional information about our income taxes.

Operating Segment Results

We are organized for management reporting purposes into three operating segments: Community Banking; Wholesale Banking; and Wealth and Investment Management (WIM) (formerly 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). During 2015, we realigned our asset management business from Wholesale Banking to WIM; our reinsurance business from WIM to Wholesale Banking; and our strategic auto investments, business banking and merchant payment services businesses from Community Banking to Wholesale Banking. These realignments are part of our regular course of business as we are always looking for ways to better align our businesses, deepen existing customer relationships, and create a best-in-class structure to benefit both our customers and our shareholders. Results for these operating segments were revised for prior periods to reflect the impact of these realignments. The following discussion presents our methodology for measuring cross-sell for each of our operating segments, and along with Tables 9, 9a, 9b and 9c, present our results by operating segment. For additional financial information and the underlying management accounting process, see Note 24 (Operating Segments) to Financial Statements in this Report.

Table 9: Operating Segment Results – Highlights

					Year ended December 31,
(in millions, except average balances which are in billions)	Community Banking	Wholesale Banking	Wealth and Investment Management	Other (1)	Consolidated Company
2015					
Revenue	**$ 49,341**	**25,904**	**15,777**	**(4,965)**	**86,057**
Provision (reversal of provision) for credit losses	**2,427**	**27**	**(25)**	**13**	**2,442**
Net income (loss)	**13,491**	**8,194**	**2,316**	**(1,107)**	**22,894**
Average loans	**$ 475.9**	**397.3**	**60.1**	**(47.9)**	**885.4**
Average deposits	**654.4**	**438.9**	**172.3**	**(71.5)**	**1,194.1**
2014					
Revenue	$ 48,158	25,398	15,269	(4,478)	84,347
Provision (reversal of provision) for credit losses	1,796	(382)	(50)	31	1,395
Net income (loss)	13,686	8,199	2,060	(888)	23,057
Average loans	$ 468.8	355.6	52.1	(42.1)	834.4
Average deposits	614.3	404.0	163.5	(67.7)	1,114.1
2013					
Revenue	$ 47,679	25,847	14,330	(4,076)	83,780
Provision (reversal of provision) for credit losses	2,841	(521)	(16)	5	2,309
Net income (loss)	12,147	8,752	1,766	(787)	21,878
Average loans	$ 465.1	329.0	46.2	(37.6)	802.7
Average deposits	494.7	353.8	158.9	(65.3)	942.1

(1) Includes tems not assigned to a specif c business segment and elimination of certain items that are included in more than one business segment, substantially all of wh ch represents products and services for WIM customers served through Community Banking distribut on channels.

Cross-sell We aspire to create deep and enduring relationships with our customers by providing them with an exceptional experience and by discovering their needs and delivering the most relevant products, services, advice, and guidance. An outcome of offering customers the products and services they need, want and value is that we earn more opportunities to serve them, or what we call cross-sell. Cross-sell is the result of serving our customers well, understanding their financial needs and goals over their lifetimes, and ensuring we innovate our products, services and channels so that we earn more of their business and help them succeed financially. Our approach to cross-sell is needs-based as some customers will benefit from more products, and some may need fewer. We believe there is continued opportunity to meet our customers' financial needs as we build lifelong relationships with them. One way we track the degree to which we are satisfying our customers' financial needs is through our cross-sell metrics, which are based on whether the customer is a retail banking household or has a wholesale banking relationship. A retail banking household is a household that uses at least one of the following retail products – a demand deposit account, savings account, savings certificate, individual retirement account (IRA) certificate of deposit, IRA savings account, personal line of credit, personal loan, home equity line of credit or home equity loan. A household is determined based on aggregating all accounts with the same address. For our wholesale banking relationships, we aggregate all related entities under common ownership or control.

We report cross-sell metrics for Community Banking and WIM based on the average number of retail products used per retail banking household. For Community Banking the cross-sell metric represents the relationship of all retail products used by customers in retail banking households. For WIM the cross-sell metric represents the relationship of all retail products used by customers in retail banking households who are also WIM customers.

Products included in our retail banking household cross-sell metrics must be retail products and have the potential for revenue generation and long-term viability. Products and services that generally do not meet these criteria – such as ATM cards, online banking and direct deposit – are not included. In addition, multiple holdings by a WIM customer within an investment category, such as common stock, mutual funds or bonds, are counted as a single product. We may periodically update the products included in our cross-sell metrics to account for changes in our product offerings.

For Wholesale Banking, the cross-sell metric represents the average number of Wholesale Banking (non-retail) products used per Wholesale Banking customer relationship. What we include as products in the cross-sell metric comes from a defined set of revenue generating products within the following product families: credit, treasury management, deposits, risk management, foreign exchange, capital markets and advisory, investments, insurance, trade financing, and trust and servicing. The number of customer relationships is based on tax identification numbers adjusted to combine those entities under common ownership or another structure indicative of a single relationship and includes only relationships that produced revenue for the period of measurement.

Operating Segment Results

The following discussion provides a description of each of our operating segments, including cross-sell metrics and financial results.

COMMUNITY BANKING offers a complete line of diversified financial products and services for consumers and small businesses including checking and savings accounts, credit and debit cards, and auto, student, and small business lending. These products also 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. The Community Banking segment also includes the results of our Corporate Treasury activities net of allocations in support of the other operating segments and results of investments in our affiliated venture capital partnerships. Our retail banking household cross-sell was 6.11 products per household in November 2015, compared with 6.17 in November 2014 and 6.16 in November 2013. The November 2015 retail banking household cross-sell ratio reflects the impact of the sale of government guaranteed student loans in fourth quarter 2014. The November 2014 cross-sell ratio included the acquisition of an existing private label and co-branded credit card loan portfolio in connection with a new program agreement with Dillard's, Inc., a major retail department store. Table 9a provides additional financial information for Community Banking, with prior periods revised to reflect the realignment of our strategic auto investments, business banking and merchant payment services businesses from Community Banking to Wholesale Banking in 2015.

Table 9a: Community Banking

	Year ended December 31,				
(in millions, except average balances which are in billions)	**2015**	2014	% Change	2013	% Change
Net interest income	**$ 29,242**	27,999	4 %	$ 27,123	3%
Noninterest income:					
Service charges on deposit accounts	**3,014**	3,071	(2)	3,155	(3)
Trust and investment fees:					
Brokerage advisory, commissions and other fees (1)	**2,044**	1,796	14	1,604	12
Trust and investment management (1)	**855**	817	5	754	8
Investment banking (2)	**(123)**	(80)	(54)	(77)	(4)
Total trust and investment fees	**2,776**	2,533	10	2,281	11
Card fees	**3,381**	3,119	8	2,918	7
Other fees	**1,446**	1,545	(6)	1,735	(11)
Mortgage banking	**6,056**	6,011	1	8,336	(28)
Insurance	**96**	127	(24)	130	(2)
Net gains (losses) from trading activities	**(146)**	136	(207)	246	(45)
Net gains (losses) on debt securities	**556**	255	118	(78)	427
Net gains from equity investments (3)	**1,714**	1,731	(1)	1,033	68
Other income of the segment	**1,206**	1,631	(26)	800	104
Total noninterest income	**20,099**	20,159	—	20,556	(2)
Total revenue	**49,341**	48,158	2	47,679	1
Provision for credit losses	**2,427**	1,796	35	2,841	(37)
Noninterest expense:					
Personnel expense	**17,574**	16,979	4	17,549	(3)
Equipment	**1,914**	1,809	6	1,795	1
Net occupancy	**2,104**	2,154	(2)	2,105	2
Core deposit and other intangibles	**573**	620	(8)	689	(10)
FDIC and other deposit assessments	**549**	526	4	561	(6)
Outside professional services	**1,012**	1,011	—	1,011	—
Operating losses	**1,503**	1,052	43	706	49
Other expense of the segment	**1,752**	2,139	(18)	2,674	(20)
Total noninterest expense	**26,981**	26,290	3	27,090	(3)
Income before income tax expense and noncontrolling interests	**19,933**	20,072	(1)	17,748	13
Income tax expense	**6,202**	6,049	3	5,442	11
Net income from noncontrolling interests (4)	**240**	337	(29)	159	112
Net income	**$ 13,491**	13,686	(1)%	$ 12,147	13%
Average loans	**$ 475.9**	468.8	2 %	$ 465.1	1%
Average deposits	**654.4**	614.3	7	494.7	24

(1) Represents income on products and serv ces for Wealth and Investment Management customers served through Community Banking distribution channels and is eliminated in consol dation.
(2) Includes syndication and underwr ting fees pa d to Wells Fargo Secur ties wh ch are offset in our Wholesale Banking segment.
(3) Predominantly represents gains resulting from venture capital investments.
(4) Reflects results attributable to noncontrolling interests primarily associated w th the Company's consolidated venture capital investments.

Community Banking reported net income of $13.5 billion in 2015, down $195 million, or 1%, from $13.7 billion in 2014, which was up 13% from $12.1 billion in 2013. Revenue was $49.3 billion in 2015, an increase of $1.2 billion, or 2%, compared with $48.2 billion in 2014, which was up 1% compared with $47.7 billion in 2013. The increase in revenue for 2015 was primarily driven by higher net interest income, gains on sale of debt securities, debit and credit card fees, and trust and investment fees, partially offset by lower gains from trading activities, deferred compensation plan investment gains (offset in employee benefits expense) and other income. Lower other income in 2015, compared with 2014, reflected a gain on sale of government guaranteed student loans in 2014 and lower ineffectiveness gains in 2015 on derivatives that qualify for hedge accounting. The increase in revenue for 2014, compared with 2013, was primarily driven by higher net interest income, gains on sale of equity investments and debt securities, higher trust and investment fees, and higher card fees, partially offset by lower mortgage banking revenue, the phase out of the direct deposit advance product during the first half of 2014, and lower deferred compensation plan investment gains (offset in employee benefits expense). Higher other income for 2014 compared with 2013 reflected larger ineffectiveness gains on derivatives that qualify for hedge accounting and a gain on sale of government guaranteed student loans in fourth quarter 2014. Average deposits increased $40.1 billion in 2015, or 7%, from 2014, which increased $119.6 billion, or 24%, from 2013. Noninterest expense increased $691 million in 2015, or 3%, from 2014, which declined $800 million, or 3%, from 2013. The increase in noninterest expense for 2015 largely reflected higher personnel expense, operating losses, equipment expense, and a $126 million donation to the Wells Fargo Foundation, partially offset by lower deferred compensation expense (offset in revenue), foreclosed assets, travel, data processing, occupancy and various other expenses. The decrease in noninterest expense for 2014 largely reflected lower mortgage volume-related expenses and deferred compensation expense (offset in revenue), partially offset by higher operating losses. The provision for credit losses of $2.4 billion in 2015 was $631 million, or 35%, higher than 2014, which was $1.0 billion, or 37%, lower than 2013. The increase in provision in 2015 was due to $1.1 billion lower allowance release, partially offset by $403 million lower net charge-offs related to improvement in the consumer real estate portfolio. The decrease in provision in 2014 was due to $1.5 billion lower net charge-offs related to the consumer real estate portfoli0, partially offset by $454 million lower allowance release.

WHOLESALE BANKING provides financial solutions to businesses across the United States and globally with annual sales generally in excess of $5 million. Products and businesses include Business Banking, 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, and Asset Backed Finance. Wholesale Banking cross-sell is reported on a one-quarter lag and for fourth quarter 2015 was 7.3 products per relationship, up from 7.2 for fourth quarter 2014 and 7.1 for fourth quarter 2013. Wholesale Banking cross-sell does not reflect Business Banking relationships, which were realigned from Community Banking to Wholesale Banking effective fourth quarter 2015. Table 9b provides additional financial information for Wholesale Banking, with prior periods revised to reflect the realignment of our asset management business from Wholesale Banking to WIM; our reinsurance business from WIM to Wholesale Banking; and our strategic auto investments, business banking and merchant payment services businesses from Community Banking to Wholesale Banking in 2015.

Table 9b: Wholesale Banking

(in millions, except average balances which are in billions)	2015	2014	% Change	Year ended December 31, 2013	% Change
Net interest income	**$ 14,350**	14,073	2 %	$ 14,353	(2)%
Noninterest income:					
Service charges on deposit accounts	**2,153**	1,978	9	1,867	6
Trust and investment fees:					
Brokerage advisory, commissions and other fees	**285**	255	12	195	31
Trust and investment management	**407**	374	9	411	(9)
Investment banking	**1,762**	1,803	(2)	1,839	(2)
Total trust and investment fees	**2,454**	2,432	1	2,445	(1)
Card fees	**337**	310	9	271	14
Other fees	**2,872**	2,798	3	2,599	8
Mortgage banking	**447**	370	21	425	(13)
Insurance	**1,598**	1,528	5	1,684	(9)
Net gains from trading activities	**719**	886	(19)	1,092	(19)
Net gains (losses) on debt securities	**396**	334	19	48	596
Net gains from equity investments	**511**	624	(18)	420	49
Other income of the segment	**67**	65	3	643	(90)
Total noninterest income	**11,554**	11,325	2	11,494	(1)
Total revenue	**25,904**	25,398	2	25,847	(2)
Provision (reversal of provision) for credit losses	**27**	(382)	107	(521)	27
Noninterest expense:					
Personnel expense	**6,936**	6,660	4	6,398	4
Equipment	**97**	106	(8)	123	(14)
Net occupancy	**452**	446	1	455	(2)
Core deposit and other intangibles	**347**	391	(11)	423	(8)
FDIC and other deposit assessments	**352**	328	7	320	3
Outside professional services	**837**	834	—	759	10
Operating losses	**152**	70	117	26	169
Other expense of the segment	**4,943**	4,996	(1)	4,573	9
Total noninterest expense	**14,116**	13,831	2	13,077	6
Income before income tax expense and noncontrolling interest	**11,761**	11,949	(2)	13,291	(10)
Income tax expense	**3,424**	3,540	(3)	4,364	(19)
Net income from noncontrolling interest	**143**	210	(32)	175	20
Net income	**$ 8,194**	8,199	— %	$ 8,752	(6)%
Average loans	**$ 397.3**	355.6	12 %	$ 329.0	8 %
Average deposits	**438.9**	404.0	9	353.8	14

Wholesale Banking reported net income of $8.2 billion in 2015, down $5 million from 2014, which was down 6% from $8.8 billion in 2013. The year over year decrease in net income for 2015 was the result of increased revenues being more than offset by increased noninterest expense and higher loan loss provision. The year over year decrease in net income during 2014 compared with 2013 was the result of lower revenues, increased noninterest expense and higher provision for credit losses. Revenue in 2015 of $25.9 billion increased $506 million, or 2%, from $25.4 billion in 2014, on growth in Wells Fargo Securities' markets division, treasury management, asset backed finance, principal investing, commercial real estate brokerage, multi-family capital, reinsurance, and municipal products. Revenue in 2014 of $25.4 billion decreased $449 million, or 2%, from $25.8 billion in 2013, as growth in asset backed finance, commercial real estate brokerage, corporate banking, equipment finance, international, principal investing and treasury management was more than offset by lower PCI resolution income as well as lower crop insurance fee income. Net interest income of $14.4 billion in 2015 increased $277 million, or 2%, from 2014, which was down 2% from 2013. The increase in 2015 was due to strong loan and other earning asset growth. The decrease in 2014 was due to lower PCI resolution income and net interest margin compression due to declining loan yields and fees that was partially offset by increased interest income primarily from strong loan growth. Average loans of $397.3 billion in 2015 increased $41.7 billion, or 12%, from $355.6 billion in 2014, which was up 8% from $329.0 billion in 2013. Loan growth in 2015 and 2014 was broad based across many Wholesale Banking businesses. Average deposits of $438.9 billion in 2015 increased $34.9 billion, or 9%, from 2014 which was up 14% from 2013, reflecting continued strong customer liquidity for both years. Noninterest income of $11.6 billion in 2015 increased $229 million, or 2%, from 2014 driven by growth in treasury management, reinsurance, commercial real estate brokerage fees, multi-family capital, municipal products, principal investing, corporate trust and business banking, partially offset by lower customer

accommodation-related gains on trading assets and lower gains on equity investments. Noninterest income of $11.3 billion in 2014 decreased $169 million, or 1%, from 2013 as business growth in commercial real estate brokerage, corporate banking, equipment finance, international, principal investing and treasury management was more than offset by lower customer accommodation related gains on trading assets, lower insurance income related to a decline in crop insurance fee income, the 2014 divestiture of 40 insurance offices, and lower other income. Noninterest expense in 2015 increased $285 million, or 2%, compared with 2014, which was up 6%, or $754 million, from 2013. The increase in both 2015 and 2014 was due to higher personnel and non-personnel expenses related to growth initiatives and compliance and regulatory requirements as well as increased operating losses. The provision for credit losses increased $409 million from 2014 due primarily to increased losses in the oil and gas portfolio as well as lower recoveries. The provision for credit losses increased $139 million from 2013 due primarily to strong commercial loan growth in 2014.

WEALTH AND INVESTMENT MANAGEMENT (WIM) (formerly Wealth, Brokerage and Retirement) provides a full range of personalized wealth management, investment and retirement products and services to clients across U.S. based businesses including Wells Fargo Advisors, The Private Bank, Abbot Downing, Wells Fargo Institutional Retirement and Trust, and Wells Fargo Asset Management. We deliver financial planning, private banking, credit, investment management and fiduciary services to high-net worth and ultra-high-net worth individuals and families. We also serve clients' brokerage needs, supply retirement and trust services to institutional clients and provide investment management capabilities delivered to global institutional clients through separate accounts and the Wells Fargo Funds. WIM cross-sell was 10.55 products per retail banking household in November 2015, up from 10.49 in November 2014 and 10.42 in November 2013. Table 9c provides additional financial information for WIM, with prior periods revised to reflect the realignment of our asset management business from Wholesale Banking to WIM and our reinsurance business from WIM to Wholesale Banking in 2015.

Table 9c: Wealth and Investment Management

	Year ended December 31,				
(in millions, except average balances which are in billions)	**2015**	2014	% Change	2013	% Change
Net interest income	**$ 3,478**	3,032	15%	$ 2,797	8%
Noninterest income:					
Service charges on deposit accounts	**19**	18	6	17	6
Trust and investment fees:					
Brokerage advisory, commissions and other fees	**9,154**	8,933	2	8,207	9
Trust and investment management	**3,017**	3,045	(1)	2,911	5
Investment banking (1)	**—**	(13)	100	(16)	19
Total trust and investment fees	**12,171**	11,965	2	11,102	8
Card fees	**5**	4	25	4	—
Other fees	**17**	17	—	20	(15)
Mortgage banking	**(7)**	1	(800)	(24)	104
Insurance	**—**	—	NM	—	NM
Net gains from trading activities	**41**	139	(71)	288	(52)
Net gains on debt securities	**—**	4	(100)	1	300
Net gains from equity investments	**5**	25	(80)	19	32
Other income of the segment	**48**	64	(25)	106	(40)
Total noninterest income	**12,299**	12,237	1	11,533	6
Total revenue	**15,777**	15,269	3	14,330	7
Reversal of provision for credit losses	**(25)**	(50)	50	(16)	(213)
Noninterest expense:					
Personnel expense	**7,820**	7,851	—	7,602	3
Equipment	**57**	62	(8)	72	(14)
Net occupancy	**447**	435	3	426	2
Core deposit and other intangibles	**326**	359	(9)	392	(8)
FDIC and other deposit assessments	**123**	126	(2)	135	(7)
Outside professional services	**846**	877	(4)	782	12
Operating losses	**229**	134	71	99	35
Other expense of the segment	**2,219**	2,149	3	1,978	9
Total noninterest expense	**12,067**	11,993	1	11,486	4
Income before income tax expense and noncontrolling interest	**3,735**	3,326	12	2,860	16
Income tax expense	**1,420**	1,262	13	1,082	17
Net income (loss) from noncontrolling interest	**(1)**	4	(125)	12	(67)
Net income	**$ 2,316**	2,060	12%	$ 1,766	17%
Average loans	**$ 60.1**	52.1	15%	$ 46.2	13%
Average deposits	**172.3**	163.5	5	158.9	3

NM - Not meaningful
(1) Includes syndication and underwr ting fees pa d to Wells Fargo Secur ties wh ch are offset in our Wholesale Banking segment.

WIM reported net income of $2.3 billion in 2015, up $256 million, or 12%, from 2014, which was up 17% from $1.8 billion in 2013. Net income growth in 2015 and 2014 was primarily driven by growth in net interest income, as well as noninterest income. Revenue of $15.8 billion in 2015 increased $508 million from 2014, which was up 7% from $14.3 billion in 2013. The increase in revenue for both 2015 and 2014 was due to growth in both net interest income and noninterest income. Net interest income increased 15% in 2015 and 8% in 2014 due to growth in investment portfolios and loan balances. Average loan balances of $60.1 billion in 2015 increased 15% from $52.1 billion in 2014, which was up 13% from $46.2 billion in 2013. Average deposits in 2015 of $172.3 billion increased 5% from $163.5 billion in 2014, which was up 3% from $158.9 billion in 2013. Noninterest income increased 1% in 2015 from 2014, primarily due to growth in asset-based fees driven by higher average client assets in 2015 than 2014, partially offset by lower gains on deferred compensation plan investments (offset in employee benefits expense). Noninterest income increased 6% in 2014 from 2013, largely due to strong growth in asset-based fees from higher client assets driven by net client asset inflows and favorable market performance, partially offset by lower brokerage transaction revenue. Noninterest expense of $12.1 billion for 2015 was up 1% from $12.0 billion in 2014, which was up 4% from $11.5 billion in 2013. The increase in 2015 was predominantly due to higher non-personnel expenses and increased broker commissions, partially offset by lower deferred compensation plan expense (offset in trading revenue). The increase in 2014 was predominantly due to increased broker commissions and higher non-personnel expenses. The provision for credit losses increased $25 million in 2015, driven primarily by lower allowance releases. The provision for credit losses decreased $34 million in 2014, driven by lower net charge-offs and continued improvement in credit quality.

The following discussions provide additional information for client assets we oversee in our retail brokerage advisory and trust and investment management business lines.

Retail Brokerage Client Assets Brokerage advisory, commissions and other fees are received for providing full-service and discount brokerage services predominantly to retail brokerage clients. Offering advisory account relationships to our brokerage clients is an important component of our broader strategy of meeting their financial needs. Although most of our retail brokerage client assets are in accounts that earn brokerage commissions, the fees from those accounts generally represent transactional commissions based on the number and size of transactions executed at the client's direction. Fees earned from advisory accounts are asset-based and depend on changes in the value of the client's assets as well as the level of assets resulting from inflows and outflows. A major portion of our brokerage advisory, commissions and other fee income is earned from advisory accounts. Table 9d shows advisory account client assets as a percentage of total retail brokerage client assets at December 31, 2015, 2014 and 2013.

Table 9d: Retail Brokerage Client Assets

	Year ended December 31,		
(in billions)	**2015**	2014	2013
Retail brokerage client assets	**$ 1,386.9**	1,421.8	1,363.6
Advisory account client assets	**419.9**	422.8	374.8
Advisory account client assets as a percentage of total client assets	**30%**	30	27

Retail Brokerage advisory accounts include assets that are financial advisor-directed and separately managed by third-party managers, as well as certain client-directed brokerage assets where we earn a fee for advisory and other services, but do not have investment discretion. These advisory accounts generate fees as a percentage of the market value of the assets, which vary across the account types based on the distinct services provided, and are affected by investment performance as well as asset inflows and outflows. For the years ended December 31, 2015, 2014 and 2013, the average fee rate by account type ranged from 80 to 120 basis points. Table 9e presents retail brokerage advisory account client assets activity by account type for the years ended December 31, 2015, 2014 and 2013.

Table 9e: Retail Brokerage Advisory Account Client Assets

(in billions)		Client directed (1)	Financial advisor directed (2)	Separate accounts (3)	Mutual fund advisory (4)	Total advisory client assets
Balance, December 31, 2012	$	119.3	54.5	77.1	46.8	297.7
Inflows (5)		42.8	16.8	24.0	13.3	96.9
Outflows (6)		(31.2)	(11.7)	(15.7)	(8.7)	(67.3)
Market impact (7)		13.6	12.0	14.5	7.4	47.5
Balance, December 31, 2013	$	144.5	71.6	99.9	58.8	374.8
Inflows (5)		41.6	18.4	23.1	14.6	97.7
Outflows (6)		(31.8)	(13.4)	(18.3)	(9.7)	(73.2)
Market impact (7)		5.5	8.8	6.0	3.2	23.5
Balance, December 31, 2014	**$**	**159.8**	**85.4**	**110.7**	**66.9**	**422.8**
Inflows (5)		**38.7**	**20.7**	**21.6**	**10.4**	**91.4**
Outflows (6)		**(37.3)**	**(17.5)**	**(20.5)**	**(12.2)**	**(87.5)**
Market impact (7)		**(6.5)**	**3.3**	**(1.4)**	**(2.2)**	**(6.8)**
Balance, December 31, 2015	**$**	**154.7**	**91.9**	**110.4**	**62.9**	**419.9**

(1) Investment advice and other serv ces are provided to client, but decis ons are made by the client and the fees earned are based on a percentage of the advisory account assets, not the number and size of transact ons executed by the client.
(2) Professionally managed portfolios with fees earned based on respective strategies and as a percentage of certain client assets.
(3) Professional advisory portfolios managed by Wells Fargo asset management advisors or third-party asset managers. Fees are earned based on a percentage of certain client assets.
(4) Program with portfolios constructed of load-waived, no-load and institut onal share class mutual funds. Fees are earned based on a percentage of certain client assets.
(5) Inflows include new advisory account assets, contributions, dividends and interest.
(6) Outflows include withdrawals, closed accounts' assets and client management fees.
(7) Market impact reflects gains and losses on portfolio investments.

Trust and Investment Client Assets Under Management

We earn trust and investment management fees from managing and administering assets, including mutual funds, institutional separate accounts, personal trust, employee benefit trust and agency assets through our asset management, wealth and retirement businesses. Our asset management business is conducted by Wells Fargo Asset Management (WFAM), which offers Wells Fargo proprietary mutual funds and manages institutional separate accounts. Our wealth business manages assets for high net worth clients, and our retirement business provides total retirement management, investments, and trust and custody solutions tailored to meet the needs of institutional clients. Substantially all of our trust and investment management fee income is earned from AUM where we have discretionary management authority over the investments and generate fees as a percentage of the market value of the AUM. Table 9f presents AUM activity for the years ended December 31, 2015, 2014 and 2013.

Table 9f: WIM Trust and Investment – Assets Under Management

		Assets Managed by WFAM (1)			
(in billions)		Money Market Funds (2)	Other Assets Managed	Assets Managed by Wealth and Retirement (3)	Total Assets Under Management
Balance, December 31, 2012	$	120.6	331.5	147.6	599.7
Inflows (4)		5.4	104.0	31.4	140.8
Outflows (5)		—	(101.0)	(31.5)	(132.5)
Market impact (6)		0.2	26.4	11.9	38.5
Balance, December 31, 2013	$	126.2	360.9	159.4	646.5
Inflows (4)		—	100.6	34.2	134.8
Outflows (5)		(3.1)	(99.3)	(31.2)	(133.6)
Market impact (6)		—	10.4	2.9	13.3
Balance, December 31, 2014	**$**	**123.1**	**372.6**	**165.3**	**661.0**
Inflows (4)		**0.5**	**93.5**	**36.2**	**130.2**
Outflows (5)		**—**	**(97.0)**	**(34.1)**	**(131.1)**
Market impact (6)		**—**	**(3.0)**	**(5.3)**	**(8.3)**
Balance, December 31, 2015	**$**	**123.6**	**366.1**	**162.1**	**651.8**

(1) Assets managed by Wells Fargo Asset Management consist of equ ty, alternative, balanced, fixed income, money market, and stable value, and include client assets that are managed or sub-advised on behalf of other Wells Fargo lines of business.
(2) Money Market fund activ ty is presented on a net inflow or net outflow basis, because the gross flows are not meaningful nor used by management as an ind cator of performance.
(3) Includes $8.2 bill on, $8.9 billion and $8.7 billion as of December 31, 2015, 2014 and 2013, respectively, of client assets invested in proprietary funds managed by WFAM.
(4) Inflows include new managed account assets, contributions, dividends and interest.
(5) Outflows include withdrawals, closed accounts' assets and client management fees.
(6) Market impact reflects gains and losses on portfolio investments.

Balance Sheet Analysis

At December 31, 2015, our assets totaled $1.8 trillion, up $100.5 billion from December 31, 2014. The predominant areas of asset growth were in investment securities, which increased $34.6 billion, and loans, which increased $54.0 billion (including $11.5 billion from the GE Capital commercial real estate loan purchase and related financing transaction that settled in second quarter 2015). Federal funds sold and other short-term investments, which increased $11.7 billion, combined with deposit growth of $55.0 billion, an increase in short-term borrowings of $34.0 billion, and total equity growth of $8.6 billion from December 31, 2014, were the predominant sources that funded our asset growth for 2015. Equity growth was driven by $13.8 billion in retained earnings net of dividends paid.

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 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

Investment Securities

Table 10: Investment Securities – Summary

	December 31, 2015			December 31, 2014		
(in millions)	**Amortized Cost**	**Net unrealized gain**	**Fair value**	Amortized Cost	Net unrealized gain	Fair value
Available-for-sale securities:						
Debt securities	**$ 263,318**	**2,403**	**265,721**	247,747	6,019	253,766
Marketable equity securities	**1,058**	**579**	**1,637**	1,906	1,770	3,676
Total available-for-sale securities	**264,376**	**2,982**	**267,358**	249,653	7,789	257,442
Held-to-maturity debt securities	**80,197**	**370**	**80,567**	55,483	876	56,359
Total investment securities (1)	**$ 344,573**	**3,352**	**347,925**	305,136	8,665	313,801

(1) Available-for-sale securities are carried on the balance sheet at fair value. Held-to-matur ty securities are carried on the balance sheet at amortized cost.

Table 10 presents a summary of our investment securities portfolio, which increased $34.6 billion from December 31, 2014, primarily due to purchases of U.S. Treasury securities and federal agency mortgage-backed securities. The total net unrealized gains on available-for-sale securities were $3.0 billion at December 31, 2015, down from $7.8 billion at December 31, 2014, primarily due to higher long-term interest rates, widening credit spreads, and realized securities gains.

The size and composition of the investment securities 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 predominantly consists of liquid, high quality U.S. Treasury and federal agency debt, agency mortgage-backed securities (MBS), privately-issued residential and commercial MBS, securities issued by U.S. states and political subdivisions, corporate debt securities, and highly rated collateralized loan obligations. Due to its highly liquid nature, the available-for-sale portfolio can be used to meet funding needs that arise in the normal course of business or due to market stress. Changes in our interest rate risk profile may occur due to changes in overall economic or market conditions, which could influence loan origination demand, prepayment speeds, or deposit balances and mix. In response, the available-for-sale securities portfolio can be rebalanced to meet the Company's interest rate risk management objectives. In addition to meeting liquidity and interest rate risk management objectives, the available-for-sale securities portfolio may provide yield enhancement over other short-term assets. See the "Risk Management – Asset/Liability Management" section in this Report for more information on liquidity and interest rate risk. The held-to-maturity securities portfolio consists of high quality U.S. Treasury debt, securities issued by U.S. states and political subdivisions, agency MBS, asset-backed securities (ABS) primarily collateralized by auto loans and leases, and collateralized loan obligations where our intent is to hold these securities to maturity and collect the contractual cash flows. The held-to-maturity portfolio may also provide yield enhancement over short-term assets.

We analyze securities for other-than-temporary impairment (OTTI) quarterly or more often if a potential loss-triggering event occurs. Of the $559 million in OTTI write-downs recognized in earnings in 2015, $183 million related to debt securities and $2 million related to marketable equity securities, which are each included in available-for-sale securities. Another $374 million in OTTI write-downs were related to nonmarketable equity investments, which are included in other assets. OTTI write-downs recognized in earnings related to energy investments totaled $287 million in 2015, of which $104 million related to corporate debt investment securities, and $183 million 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) and Note 5 (Investment Securities) to Financial Statements in this Report.

At December 31, 2015, investment securities included $52.2 billion of municipal bonds, of which 93.9% 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 substantially all 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. The credit quality of our municipal bond holdings are monitored as part of our ongoing impairment analysis.

The weighted-average expected maturity of debt securities available-for-sale was 6.1 years at December 31, 2015. Because 47.9% 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 portfolio are shown in Table 11.

Table 11: Mortgage-Backed Securities Available for Sale

(in billions)	Fair value	Net unrealized gain (loss)	Expected remaining maturity (in years)
At December 31, 2015			
Actual	127.2	2.0	5.6
Assuming a 200 basis point:			
Increase in interest rates	115.5	(9.7)	7.1
Decrease in interest rates	132.0	6.8	2.7

The weighted-average expected maturity of debt securities held-to-maturity was 6.5 years at December 31, 2015. See Note 5 (Investment Securities) to Financial Statements in this Report for a summary of investment securities by security type.

Loan Portfolio

Total loans were $916.6 billion at December 31, 2015, up $54.0 billion from December 31, 2014. Table 12 provides a summary of total outstanding loans by core and non-strategic/liquidating loan portfolios. Loans in the core portfolio grew $62.8 billion from December 31, 2014, primarily due to growth in commercial and industrial and real estate mortgage loans within the commercial loan portfolio segment, which included $11.5 billion from the GE Capital commercial real estate loan purchase and related financing transaction that settled in second quarter 2015. Non-strategic/liquidating portfolios decreased by $8.8 billion compared with a $20.1 billion decrease in 2014, which included $10.7 billion primarily due to sale of our government guaranteed student loan portfolio. Additional information on the non-strategic and liquidating loan portfolios is included in Table 18 in the "Risk Management – Credit Risk Management" section in this Report.

Table 12: Loan Portfolios

	December 31, 2015			December 31, 2014		
(in millions)	Core	Non-strategic and liquidating	Total	Core	Non-strategic and liquidating	Total
Commercial	$ **456,115**	**468**	**456,583**	413,701	1,125	414,826
Consumer	**408,489**	**51,487**	**459,976**	388,062	59,663	447,725
Total loans	**864,604**	**51,955**	**916,559**	801,763	60,788	862,551
Change from prior year	$ **62,841**	**(8,833)**	**54,008**	60,343	(20,078)	40,265

A discussion of average loan balances and a comparative detail of average loan balances is included in Table 5 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 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 13 shows contractual loan maturities for loan categories normally not subject to regular periodic principal reduction and the contractual distribution of loans in those categories to changes in interest rates.

Table 13: Maturities for Selected Commercial Loan Categories

	December 31, 2015				December 31, 2014			
(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	$ **91,214**	**184,641**	**24,037**	**299,892**	76,216	172,801	22,778	271,795
Real estate mortgage	**18,622**	**68,391**	**35,147**	**122,160**	17,485	61,092	33,419	111,996
Real estate construction	**7,455**	**13,284**	**1,425**	**22,164**	6,079	11,312	1,337	18,728
Total selected loans	$ **117,291**	**266,316**	**60,609**	**444,216**	99,780	245,205	57,534	402,519
Distribution of loans to changes in interest rates:								
Loans at fixed interest rates	$ **16,819**	**27,705**	**23,533**	**68,057**	15,574	25,429	20,002	61,005
Loans at floating/variable interest rates	**100,472**	**238,611**	**37,076**	**376,159**	84,206	219,776	37,532	341,514
Total selected loans	$ **117,291**	**266,316**	**60,609**	**444,216**	99,780	245,205	57,534	402,519

Deposits

Deposits grew $55.0 billion during 2015 to just over $1.2 trillion, reflecting continued broad-based growth across commercial and consumer businesses. Table 14 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 5 earlier in this Report.

Table 14: Deposits

($ in millions)	Dec 31, 2015	% of total deposits	Dec 31, 2014	% of total deposits	% Change
Noninterest-bearing	**$ 351,579**	**29%**	$ 321,963	27%	9
Interest-bearing checking	**40,115**	**3**	41,737	4	(4)
Market rate and other savings	**651,563**	**54**	604,999	52	8
Savings certificates	**28,614**	**2**	35,354	3	(19)
Other time deposits	**49,032**	**4**	56,828	5	(14)
Deposits in foreign offices (1)	**102,409**	**8**	107,429	9	(5)
Total deposits	**$ 1,223,312**	**100%**	$ 1,168,310	100%	5

(1) Includes Eurodollar sweep balances of $71.1 bill on and $69.8 billion at December 31, 2015 and 2014, respectively.

Equity

Total equity was $193.9 billion at December 31, 2015 compared with $185.3 billion at December 31, 2014. The increase was predominantly driven by a $13.8 billion increase in retained earnings from earnings net of dividends paid, and a $3.0 billion increase in preferred stock, partially offset by a net reduction in common stock due to repurchases.

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in financial transactions that are not recorded on the balance sheet, or may be recorded on the balance sheet in amounts that are different from the full contract or notional amount of the transaction. Our off-balance sheet arrangements include commitments to lend and purchase securities, transactions with unconsolidated entities, guarantees, derivatives, and other commitments. These transactions are designed to (1) meet the financial needs of customers, (2) manage our credit, market or liquidity risks, and/or (3) diversify our funding sources.

Commitments to Lend and Purchase Securities

We enter into commitments to lend funds to customers, which are usually at a stated interest rate, if funded, and for specific purposes and time periods. When we make commitments, we are exposed to credit risk. However, the maximum credit risk for these commitments will generally be lower than the contractual amount because a significant portion of these commitments are not expected to be fully used or will expire without being used by the customer. For more information on lending commitments, see Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report. We also enter into commitments to purchase securities under resale agreements. For more information on these commitments, see Note 4 (Federal Funds Sold, Securities Purchased under Resale Agreements and Other Short-Term Investments) to Financial Statements in this Report.

Transactions with Unconsolidated Entities

We routinely enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Generally, SPEs are formed in connection with securitization transactions. For more information on securitizations, including sales proceeds and cash flows from securitizations, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in this Report.

Guarantees and Certain Contingent Arrangements

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, written put options, recourse obligations for loans and mortgages sold, and other types of arrangements.

For more information on guarantees and certain contingent arrangements, see Note 14 (Guarantees, Pledged Assets and Collateral) to Financial Statements in this Report.

Derivatives

We primarily use derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. Derivatives are recorded on the balance sheet at fair value and volumes can be measured in terms of the notional amount, which is generally not exchanged, but is used only as the basis on which interest and other payments are determined. The notional amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments.

For more information on derivatives, see Note 16 (Derivatives) to Financial Statements in this Report.

Contractual Cash Obligations

In addition to the contractual commitments and arrangements previously described, which, depending on the nature of the obligation, may or may not require use of our resources, we enter into other contractual obligations that may require future cash payments in the ordinary course of business, including debt issuances for the funding of operations and leases for premises and equipment.

Table 15 summarizes these contractual obligations as of December 31, 2015, excluding the projected cash payments for obligations for short-term borrowing arrangements and pension and postretirement benefit plans. More information on those obligations is in Note 12 (Short-Term Borrowings) and Note 20 (Employee Benefits and Other Expenses) to Financial Statements in this Report.

Table 15: Contractual Cash Obligations

		December 31, 2015					
(in millions)	Note(s) to Financial Statements	Less than 1 year	1-3 years	3-5 years	More than 5 years	Indeterminate maturity	Total
Contractual payments by period:							
Deposits (1)	11	$ 81,846	9,192	3,321	4,155	1,124,798	1,223,312
Long-term debt (2)	7, 13	31,904	44,914	41,638	81,080	—	199,536
Interest (3)		3,143	4,823	3,650	15,369	—	26,985
Operating leases	7	1,131	1,928	1,409	2,234	—	6,702
Unrecognized tax obligations	21	115	—	—	—	2,581	2,696
Commitments to purchase debt and equity securities (4)		2,154	509	57	—	—	2,720
Purchase and other obligations (5)		575	483	185	82	—	1,325
Total contractual obligations		$ 120,868	61,849	50,260	102,920	1,127,379	1,463,276

(1) Includes interest-bearing and noninterest-bearing checking, and market rate and other savings accounts.
(2) Balances are presented net of unamortized debt discounts and premiums and purchase accounting adjustments.
(3) Represents the future interest obligations related to interest-bearing time deposits and long-term debt in the normal course of business including a net reduction of $25.7 billion related to hedges used to manage interest rate risk. These interest obligations assume no early debt redempt on. We estimated variable interest rate payments using December 31, 2015, rates, wh ch we held constant until maturity. We have excluded interest related to structured notes where our payment obligat on is contingent on the performance of certain benchmarks.
(4) Includes unfunded comm tments to purchase debt and equ ty investments, excluding trade date payables, of $573 million and $2.1 billion, respectively. Our unfunded equity comm tments include certain investments subject to the Volcker Rule, which we expect to divest in the near future. For addit onal information regarding the Volcker Rule, see the "Regulatory Reform" sect on in this Report. We have presented predominantly all of our contractual obligat ons on equ ty investments above in the maturing in less than one year category as there are no specified contribution dates in the agreements. These obligations may be requested at any time by the investment manager.
(5) Represents agreements related to unrecognized obligations to purchase goods or serv ces.

We are subject to the income tax laws of the U.S., its states and municipalities, and those of the foreign jurisdictions in which we operate. We have various unrecognized tax obligations related to these operations that may require future cash tax payments to various taxing authorities. Because of their uncertain nature, the expected timing and amounts of these payments generally are not reasonably estimable or determinable. We attempt to estimate the amount payable in the next 12 months based on the status of our tax examinations and settlement discussions. See Note 21 (Income Taxes) to Financial Statements in this Report for more information.

Transactions with Related Parties

The Related Party Disclosures topic of the Accounting Standards Codification (ASC) 850 requires disclosure of material related party transactions, other than compensation arrangements, expense allowances and other similar items in the ordinary course of business. Based on ASC 850, we had no transactions required to be reported for the years ended December 31, 2015, 2014 and 2013. The Company has included within its disclosures information on its equity investments, relationships with variable interest entities, and employee benefit plan arrangements. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets), Note 8 (Securitizations and Variable Interest Entities) and Note 20 (Employee Benefits and Other Expenses) to Financial Statements in this Report.

Risk Management

Wells Fargo manages a variety of risks that can significantly affect our financial performance and our ability to meet the expectations of our customers, stockholders, regulators and other stakeholders. Among the risks that we manage are operational risk, credit risk, and asset/liability management risk, which includes interest rate risk, market risk, and liquidity and funding risks. Our risk culture is strongly rooted in our *Vision and Values*, and in order to succeed in our mission of satisfying our customers' financial needs and helping them succeed financially, our business practices and operating model must support prudent risk management practices.

Risk Culture

Wells Fargo's risk culture is designed to promote understanding of our risk profile, transparency of risks across the Company, effective transfer of information (including the escalation of important risk issues), and more informed decision-making. Our risk culture also seeks to foster an environment that encourages and promotes robust communication and cooperation among the Company's three lines of defense – (1) Wells Fargo's lines of business and certain other corporate functions, (2) Corporate Risk, our Company's primary second-line of defense led by our Chief Risk Officer who reports to the Board's Risk Committee, and (3) Wells Fargo Audit Services, our internal audit function which is led by our Chief Auditor who reports to the Board's Audit and Examination Committee (A&E Committee). Our risk culture begins with our *Vision and Values* and is demonstrated by setting the appropriate tone at the top, fostering credible challenge within and among each of our lines of defense, and developing and maintaining sound incentive compensation risk management practices.

- Our ***Vision and Values*** outlines our vision and our Company's six priorities, including putting customers first and managing risk. Our focus is on earning our customers' trust, establishing and maintaining deep and enduring customer relationships, and providing exceptional Wells Fargo customer experiences, which also means that we must proactively protect our customers' financial security through a risk-focused culture.
- A strong risk culture starts with the **tone at the top**, which is set by the Company's Board of Directors, CEO, Operating Committee (which consists of our Chief Risk Officer and other senior executives) and other members of senior management, and emphasizes a prudent approach to taking and managing risk. In addition, our business and risk leaders work with Wells Fargo's lines of business and other corporate functions to understand the risks inherent in our businesses and to consider those risks when making business and strategic planning decisions.
- We believe a key component of an effective risk management function is the degree to which all team members are accountable for risk management and have the ability to provide **credible challenge** to business and risk management decisions, such as communicating an alternative view, opinion, or strategy, or offering ideas or alternative approaches that may be equally or more effective in mitigating risk.
- Wells Fargo's **incentive-based compensation practices** are designed to balance risk and financial reward in a manner that does not provide team members with an incentive to take inappropriate risk or act in a way that is not in the best interest of customers.

Our risk culture is further supported by our Code of Ethics and Business Conduct. We require all team members to adhere to the highest standards of ethics and business conduct and comply with all applicable laws and regulations.

Risk Framework

The Company's primary risk management objectives are: (a) to support the Board as it carries out its risk oversight responsibilities; (b) to support members of senior management in achieving the Company's strategic objectives and priorities by maintaining and enhancing our risk framework; and (c) to maintain and continually promote Wells Fargo's strong risk culture, which emphasizes each team member's accountability for appropriate risk management. Key elements of our risk program include:

- Cultivating a **strong risk culture**, which emphasizes each team member's accountability for appropriate risk management and the Company's bias for conservatism through which we strive to maintain a conservative financial position measured by satisfactory asset quality, capital levels, funding sources, and diversity of revenues.
- Defining and communicating across the Company an **enterprise-wide statement of risk appetite** which serves to guide business and risk leaders as they manage risk on a daily basis. The enterprise-wide statement of risk appetite describes the nature and magnitude of risk that Wells Fargo is willing to assume in pursuit of its strategic and business objectives.
- Maintaining a **risk management governance structure,** including escalation protocols and a management-level committee structure, that enables the comprehensive oversight of the Company's risk program and the effective and efficient escalation of risk issues to the appropriate level of the Company for information and decision-making.
- Designing **risk frameworks, policies, standards, procedures, controls, processes, and practices** that are effective and aligned, and facilitate the active and timely management of current and emerging risks across the Company.
- Structuring an **effective and independent Corporate Risk function** whose primary responsibilities include: (a) establishing and maintaining an effective risk framework, (b) maintaining a comprehensive perspective on the Company's current and emerging risks, (c) credibly challenging the intended business and risk management actions of Wells Fargo's first-line of defense, and (d) reviewing risk management programs and practices across the Company to confirm appropriate coordination and consistency in the application of effective risk management approaches.
- Maintaining an **independent internal audit function** that is primarily responsible for adopting a systematic, disciplined approach to evaluating the effectiveness of risk management, control and governance processes and activities as well as evaluating risk framework adherence to relevant regulatory guidelines and appropriateness for Wells Fargo's size and risk profile.

The Board and the Operating Committee have overall and ultimate responsibility to provide oversight for our three lines of defense and the risks we take, and carry out their oversight through governance committees with specific risk management responsibilities described below.

Board Oversight of Risk

The business and affairs of the Company are managed under the direction of the Board, whose responsibilities include overseeing the Company's risk management structure. The Board carries out its risk oversight responsibilities directly and through the work of its seven standing committees, which all report to the full Board.

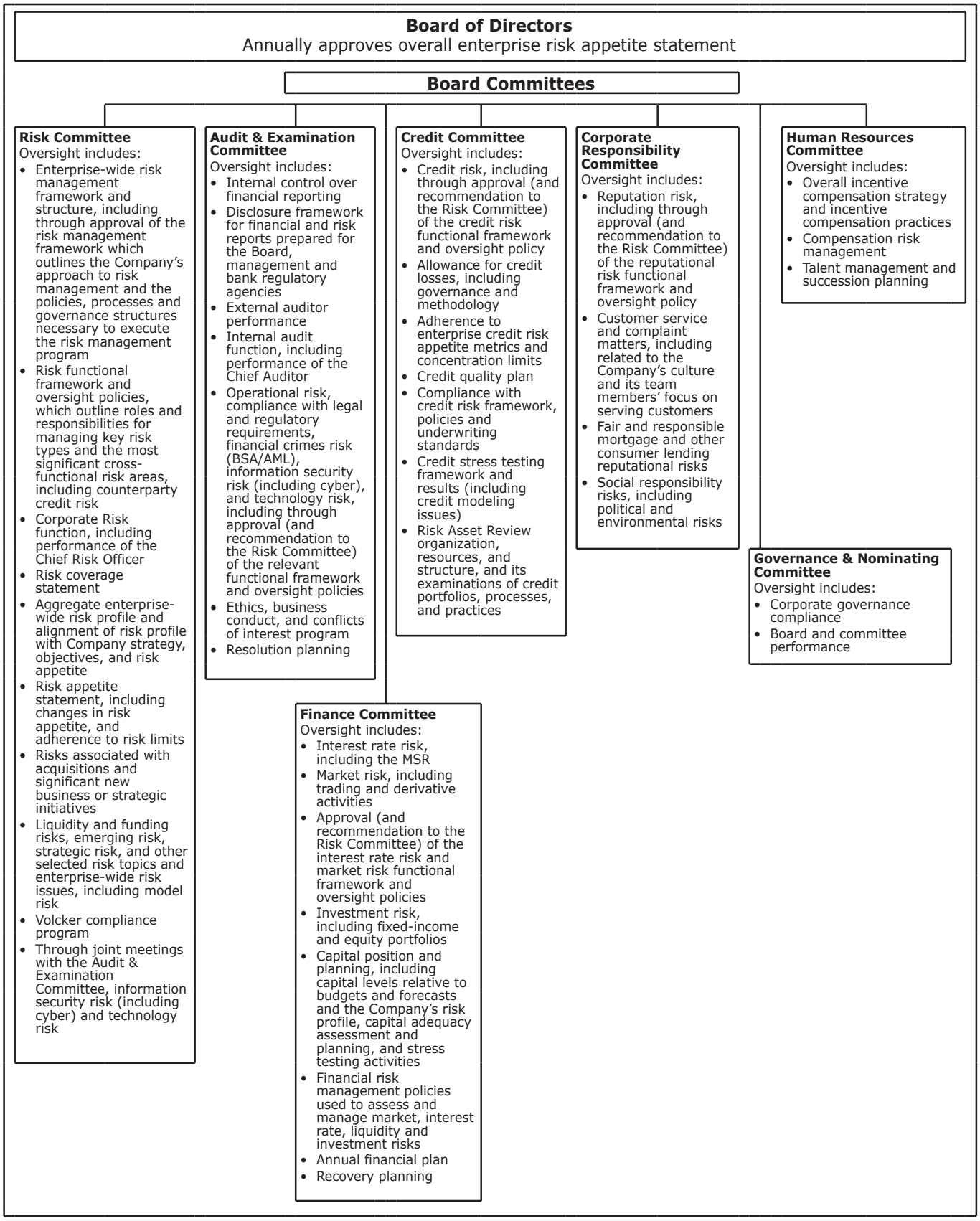
Each Board Committee has defined authorities and responsibilities for considering a specific set of risk issues, as outlined in each of their charters and as summarized in Table 16, and works closely with management to understand and oversee the Company's key risk exposures. Allocating risk responsibilities among each Board committee increases the overall amount of attention devoted to risk management.

The Risk Committee serves as a focal point for enterprise-wide risk issues, overseeing all key risks facing the Company. In this role, the Risk Committee supports and assists the Board's other standing committees as they consider their specific risk issues. The Risk Committee includes the chairs of each of the Board's other standing committees so that it does not duplicate the risk oversight efforts of other Board committees and to provide it with a comprehensive perspective on risk across the Company and across all individual risk types.

In addition to providing a forum for risk issues at the Board level, the Risk Committee provides oversight of the Company's Corporate Risk function and plays an active role in approving and overseeing the Company's enterprise-wide risk management framework established by management to manage risk, and the functional framework and oversight policies established by management for each key risk type. The Risk Committee and the full Board review and approve the enterprise statement of risk appetite annually, and the Risk Committee also actively monitors the risk profile relative to the approved risk appetite.

The full Board receives reports at each of its meetings from the Board committee chairs about committee activities, including risk oversight matters, and receives a quarterly report from the management-level Enterprise Risk Management Committee regarding current or emerging risk issues.

Table 16: Key Risk Responsibilities of Board Committees



Management Oversight of Risk

In addition to the Board committees that oversee the Company's risk management framework, the Company has established several management-level governance committees to support Wells Fargo leaders in carrying out their risk management responsibilities. Each risk-focused governance committee has a defined set of authorities and responsibilities specific to one or more risk types. The risk governance committee structure is designed so that significant risk issues are considered and, if necessary, decided upon at the appropriate level of the Company and by the appropriate leaders.

The Enterprise Risk Management Committee, chaired by the Wells Fargo Chief Risk Officer, oversees the management of all risk types across the Company, and additionally provides primary oversight for reputation risk and strategic risk. The Enterprise Risk Management Committee reports to the Board's Risk Committee, and serves as the focal point for risk governance and oversight at the management level. The Enterprise Risk Management Committee is responsible for: monitoring and evaluating the Company's risk profile relative to its risk appetite across risk types, businesses, and activities; providing active oversight of risk mitigation and the adequacy of risk management resources, skills, and capabilities across the enterprise; reporting periodically to senior management and the Board on the most significant current and emerging risks, risk management issues, initiatives, and concerns; and addressing key risk issues which are escalated to it by its members or its reporting committees. The Enterprise Risk Management Committee annually reviews the Company's Strategic Plan, with a primary view toward ensuring alignment with the Company's risk appetite.

Our CEO and Operating Committee develop our enterprise statement of risk appetite in the context of our risk management framework and culture described above. As part of Wells Fargo's risk appetite, we maintain metrics along with associated objectives to measure and monitor the amount of risk that the Company is prepared to take. Actual results of these metrics are reported to the Enterprise Risk Management Committee on a quarterly basis as well as to the Risk Committee. Our operating segments also have business-specific risk appetite statements based on the enterprise statement of risk appetite. The metrics included in the operating segment statements are harmonized with the enterprise level metrics to ensure consistency where appropriate. Business lines also maintain metrics and qualitative statements that are unique to their line of business. This allows for monitoring of risk and definition of risk appetite deeper within the organization.

A number of management-level governance committees that are responsible for issues specific to an individual risk type report into the Enterprise Risk Management Committee. These governance committees include the:

- Counterparty Credit Risk Committee
- Credit Risk Management Committee
- Enterprise Technology Governance Committee
- Fiduciary & Investment Risk Oversight Committee
- Financial Crimes Risk Committee
- International Oversight Committee
- Legal Entity Governance Committee
- Liquidity Risk Management Oversight Committee
- Market Risk Committee
- Model Risk Committee
- Operational Risk Management Committee, and
- Regulatory Compliance Risk Management Committee

Certain of these governance committees have dual escalation and/or informational reporting paths to the Board committee primarily responsible for the oversight of the specific risk type. In addition, certain management-level risk committees, including those that oversee risk for Community Banking, Consumer Lending, WIM, and Wholesale Banking, report into the Enterprise Risk Management Committee.

While the Enterprise Risk Management Committee and the committees that report to it serve as the focal point for the management of enterprise-wide risk issues, the management of specific risk types is supported by additional management-level governance committees. These committees include the:

- Ethics & Integrity Oversight Committee, Regulatory and Risk Reporting Oversight Committee, Capital Reporting Committee, and SOX Disclosure Committee, which all report to the Board's A&E Committee
- Corporate Asset and Liability Committee, Economic Scenario Approval Committee, and Stress Testing Oversight Committee, which all report to the Board's Finance Committee
- Allowance for Credit Losses Approval Committee, which reports to the Board's Credit Committee
- Incentive Compensation Committee, which reports to the Board's Human Resources Committee

The Company's management-level governance committees collectively help management facilitate enterprise-wide understanding and monitoring of risks and challenges faced by the Company.

Management's Corporate Risk organization, which is the Company's primary second-line of defense, is headed by the Company's Chief Risk Officer who, among other things, is responsible for setting the strategic direction and driving the execution of Wells Fargo's risk management activities.

The Chief Risk Officer, as well as the Chief Risk Officer's direct reports, work closely with the Board's committees and frequently provide reports and updates to the committees and the committee chairs on risk issues during and outside of regular committee meetings, as appropriate.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal controls and processes, people and systems, or resulting from external events. These losses may be caused by events such as fraud, breaches of customer privacy, business disruptions, inappropriate employee behavior, vendors that do not perform their responsibilities and regulatory fines and penalties.

To address these risks, Wells Fargo maintains an operational risk management framework that includes the following objectives:

- Provide a structured approach for identifying, measuring, managing, reporting, and monitoring current and emerging operational risks across all areas of Wells Fargo;
- Understand operational risk across the Company by establishing and maintaining an effective operational risk management program;
- Adequately control operational risk-related losses;
- Establish an appropriate level of capital for such losses in accordance with regulatory guidance; and
- Support the Board as it carries out its oversight duties and responsibilities relating to management's establishment of an effective operational risk management program.

Wells Fargo's operational risk management program seeks to accomplish these objectives by managing operational risk across the Company in a comprehensive, interconnected manner, in line with the enterprise statement of risk appetite and relevant regulatory requirements.

The A&E Committee of the Board has primary responsibility for oversight of all aspects of operational risk. In this capacity it reviews and approves the operational risk management framework and significant supporting operational risk policies and programs, including the Company's financial crimes, business continuity, information security, privacy, technology and third party risk management policies and programs. To further enhance Board-level oversight and avoid duplication, the A&E Committee meets periodically with the Risk Committee to discuss, among other things, information security risk (including cyber) and technology risk. In addition, the A&E Committee periodically reviews updates from management on the state of operational risk and the general condition of operational risk management in the Company.

At the management level, the Operational Risk Management Committee has primary responsibility for overseeing operational risk management across the Company and informs and advises the Chief Operational Risk Officer on matters that affect the Company's operational risk profile.

Information security is a significant operational risk for financial institutions such as Wells Fargo, and includes the risk of losses resulting from cyber attacks. Wells Fargo and other financial institutions continue to be the target of various evolving and adaptive cyber attacks, including malware and denial-of-service, as part of an effort to disrupt the operations of financial institutions, potentially test their cybersecurity capabilities, or obtain confidential, proprietary or other information. Wells Fargo has not experienced any material losses relating to these or other cyber attacks. Addressing cybersecurity risks is a priority for Wells Fargo, and we continue to develop and enhance our controls, processes and systems in order to protect our networks, computers, software and data from attack, damage or unauthorized access. We are also proactively involved in industry cybersecurity efforts and working with other parties, including our third-party service providers and governmental agencies, to continue to enhance defenses and improve resiliency to cybersecurity threats. See the "Risk Factors" section in this Report 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

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). Credit risk exists with many of our assets and exposures such as debt security holdings, certain derivatives, and loans. The following discussion focuses on our loan portfolios, which represent the largest component of assets on our balance sheet for which we have credit risk. Table 17 presents our total loans outstanding by portfolio segment and class of financing receivable.

Table 17: Total Loans Outstanding by Portfolio Segment and Class of Financing Receivable

(in millions)	Dec 31, 2015	Dec 31, 2014
Commercial:		
Commercial and industrial	**$ 299,892**	271,795
Real estate mortgage	**122,160**	111,996
Real estate construction	**22,164**	18,728
Lease financing	**12,367**	12,307
Total commercial	**456,583**	414,826
Consumer:		
Real estate 1-4 family first mortgage	**273,869**	265,386
Real estate 1-4 family junior lien mortgage	**53,004**	59,717
Credit card	**34,039**	31,119
Automobile	**59,966**	55,740
Other revolving credit and installment	**39,098**	35,763
Total consumer	**459,976**	447,725
Total loans	**$ 916,559**	862,551

We manage our credit risk by establishing what we believe are sound credit policies for underwriting new business, while monitoring and reviewing the performance of our existing loan portfolios. We employ various credit risk management and monitoring activities to mitigate risks associated with multiple risk factors affecting loans we hold, could acquire or originate including:

- Loan concentrations and related credit quality
- Counterparty credit risk
- Economic and market conditions
- Legislative or regulatory mandates
- Changes in interest rates
- Merger and acquisition activities
- Reputation risk

Our credit risk management oversight process is governed centrally, but provides for decentralized management and accountability by our lines of business. Our overall credit process includes comprehensive credit policies, disciplined credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs, and a continual loan review and audit process.

A key to our credit risk management is adherence to a well-controlled underwriting process, which we believe is appropriate for the needs of our customers as well as investors who purchase the loans or securities collateralized by the loans.

Credit Quality Overview Credit quality remained solid in 2015 due in part to an improving housing market, as well as our proactive credit risk management activities. We continued to benefit from improvements in the performance of our residential real estate portfolio, offset by an increase in our commercial allowance to reflect continued deterioration in the oil and gas portfolio. In particular:

- Although commercial nonaccrual loans increased to $2.4 billion at December 31, 2015, compared with $2.2 billion at December 31, 2014, consumer nonaccrual loans declined to $9.0 billion at December 31, 2015, compared with $10.6 billion at December 31, 2014. The increase in commercial nonaccrual loans was primarily driven by continued deterioration in the oil and gas portfolio, and the decline in consumer nonaccrual loans was primarily driven by credit improvement in real estate 1-4 family first mortgage loans. Nonaccrual loans represented 1.24% of total loans at December 31, 2015, compared with 1.49% at December 31, 2014.
- Net charge-offs as a percentage of average total loans improved to 0.33% in 2015, compared with 0.35% in 2014. Net charge-offs as a percentage of our average commercial and consumer portfolios were 0.09% and 0.55% in 2015, respectively, compared with 0.01% and 0.65%, respectively, in 2014.
- Loans that are not government insured/guaranteed and 90 days or more past due and still accruing were $114 million and $867 million in our commercial and consumer portfolios, respectively, at December 31, 2015, compared with $47 million and $873 million at December 31, 2014.
- Our provision for credit losses was $2.4 billion during 2015, compared with $1.4 billion for the same period a year ago.
- The allowance for credit losses decreased to $12.5 billion, or 1.37% of total loans, at December 31, 2015, from $13.2 billion or 1.53%, at December 31, 2014.

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

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

Table 18 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, through the first half of 2014, our education finance government guaranteed loan portfolio. We transferred the government guaranteed student loan portfolio to loans held for sale at the end of second quarter 2014, and substantially all of the portfolio was sold as of December 31, 2014. The total balance of our non-strategic and liquidating loan portfolios has decreased 73% since the merger with Wachovia at December 31, 2008, and decreased 15% from the end of 2014.

Additional information regarding the liquidating PCI and Pick-a-Pay loan portfolios is provided in the discussion of loan portfolios that follows.

Table 18: Non-Strategic and Liquidating Loan Portfolios

		Outstanding balance	
	Dec 31,	Dec 31,	Dec 31,
(in millions)	**2015**	2014	2008
Commercial:			
Legacy Wachovia commercial and industrial and commercial real estate PCI loans (1)	**$ 468**	1,125	18,704
Total commercial	**468**	1,125	18,704
Consumer:			
Pick-a-Pay mortgage (1)(2)	**39,065**	45,002	95,315
Legacy Wells Fargo Financial debt consolidation (3)	**9,957**	11,417	25,299
Liquidating home equity	**2,234**	2,910	10,309
Legacy Wachovia other PCI loans (1)	**221**	300	2,478
Legacy Wells Fargo Financial indirect auto (3)	**10**	34	18,221
Education Finance – government insured	**—**	—	20,465
Total consumer	**51,487**	59,663	172,087
Total non-strategic and liquidating loan portfolios	**$ 51,955**	60,788	190,791

(1) Net of purchase accounting adjustments related to PCI loans.
(2) Includes PCI loans of $19.0 billion, $21.5 billion and $37.6 bill on at December 31, 2015, 2014 and 2008, respectively.
(3) When we refer to "legacy Wells Fargo", we mean Wells Fargo excluding Wachovia Corporat on (Wachovia).

PURCHASED CREDIT-IMPAIRED (PCI) LOANS Loans acquired with evidence of credit deterioration since their origination and where it is probable that we will not collect all contractually required principal and interest payments are PCI loans. Substantially all of our PCI loans were acquired in the Wachovia acquisition on December 31, 2008. PCI loans are recorded at fair value at the date of acquisition, and the historical allowance for credit losses related to these loans is not carried over. The carrying value of PCI loans totaled $20.0 billion at December 31, 2015, down from $23.3 billion and $58.8 billion at December 31, 2014 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. The accretable yield at December 31, 2015, was $16.3 billion.

A nonaccretable difference is established for PCI loans to absorb losses expected on the contractual amounts of those loans in excess of the fair value recorded at the date of acquisition. Amounts absorbed by the nonaccretable difference do not affect the income statement or the allowance for credit losses. Since December 31, 2008, we have released $11.7 billion in nonaccretable difference, including $9.7 billion ($1.2 billion in 2015) transferred from the nonaccretable difference to the accretable yield and $2.0 billion released to income through loan resolutions. Also, we have provided $1.7 billion for losses on certain PCI loans or pools of PCI loans that have had credit-related decreases to cash flows expected to be collected. The net result is a $10.0 billion reduction from December 31, 2008, through December 31, 2015, in our initial projected losses of $41.0 billion on all PCI loans. At December 31, 2015, $1.9 billion of nonaccretable difference remained to absorb losses on PCI loans.

For additional information on PCI loans, see Note 1 (Summary of Significant Accounting Policies – Loans) and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Significant Loan Portfolio Reviews Measuring and monitoring our credit risk is an ongoing process that tracks delinquencies, collateral values, FICO scores, economic trends by geographic areas, loan-level risk grading for certain portfolios (typically commercial) and other indications of credit risk. Our credit risk monitoring process is designed to enable early identification of developing risk and to support our determination of an appropriate allowance for credit losses. The following discussion provides additional characteristics and analysis of our significant portfolios. See Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for more analysis and credit metric information for each of the following portfolios.

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. 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, doubtful and loss categories.

The commercial and industrial loans and lease financing portfolio totaled $312.3 billion, or 34% of total loans, at December 31, 2015. The net charge-off rate for this portfolio was 0.16% in 2015 compared with 0.10% in 2014. At December 31, 2015, 0.44% of this portfolio was nonaccruing, compared with 0.20% at December 31, 2014. In addition, $19.1 billion of this portfolio was rated as criticized in accordance with regulatory guidance at December 31, 2015, compared with $16.7 billion at December 31, 2014. The increase in nonaccrual and criticized loans in this portfolio was predominantly in the oil and gas portfolio.

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.

Table 19 provides a breakout of commercial and industrial loans and lease financing by industry, and includes $49.3 billion of foreign loans at December 31, 2015. Foreign loans totaled $14.9 billion within the investors category, $18.1 billion within the financial institutions category and $1.7 billion within the oil and gas category.

The investors category includes loans to special purpose vehicles (SPVs) formed by sponsoring entities to invest in financial assets backed predominantly by commercial and residential real estate or corporate cash flow, and are repaid from the asset cash flows or the sale of assets by the SPV. We limit loan amounts to a percentage of the value of the underlying assets, as determined by us, based primarily on analysis of underlying credit risk and other factors such as asset duration and ongoing performance.

We provide financial institutions with a variety of relationship focused products and services, including loans supporting short-term trade finance and working capital needs. The $18.1 billion of foreign loans in the financial institutions category were predominantly originated by our Global Financial Institutions (GFI) business.

Slightly more than half of our oil and gas loans were to businesses in the exploration and production (E&P) sector. Most of these E&P loans are secured by oil and/or gas reserves and have underlying borrowing base arrangements which include regular (typically semi-annual) "redeterminations" that consider refinements to borrowing structure and prices used to determine borrowing limits. All other oil and gas loans were to midstream and services and equipment companies. Driven by a drop in energy prices and the results of our spring and fall redeterminations, our oil and gas nonaccrual loans increased to $844 million at December 31, 2015, compared with $76 million at December 31, 2014.

Table 19: Commercial and Industrial Loans and Lease Financing by Industry (1)

	December 31, 2015			
(in millions)	Nonaccrual loans	Total portfolio	(2)	% of total loans
Investors	$ 23	52,261		6%
Financial institutions	38	39,544		4
Oil and gas	844	17,367		2
Real estate lessor	2	15,315		2
Healthcare	41	15,189		2
Cyclical retailers	20	15,135		2
Food and beverage	10	13,923		1
Industrial equipment	18	13,478		1
Technology	27	9,922		1
Business services	28	8,581		1
Transportation	40	8,506		1
Public administration	7	8,340		1
Other	291	94,698	(3)	10
Total	$ 1,389	312,259		34%

(1) Industry categories are based on the North Amer can Industry Classif cat on System and the amounts reported include foreign loans. See Note 6 (Loans and Allowance for Cred t Losses) to Financial Statements in this Report for a breakout of commercial foreign loans.
(2) Includes $78 mill on PCI loans, wh ch are considered to be accruing due to the existence of the accretable yield and not based on cons deration given to contractual interest payments.
(3) No other single industry had total loans in excess of $6.4 billion.

Risk mitigation actions, including the restructuring of repayment terms, securing collateral or guarantees, and entering into extensions, are based on a re-underwriting of the loan and our assessment of the borrower's ability to perform under the agreed-upon terms. Extension terms generally range from six to thirty-six months and may require that the borrower provide additional economic support in the form of partial repayment, or additional collateral or guarantees. In cases where the value of collateral or financial condition of the borrower is insufficient to repay our loan, we may rely upon the support of an outside repayment guarantee in providing the extension.

Our ability to seek performance under a guarantee is directly related to the guarantor's creditworthiness, capacity and willingness to perform, which is evaluated on an annual basis, or more frequently as warranted. Our evaluation is based on the most current financial information available and is focused on various key financial metrics, including net worth, leverage, and current and future liquidity. We consider the guarantor's reputation, creditworthiness, and willingness to work with us based on our analysis as well as other lenders' experience with the guarantor. Our assessment of the guarantor's credit strength is reflected in our loan risk ratings for such loans. The loan risk rating and accruing status are important factors in our allowance methodology.

In considering the accrual status of the loan, we evaluate the collateral and future cash flows as well as the anticipated support of any repayment guarantor. In many cases the strength of the guarantor provides sufficient assurance that full repayment of the loan is expected. When full and timely collection of the loan becomes uncertain, including the performance of the guarantor, we place the loan on nonaccrual status. As appropriate, we also charge the loan down in accordance with our charge-off policies, generally to the net realizable value of the collateral securing the loan, if any.

COMMERCIAL REAL ESTATE (CRE) We generally subject CRE loans 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, doubtful and loss categories. The CRE portfolio, which included $8.8 billion of foreign CRE loans, totaled $144.3 billion, or 16% of total loans, at December 31, 2015, and consisted of $122.1 billion of mortgage loans and $22.2 billion of construction loans.

Table 20 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, Texas, New York and Florida, which combined represented 48% of the total CRE portfolio. By property type, the largest concentrations are office buildings at 28% and apartments at 15% of the portfolio. CRE nonaccrual loans totaled 0.7% of the CRE outstanding balance at December 31, 2015, compared with 1.3% at December 31, 2014. At December 31, 2015, we had $6.8 billion of criticized CRE mortgage loans, down from $7.9 billion at December 31, 2014, and $549 million of criticized CRE construction loans, down from $949 million at December 31, 2014.

At December 31, 2015, the recorded investment in PCI CRE loans totaled $634 million, down from $12.3 billion when acquired at December 31, 2008, reflecting principal payments, loan resolutions and write-downs.

Table 20: CRE Loans by State and Property Type

										December 31, 2015
	Real estate mortgage			Real estate construction			Total			% of
(in millions)	Nonaccrual loans	Total portfolio	(1)	Nonaccrual loans	Total portfolio	(1)	Nonaccrual loans	Total portfolio	(1)	total loans
By state:										
California	$ 241	34,792		12	4,035		253	38,827		4%
Texas	62	9,001		—	1,885		62	10,886		1
New York	33	8,354		1	1,817		34	10,171		1
Florida	98	7,992		1	2,056		99	10,048		1
North Carolina	61	3,737		7	859		68	4,596		1
Arizona	54	3,922		1	575		55	4,497		*
Washington	30	3,451		—	816		30	4,267		*
Georgia	62	3,705		12	439		74	4,144		*
Virginia	13	2,813		—	981		13	3,794		*
Colorado	22	3,011		—	527		22	3,538		*
Other	293	41,382		32	8,174		325	49,556	(2)	5
Total	$ 969	122,160		66	22,164		1,035	144,324		16%
By property:										
Office buildings	$ 252	37,621		—	3,104		252	40,725		4%
Apartments	30	14,034		—	7,559		30	21,593		2
Industrial/warehouse	156	13,815		—	1,262		156	15,077		2
Retail (excluding shopping center)	139	13,449		—	718		139	14,167		2
Shopping center	50	10,159		—	1,270		50	11,429		1
Hotel/motel	17	9,218		—	1,210		17	10,428		1
Real estate - other	110	10,126		—	232		110	10,358		1
Institutional	35	3,037		—	720		35	3,757		*
Land (excluding 1-4 family)	1	375		11	2,529		12	2,904		*
Agriculture	54	2,624		—	30		54	2,654		*
Other	125	7,702		55	3,530		180	11,232		1
Total	$ 969	122,160		66	22,164		1,035	144,324		16%

* Less than 1%.
(1) Includes a total of $634 mill on PCI loans, consisting of $542 million of real estate mortgage and $92 mill on of real estate construction, wh ch are considered to be accruing due to the existence of the accretable yield and not based on cons deration given to contractual interest payments.
(2) Includes 40 states; no state had loans in excess of $3.5 billion.

FOREIGN LOANS AND COUNTRY RISK EXPOSURE We classify loans for financial statement and certain regulatory purposes as foreign primarily based on whether the borrower's primary address is outside of the United States. At December 31, 2015, foreign loans totaled $58.6 billion, representing approximately 6% of our total consolidated loans outstanding, compared with $50.6 billion, or approximately 6% of total consolidated loans outstanding, at December 31, 2014. Foreign loans were approximately 3% of our consolidated total assets at December 31, 2015 and at December 31, 2014.

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

We evaluate our individual country risk exposure on an ultimate country of risk basis, which is normally based on the country of residence of the guarantor or collateral location, and is different from the reporting based on the borrower's primary address. Our largest single foreign country exposure on an ultimate risk basis at December 31, 2015, was the United Kingdom, which totaled $27.4 billion, or approximately 2% of our total assets, and included $4.9 billion of sovereign claims. Our United Kingdom sovereign claims arise primarily from deposits we have placed with the Bank of England pursuant to regulatory requirements in support of our London branch.

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

Table 21 provides information regarding our top 20 exposures by country (excluding the U.S.) and our Eurozone exposure, on an ultimate risk basis. Our exposure to Puerto Rico (considered part of U.S. exposure) is primarily through automobile lending and was not material to our consolidated country risk exposure.

Table 21: Select Country Exposures

								December 31, 2015	
	Lending (1)		Securities (2)		Derivatives and other (3)		Total exposure		
(in mill ons)	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign (4)	Total
Top 20 country exposures:									
United Kingdom	$ 4,939	17,716	—	3,246	—	1,507	4,939	22,469	27,408
Canada	2	13,437	—	1,007	—	571	2	15,015	15,017
Ireland	22	3,190	—	210	—	88	22	3,488	3,510
Germany	1,279	1,340	—	474	—	330	1,279	2,144	3,423
Cayman Islands	—	3,177	—	—	—	231	—	3,408	3,408
Bermuda	—	2,840	—	77	—	101	—	3,018	3,018
India	—	2,105	—	123	—	2	—	2,230	2,230
China	—	1,907	—	181	70	1	70	2,089	2,159
Brazil	—	2,143	—	(2)	—	5	—	2,146	2,146
Netherlands	—	1,535	—	358	—	39	—	1,932	1,932
Australia	—	938	—	922	—	38	—	1,898	1,898
France	—	558	—	1,039	—	293	—	1,890	1,890
Switzerland	—	1,755	—	48	—	10	—	1,813	1,813
Mexico	—	1,482	—	43	—	2	—	1,527	1,527
Turkey	—	1,479	—	—	—	1	—	1,480	1,480
South Korea	—	1,367	—	—	—	—	—	1,367	1,367
Jersey, C.I.	—	1,046	—	278	—	5	—	1,329	1,329
Chile	—	1,270	—	20	4	32	4	1,322	1,326
Luxembourg	—	807	—	202	—	42	—	1,051	1,051
Colombia	—	1,004	—	(2)	—	4	—	1,006	1,006
Total top 20 country exposures	$ 6,242	61,096	—	8,224	74	3,302	6,316	72,622	78,938
Eurozone exposure:									
Eurozone countries included in Top 20 above (5)	$ 1,301	7,430	—	2,283	—	792	1,301	10,505	11,806
Austria	—	618	—	3	—	1	—	622	622
Spain	—	324	—	46	—	8	—	378	378
Belgium	—	245	—	23	—	1	—	269	269
Italy	—	105	—	66	—	—	—	171	171
Other Eurozone countries (6)	21	26	—	4	—	10	21	40	61
Total Eurozone exposure	$ 1,322	8,748	—	2,425	—	812	1,322	11,985	13,307

(1) Lending exposure includes funded loans and unfunded comm tments, leveraged leases, and money market placements presented on a gross basis pr or to the deduction of impairment allowance and collateral received under the terms of the cred t agreements. For the countries listed above, includes $37 million in PCI loans, predominantly to customers in the Netherlands and Germany, and $1.2 bill on in defeased leases secured primarily by U.S. Treasury and government agency secur ties, or government guaranteed.

(2) Represents exposure on debt and equ ty securities of foreign issuers. Long and short posit ons are netted and net short pos t ons are reflected as negative exposure.

(3) Represents counterparty exposure on foreign exchange and derivative contracts, and securities resale and lending agreements. This exposure is presented net of counterparty netting adjustments and reduced by the amount of cash collateral. It includes cred t default swaps (CDS) predominantly used to manage our U.S. and London-based cash cred t trading businesses, wh ch sometimes results in selling and purchasing protection on the dentical reference entity. Generally, we do not use market instruments such as CDS to hedge the cred t risk of our investment or loan pos tions, although we do use them to manage risk in our trading businesses. At December 31, 2015, the gross not onal amount of our CDS sold that reference assets in the Top 20 or Eurozone countries was $2.3 billion, which was offset by the notional amount of CDS purchased of $2.3 bill on. We did not have any CDS purchased or sold that reference pools of assets that contain sovereign debt or where the reference asset was solely the sovereign debt of a foreign country.

(4) For countries presented in the table, total non-sovereign exposure comprises $36.3 bill on exposure to financial inst tutions and $37.8 bill on to non-financial corporations at December 31, 2015.

(5) Consists of exposure to Ireland, Germany, Netherlands, France and Luxembourg included in Top 20.

(6) Includes non-sovereign exposure to Portugal in the amount of $28 million and less than $1 million to Greece. We had no sovereign debt exposure to these countries at December 31, 2015.

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, as presented in Table 22, include the Pick-a-Pay portfolio acquired from Wachovia, which is discussed later in this Report. These loans also include other purchased loans and loans included on our balance sheet as a result of consolidation of variable interest entities (VIEs).

Table 22: Real Estate 1-4 Family First and Junior Lien Mortgage Loans

	December 31, 2015		December 31, 2014	
(in millions)	**Balance**	**% of portfolio**	Balance	% of portfolio
Real estate 1-4 family first mortgage				
Core portfolio	**$ 224,750**	**69%**	$ 208,852	64%
Non-strategic and liquidating loan portfolios:				
Pick-a-Pay mortgage	**39,065**	**12**	45,002	14
PCI and liquidating first mortgage	**10,054**	**3**	11,532	4
Total non-strategic and liquidating loan portfolios	**49,119**	**15**	56,534	18
Total real estate 1-4 family first mortgage loans	**273,869**	**84**	265,386	82
Real estate 1-4 family junior lien mortgage				
Core portfolio	**50,652**	**15**	56,631	17
Non-strategic and liquidating loan portfolios	**2,352**	**1**	3,086	1
Total real estate 1-4 family junior lien mortgage loans	**53,004**	**16**	59,717	18
Total real estate 1-4 family mortgage loans	**$ 326,873**	**100%**	$ 325,103	100%

The real estate 1-4 family mortgage loan portfolio includes some loans with adjustable-rate features and some with an interest-only feature as part of the loan terms. Interest-only loans were approximately 9% and 12% of total loans at December 31, 2015 and 2014, respectively. 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. The option ARMs we do have are included in the Pick-a-Pay portfolio which was acquired from Wachovia and are part of our liquidating loan portfolios. Since our acquisition of the Pick-a-Pay loan portfolio at the end of 2008, the option payment portion of the portfolio has reduced from 86% to 38% at December 31, 2015, as a result of our modification activities and customers exercising their option to convert to fixed payments. For more information, see the "Pick-a-Pay Portfolio" section in this Report.

We continue to modify real estate 1-4 family mortgage loans to assist homeowners and other borrowers experiencing financial difficulties. Loans are underwritten at the time of the modification in accordance with underwriting guidelines established for governmental and proprietary loan modification programs. As a participant in the U.S. Treasury's Making Home Affordable (MHA) programs, we are focused on helping customers stay in their homes. The MHA programs create a standardization of modification terms including incentives paid to borrowers, servicers, and investors. MHA includes the Home Affordable Modification Program (HAMP) for first lien loans and the Second Lien Modification Program (2MP) for junior lien loans. Under both our proprietary programs and the MHA programs, we may provide concessions such as interest rate reductions, forbearance of principal, and in some cases, principal forgiveness. These programs generally include trial payment periods of three to four months, and after successful completion and compliance with terms during this period, the loan is permanently modified. Once the loan is modified either through a permanent modification or a trial period, it is accounted for as a TDR. See the "Critical Accounting Policies – Allowance for Credit Losses" section in this Report for discussion on how we determine the allowance attributable to our modified residential real estate portfolios.

Part of our credit monitoring includes tracking delinquency, FICO scores and loan/combined loan to 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 2015 on the non-PCI mortgage portfolio. Loans 30 days or more delinquent at December 31, 2015, totaled $8.3 billion, or 3%, of total non-PCI mortgages, compared with $10.2 billion, or 3%, at December 31, 2014. Loans with FICO scores lower than 640 totaled $21.1 billion at December 31, 2015, or 7% of total non-PCI mortgages, compared with $25.8 billion, or 9%, at December 31, 2014. Mortgages with a LTV/CLTV greater than 100% totaled $15.1 billion at December 31, 2015, or 5% of total non-PCI mortgages, compared with $20.3 billion, or 7%, at December 31, 2014. Information regarding credit quality indicators, including PCI credit quality indicators, can be found in Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Real estate 1-4 family first and junior lien mortgage loans by state are presented in Table 23. Our real estate 1-4 family mortgage loans to borrowers in California represented approximately 13% of total loans at December 31, 2015, located mostly within the larger metropolitan areas, with no single California metropolitan area consisting of more than 5% 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. Our underwriting and periodic review of loans secured by residential real estate collateral includes appraisals or estimates from automated valuation models (AVMs) to support property values. AVMs are computer-based tools used to estimate the market value of homes. AVMs are a lower-cost alternative to appraisals and support valuations of

large numbers of properties in a short period of time using market comparables and price trends for local market areas. The primary risk associated with the use of AVMs is that the value of an individual property may vary significantly from the average for the market area. We have processes to periodically validate AVMs and specific risk management guidelines addressing the circumstances when AVMs may be used. AVMs are generally used in underwriting to support property values on loan originations only where the loan amount is under $250,000. We generally require property visitation appraisals by a qualified independent appraiser for larger residential property loans. Additional information about AVMs and our policy for their use can be found in Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 23: Real Estate 1-4 Family First and Junior Lien Mortgage Loans by State

	December 31, 2015			
(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
Real estate 1-4 family loans (excluding PCI):				
California	$ 88,367	14,554	102,921	11%
New York	20,962	2,416	23,378	3
Florida	14,068	4,823	18,891	2
New Jersey	11,825	4,462	16,287	2
Virginia	7,209	2,991	10,200	1
Texas	8,153	827	8,980	1
Pennsylvania	5,755	2,748	8,503	1
North Carolina	5,977	2,397	8,374	1
Washington	6,747	1,245	7,992	1
Other (1)	63,263	16,472	79,735	9
Government insured/ guaranteed loans (2)	22,353	—	22,353	2
Real estate 1-4 family loans (excluding PCI)	254,679	52,935	307,614	34
Real estate 1-4 family PCI loans (3)	19,190	69	19,259	2
Total	$ 273,869	53,004	326,873	36%

(1) Consists of 41 states; no state had loans in excess of $7.2 billion.
(2) Represents loans whose repayments are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA).
(3) Includes $13.4 billion in real estate 1-4 family mortgage PCI loans in California.

First Lien Mortgage Portfolio Our total real estate 1-4 family first lien mortgage portfolio increased $8.5 billion in 2015. Growth in this portfolio has been largely offset by runoff in our real estate 1-4 family first lien mortgage non-strategic and liquidating portfolios. Excluding this runoff, our core real estate 1-4 family first lien mortgage portfolio increased $15.9 billion in 2015, as we retained $53.1 billion in non-conforming originations, primarily consisting of loans that exceed conventional conforming loan amount limits established by federal government-sponsored entities (GSEs).

The credit performance associated with our real estate 1-4 family first lien mortgage portfolio continued to improve in 2015, as measured through net charge-offs and nonaccrual loans. Net charge-offs as a percentage of average real estate 1-4 family first lien mortgage loans improved to 0.10% in 2015, compared with 0.19% in 2014. Nonaccrual loans were $7.3 billion at December 31, 2015, compared with $8.6 billion at December 31, 2014. Improvement in the credit performance was driven by an improving housing environment and declining balances in non-strategic and liquidating loans, which have been replaced with higher quality assets originated after 2008 generally utilizing tighter underwriting standards. Real estate 1-4 family first lien mortgage loans originated after 2008 have resulted in minimal losses to date and were approximately 67% of our total real estate 1-4 family first lien mortgage portfolio as of December 31, 2015. Table 24 shows the credit attributes of the core, non-strategic and liquidating first lien mortgage portfolios and lists the top five states by outstanding balance for the core portfolio.

Table 24: First Lien Mortgage Portfolios Performance (1)

	Outstanding balance		% of loans two payments or more past due		Loss (recovery) rate	
	December 31,		December 31,		Year ended December 31,	
(in millions)	**2015**	2014	**2015**	2014	**2015**	2014
Core portfolio:						
California	**$ 77,270**	67,038	**0.56%**	0.83	**(0.01)**	0.02
New York	**19,858**	16,102	**1.55**	1.97	**0.04**	0.09
Florida	**11,331**	10,991	**2.78**	3.78	**0.05**	0.12
New Jersey	**10,283**	9,203	**3.35**	3.95	**0.18**	0.30
Texas	**7,020**	6,646	**1.21**	1.48	**(0.01)**	0.01
Other	**76,635**	72,604	**1.86**	2.34	**0.12**	0.18
Total	**202,397**	182,584	**1.44**	1.89	**0.06**	0.11
Government insured/guaranteed loans	**22,353**	26,268				
Total core portfolio including government insured/guaranteed loans	**224,750**	208,852	**1.44**	1.89	**0.06**	0.11
Non-strategic and liquidating portfolios	**29,929**	34,822	**14.42**	15.55	**0.46**	0.84
Total first lien mortgages	**$ 254,679**	243,674	**3.11%**	4.08	**0.12**	0.24

(1) Excludes PCI loans because their losses were generally reflected in PCI accounting adjustments at the date of acquisit on.

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. Table 25 provides balances by types of loans as of December 31, 2015, as a result of modification efforts, compared to the types of loans included in the portfolio at acquisition. Total adjusted unpaid principal balance of PCI Pick-a-Pay loans was $23.8 billion at December 31, 2015, compared with $61.0 billion at acquisition. Primarily due to modification efforts, the adjusted unpaid principal balance of option payment PCI loans has declined to 15% of the total Pick-a-Pay portfolio at December 31, 2015, compared with 51% at acquisition.

Table 25: Pick-a-Pay Portfolio – Comparison to Acquisition Date

	December 31, 2015		December 31, 2008	
(in millions)	**Adjusted unpaid principal balance (1)**	**% of total**	Adjusted unpaid principal balance (1)	% of total
Option payment loans	**$ 16,828**	**39%**	$ 99,937	86%
Non-option payment adjustable-rate and fixed-rate loans	**5,706**	**13**	15,763	14
Full-term loan modifications	**21,193**	**48**	—	—
Total adjusted unpaid principal balance	**$ 43,727**	**100%**	$ 115,700	100%
Total carrying value	**$ 39,065**		$ 95,315	

(1) Adjusted unpa d principal balance includes wr te-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.

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 $431 million at December 31, 2015, and $606 million at December 31, 2014. Approximately 97% of the Pick-a-Pay customers making a minimum payment in December 2015 did not defer interest, compared with 95% in December 2014.

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. A significant portion of the Pick-a-Pay portfolio has a cap of 125% of the original loan balance. Most of the Pick-a-Pay loans on which there is a deferred interest balance re-amortize (the monthly payment amount is reset or “recast”) on the earlier of the date when the loan balance reaches its principal cap, or generally the 10-year anniversary of the loan. After a recast, the customers’ new payment terms are reset to the amount necessary to repay the balance over the remainder of the original loan term.

Generally, Pick-a-Pay option payment loans have an annual 7.5% maximum payment increase reset unless a recast event occurs. If a recast occurs it may cause the payment reset to exceed 7.5% and result in a significant payment increase, which can affect some borrowers' ability to repay the outstanding balance. The amount of Pick-a-Pay option payment loans we would expect to recast and exceed the 7.5% payment increase through 2020 is $1.8 billion ($1.2 billion for 2017) assuming a flat rate environment. Recast risk associated with our Pick-a-Pay PCI portfolio is covered through our nonaccretable difference.

As a result of our modification efforts, Pick-a-Pay option payment loans have been reduced to $16.8 billion at December 31, 2015, from $99.9 billion at acquisition.

Table 26 reflects the geographic distribution of the Pick-a-Pay portfolio broken out between PCI loans and all other loans. The LTV ratio is a useful metric in predicting future real estate 1-4 family first mortgage loan performance, including potential charge-offs. Because PCI loans were initially recorded at fair value, including write-downs for expected credit losses, the ratio of the carrying value to the current collateral value will be lower compared with the LTV based on the adjusted unpaid principal balance. For informational purposes, we have included both ratios for PCI loans in the following table.

Table 26: Pick-a-Pay Portfolio (1)

			December 31, 2015			
			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	$ 16,552	73%	$ 13,405	58%	$ 9,694	53%
Florida	1,875	82	1,307	55	2,009	66
New Jersey	780	81	610	60	1,314	69
New York	526	77	465	62	638	67
Texas	204	57	185	51	781	44
Other states	3,834	79	3,066	62	5,591	65
Total Pick-a-Pay loans	$ 23,771	75	$ 19,038	59	$ 20,027	59

(1) The indiv dual states shown in this table represent the top five states based on the total net carrying value of the P ck-a-Pay loans at the beginning of 2015.
(2) Adjusted unpa d principal balance includes wr te-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 rat o is calculated as the adjusted unpaid principal balance div ded 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, wh ch, 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 div ded 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 certain cases we may offer principal forgiveness to customers with substantial property value declines based on affordability needs.

In 2015, we completed more than 3,600 proprietary and Home Affordability Modification Program (HAMP) Pick-a-Pay loan modifications. We have completed nearly 133,000 modifications since the Wachovia acquisition, resulting in over $6.1 billion of principal forgiveness to our Pick-a-Pay customers. There remains $10.6 million of conditional forgiveness that can be earned by borrowers through performance over a three year period.

Due to better than expected performance observed on the Pick-a-Pay PCI portfolio compared with the original acquisition estimates, we have reclassified $7.1 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 12.0 years at December 31, 2015, up from 11.7 years at December 31, 2014, due to changes in composition of cash flows due to improving credit performance. The accretable yield percentage at December 31, 2015 was 6.21%, up from 6.15% at the end of 2014 due to favorable changes in the expected timing and composition of cash flows resulting from improving credit and prepayment expectations. 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 prepayments, liquidations, modifications and short sales, can also affect the accretable yield rate and the estimated weighted-average life of the portfolio.

The predominant portion of our PCI loans is included in the Pick-a-Pay portfolio. For further information on the judgment involved in estimating expected cash flows for PCI loans, see the "Critical Accounting Policies – Purchased Credit-Impaired Loans" section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Junior Lien Mortgage Portfolio The junior lien mortgage portfolio consists of residential mortgage lines and loans that are subordinate in rights to an existing lien on the same property. It is not unusual for these lines and loans to have draw periods, interest only payments, balloon payments, adjustable rates and similar features. The majority of our junior lien loan products are amortizing payment loans with fixed interest rates and repayment periods between five to 30 years.

We continuously monitor the credit performance of our junior lien mortgage portfolio for trends and factors that influence the frequency and severity of loss. We have observed that the severity of loss for junior lien mortgages is high and generally not affected by whether we or a third party own or service the related first lien mortgage, but the frequency of delinquency is typically lower when we own or service the first lien mortgage. In general, we have limited information available on the delinquency status of the third party owned or serviced senior lien where we also hold a junior lien. To capture this inherent loss content, we use the experience of our junior lien mortgages behind delinquent first liens that are owned or serviced by us adjusted for any observed differences in delinquency and loss rates associated with junior lien mortgages behind third party first lien mortgages. We incorporate this inherent loss content into our allowance for loan losses. Our allowance process for junior liens considers the relative difference in loss experience for junior liens behind first lien mortgage loans we own or service, compared with those behind first lien mortgage loans owned or serviced by third parties. In addition, our allowance process for junior liens that are current, but are in their revolving period, considers the inherent loss where the borrower is delinquent on the corresponding first lien mortgage loans.

Table 27 shows the credit attributes of the core, non-strategic and liquidating junior lien mortgage portfolios and lists the top five states by outstanding balance for the core portfolio. Loans to California borrowers represent the largest state concentration in each of these portfolios. The decrease in outstanding balances since December 31, 2014, predominantly reflects loan paydowns. As of December 31, 2015, 17% of the outstanding balance of the junior lien mortgage portfolio was associated with loans that had a combined loan to value (CLTV) ratio in excess of 100%. Of those junior liens with a CLTV ratio in excess of 100%, 2.77% were two payments or more past due. 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 (the outstanding amount that was in excess of the most recent property collateral value) of the outstanding balances of these loans totaled 7% of the junior lien mortgage portfolio at December 31, 2015.

Table 27: Junior Lien Mortgage Portfolios Performance (1)

	Outstanding balance		% of loans two payments or more past due		Loss rate	
	December 31,		December 31,		Year ended December 31,	
(in millions)	**2015**	2014	**2015**	2014	**2015**	2014
Core portfolio						
California	**$ 13,776**	15,535	**1.94%**	2.07	**0.16**	0.48
Florida	**4,718**	5,283	**2.41**	2.96	**0.82**	1.40
New Jersey	**4,367**	4,705	**3.03**	3.43	**1.06**	1.42
Virginia	**2,889**	3,160	**2.02**	2.18	**0.73**	0.84
Pennsylvania	**2,721**	2,942	**2.33**	2.72	**0.88**	1.11
Other	**22,181**	25,006	**2.08**	2.20	**0.70**	0.95
Total	**50,652**	56,631	**2.16**	2.36	**0.60**	0.90
Non-strategic and liquidating portfolios	**2,283**	2,985	**4.56**	4.77	**2.01**	2.74
Total junior lien mortgages	**$ 52,935**	59,616	**2.27%**	2.49	**0.67**	1.00

(1) Excludes PCI loans because their losses were generally reflected in PCI accounting adjustments at the date of acquisit on.

Our junior lien, as well as first lien, lines of credit products generally have a draw period of 10 years (with some up to 15 or 20 years) with variable interest rate and payment options during the draw period of (1) interest only or (2) 1.5% of outstanding principal balance plus accrued interest. During the draw period, the borrower has the option of converting all or a portion of the line from a variable interest rate to a fixed rate with terms including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment schedule with repayment terms of up to 30 years based on the balance at time of conversion. Certain lines and loans have been structured with a balloon payment, which requires full repayment of the outstanding balance at the end of the term period. The conversion of lines or loans to fully amortizing or balloon payoff may result in a significant payment increase, which can affect some borrowers' ability to repay the outstanding balance.

On a monthly basis, we monitor the payment characteristics of borrowers in our junior lien portfolio. In December 2015, approximately 47% of these borrowers paid only the minimum amount due and approximately 48% paid more than the minimum amount due. The rest were either delinquent or paid less than the minimum amount due. For the borrowers with an interest only payment feature, approximately 36% paid only the minimum amount due and approximately 60% paid more than the minimum amount due.

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

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

Table 28 reflects the outstanding balance of our portfolio of junior lien mortgages, including lines and loans, and senior lien lines segregated into scheduled end of draw or end of term periods and products that are currently amortizing, or in balloon repayment status. It excludes real estate 1-4 family first lien line reverse mortgages, which total $2.1 billion, because they are predominantly insured by the FHA, and it excludes PCI loans, which total $96 million, because their losses were generally reflected in our nonaccretable difference established at the date of acquisition.

Table 28: Junior Lien Mortgage Line and Loan and Senior Lien Mortgage Line Portfolios Payment Schedule

			Scheduled end of draw/term						
(in mill ons)		**Outstanding balance December 31, 2015**	2016	2017	2018	2019	2020	2021 and thereafter (1)	Amortizing
Junior lien lines and loans	**$**	**52,935**	4,683	5,345	2,992	1,194	1,071	25,371	12,279
First lien lines		**16,258**	678	780	914	403	371	11,279	1,833
Total (2)(3)	**$**	**69,193**	5,361	6,125	3,906	1,597	1,442	36,650	14,112
% of portfolios		**100%**	**8%**	**9%**	**6%**	**2%**	**2%**	**53%**	**20%**

(1) Substantially all lines and loans are scheduled to convert to amortizing loans by the end of 2026, with annual scheduled amounts through that date ranging from $2.8 bill on to $8.9 bill on and averaging $6.1 bill on per year.
(2) Jun or and first lien lines are predominantly interest-only during their draw per od. The unfunded cred t comm tments for junior and first lien lines totaled $67.7 billion at December 31, 2015.
(3) Includes scheduled end-of-term balloon payments for lines and loans totaling $237 mill on, $366 mill on, $423 mill on, $394 mill on, $429 mill on and $1.2 bill on for 2016 2017, 2018, 2019, 2020, and 2021 and thereafter, respectively. Amortizing lines and loans include $191 million of end-of-term balloon payments, wh ch are past due. At December 31, 2015, $506 mill on, or 5% of outstanding lines of credit that are amortizing, are 30 or more days past due compared to $937 million or 2% for lines in their draw per od.

CREDIT CARDS Our credit card portfolio totaled $34.0 billion at December 31, 2015, which represented 4% of our total outstanding loans. The net charge-off rate for our credit card portfolio was 3.00% for 2015, compared with 3.14% for 2014.

AUTOMOBILE Our automobile portfolio, predominantly composed of indirect loans, totaled $60.0 billion at December 31, 2015. The net charge-off rate for our automobile portfolio was 0.72% for 2015, compared with 0.70% for 2014.

OTHER REVOLVING CREDIT AND INSTALLMENT Other revolving credit and installment loans totaled $39.1 billion at December 31, 2015, and primarily included student and security-based loans. Student loans totaled $12.2 billion at December 31, 2015, compared with $11.9 billion at December 31, 2014. The net charge-off rate for other revolving credit and installment loans was 1.36% for 2015, compared with 1.35% for 2014.

NONPERFORMING ASSETS (NONACCRUAL LOANS AND FORECLOSED ASSETS) Table 29 summarizes nonperforming assets (NPAs) for each of the last five years. We generally place loans on nonaccrual status when:

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

Note 1 (Summary of Significant Accounting Policies – Loans) to Financial Statements in this Report describes our accounting policy for nonaccrual and impaired loans.

Table 29: Nonperforming Assets (Nonaccrual Loans and Foreclosed Assets)

					December 31,
(in millions)	**2015**	2014	2013	2012	2011
Nonaccrual loans:					
Commercial:					
Commercial and industrial	**$ 1,363**	538	775	1,467	2,167
Real estate mortgage	**969**	1,490	2,254	3,323	4,085
Real estate construction	**66**	187	416	1,003	1,890
Lease financing	**26**	24	30	29	55
Total commercial (1)	**2,424**	2,239	3,475	5,822	8,197
Consumer:					
Real estate 1-4 family first mortgage (2)	**7,293**	8,583	9,799	11,456	10,932
Real estate 1-4 family junior lien mortgage	**1,495**	1,848	2,188	2,923	1,976
Automobile	**121**	137	173	245	159
Other revolving credit and installment	**49**	41	33	40	40
Total consumer (3)	**8,958**	10,609	12,193	14,664	13,107
Total nonaccrual loans (4)(5)(6)	**11,382**	12,848	15,668	20,486	21,304
As a percentage of total loans	**1.24%**	1.49	1.91	2.57	2.77
Foreclosed assets:					
Government insured/guaranteed (7)	**$ 446**	982	2,093	1,509	1,319
Non-government insured/guaranteed	**979**	1,627	1,844	2,514	3,342
Total foreclosed assets	**1,425**	2,609	3,937	4,023	4,661
Total nonperforming assets	**$ 12,807**	15,457	19,605	24,509	25,965
As a percentage of total loans	**1.40%**	1.79	2.38	3.07	3.37

(1) Includes LHFS of $0 mill on, $1 mill on, $1 mill on, $16 million and $25 million at December 31, 2015, 2014, 2013, 2012 and 2011, respectively.
(2) Includes MHFS of $177 mill on, $177 mill on, $227 mill on, $336 mill on and $301 million at December 31, 2015, 2014, 2013, 2012, and 2011, respectively.
(3) December 31, 2012, includes the impact of the implementat on of gu dance issued by bank regulatory agencies in 2012.
(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 Educat on Loan Program are not placed on nonaccrual status because they are insured or guaranteed.
(6) See Note 6 (Loans and Allowance for Cred t Losses) to Financial Statements in this Report for further informat on on impaired loans.
(7) During fourth quarter 2014, we adopted Accounting Standards Update (ASU) 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure*, effective as of January 1, 2014. This ASU requires that certain government guaranteed residential real estate mortgage loans that meet specific criteria be recognized as other receivables upon foreclosure; previously, these assets were included in foreclosed assets. Government guaranteed residential real estate mortgage loans that completed foreclosure during 2014 and met the criteria specified by ASU 2014-14 are excluded from this table and included in Accounts Receivable in Other Assets. For more informat on on the changes in foreclosures for government guaranteed res dential real estate mortgage loans, see Note 1 (Summary of Specific Accounting Policies) and Note 7 (Premises, Equipment, Lease Commitments and Other Assets).

Table 30 provides a summary of nonperforming assets during 2015.

Table 30: Nonperforming Assets by Quarter During 2015

(in millions)	December 31, 2015 Balance	December 31, 2015 % of total loans	September 30, 2015 Balance	September 30, 2015 % of total loans	June 30, 2015 Balance	June 30, 2015 % of total loans	March 31, 2015 Balance	March 31, 2015 % of total loans
Nonaccrual loans:								
Commercial:								
Commercial and industrial	**$ 1,363**	**0.45%**	$ 1,031	0.35%	$ 1,079	0.38%	$ 663	0.24%
Real estate mortgage	**969**	**0.79**	1,125	0.93	1,250	1.04	1,324	1.18
Real estate construction	**66**	**0.30**	151	0.70	165	0.77	182	0.91
Lease financing	**26**	**0.21**	29	0.24	28	0.23	23	0.19
Total commercial	**2,424**	**0.53**	2,336	0.52	2,522	0.58	2,192	0.53
Consumer:								
Real estate 1-4 family first mortgage	**7,293**	**2.66**	7,425	2.74	8,045	3.00	8,345	3.15
Real estate 1-4 family junior lien mortgage	**1,495**	**2.82**	1,612	2.95	1,710	3.04	1,798	3.11
Automobile	**121**	**0.20**	123	0.21	126	0.22	133	0.24
Other revolving credit and installment	**49**	**0.13**	41	0.11	40	0.11	42	0.12
Total consumer	**8,958**	**1.95**	9,201	2.02	9,921	2.20	10,318	2.31
Total nonaccrual loans	**11,382**	**1.24**	11,537	1.28	12,443	1.40	12,510	1.45
Foreclosed assets:								
Government insured/guaranteed	**446**		502		588		772	
Non-government insured/guaranteed	**979**		1,265		1,370		1,557	
Total foreclosed assets	**1,425**		1,767		1,958		2,329	
Total nonperforming assets	**$ 12,807**	**1.40%**	$ 13,304	1.47%	$ 14,401	1.62%	$ 14,839	1.72%
Change in NPAs from prior quarter	**$ (497)**		(1,097)		(438)		(618)	

Table 31 provides an analysis of the changes in nonaccrual loans.

Table 31: Analysis of Changes in Nonaccrual Loans

		Quarter ended			Year ended Dec 31,	
(in millions)	**Dec 31, 2015**	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	**2015**	2014
Commercial nonaccrual loans						
Balance, beginning of period	**$ 2,336**	2,522	2,192	2,239	**2,239**	3,475
Inflows	**793**	382	840	496	**2,511**	1,552
Outflows:						
Returned to accruing	**(44)**	(26)	(20)	(67)	**(157)**	(280)
Foreclosures	**(72)**	(32)	(11)	(24)	**(139)**	(174)
Charge-offs	**(243)**	(135)	(117)	(107)	**(602)**	(501)
Payments, sales and other (1)	**(346)**	(375)	(362)	(345)	**(1,428)**	(1,833)
Total outflows	**(705)**	(568)	(510)	(543)	**(2,326)**	(2,788)
Balance, end of period	**2,424**	2,336	2,522	2,192	**2,424**	2,239
Consumer nonaccrual loans						
Balance, beginning of period	**9,201**	9,921	10,318	10,609	**10,609**	12,193
Inflows	**1,226**	1,019	1,098	1,341	**4,684**	6,306
Outflows:						
Returned to accruing	**(646)**	(676)	(668)	(686)	**(2,676)**	(3,706)
Foreclosures	**(89)**	(99)	(108)	(111)	**(407)**	(540)
Charge-offs	**(204)**	(228)	(229)	(265)	**(926)**	(1,315)
Payments, sales and other (1)	**(530)**	(736)	(490)	(570)	**(2,326)**	(2,329)
Total outflows	**(1,469)**	(1,739)	(1,495)	(1,632)	**(6,335)**	(7,890)
Balance, end of period	**8,958**	9,201	9,921	10,318	**8,958**	10,609
Total nonaccrual loans	**$ 11,382**	11,537	12,443	12,510	**11,382**	12,848

(1) Other outflows include the effects of VIE deconsolidations and adjustments for loans carried at fair value.

Typically, changes to nonaccrual loans period-over-period represent inflows for loans that are placed on nonaccrual status in accordance with our policy, offset by reductions for loans that are paid down, charged off, sold, foreclosed, 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 December 31, 2015:

- 98% of total commercial nonaccrual loans and over 99% of total consumer nonaccrual loans are secured. Of the consumer nonaccrual loans, 98% are secured by real estate and 75% have a combined LTV (CLTV) ratio of 80% or less.
- losses of $483 million and $3.1 billion have already been recognized on 28% of commercial nonaccrual loans and 52% of consumer nonaccrual loans, respectively. Generally, when a consumer real estate loan is 120 days past due (except when required earlier by guidance issued by bank regulatory agencies), 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.
- 79% of commercial nonaccrual loans were current on interest, but were on nonaccrual status because the full or timely collection of interest or principal had become uncertain.
- the risk of loss of all nonaccrual loans has been considered and we believe is adequately covered by the allowance for loan losses.
- $1.9 billion of consumer loans discharged in bankruptcy and classified as nonaccrual were 60 days or less past due, of which $1.7 billion were current.

We continue to work with our customers experiencing financial difficulty to determine if they can qualify for a loan modification so that they can stay in their homes. 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 in certain states, including New York and New Jersey, the foreclosure timeline has significantly increased due to backlogs in an already complex process. Therefore, some loans may remain on nonaccrual status for a long period.

If interest due on all nonaccrual loans (including loans that were, but are no longer on nonaccrual at year end) had been accrued under the original terms, approximately $700 million of interest would have been recorded as income on these loans, compared with $569 million actually recorded as interest income in 2015, versus $741 million and $598 million, respectively, in 2014.

Table 32 provides a summary of foreclosed assets and an analysis of changes in foreclosed assets.

Table 32: Foreclosed Assets

(in millions)		Dec 31, 2015	Quarter ended Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Year ended Dec 31, 2015	2014
Summary by loan segment							
Government insured/guaranteed	$	**446**	502	588	772	**446**	982
PCI loans:							
Commercial		**152**	297	305	329	**152**	352
Consumer		**103**	126	160	197	**103**	212
Total PCI loans		**255**	423	465	526	**255**	564
All other loans:							
Commercial		**384**	437	458	548	**384**	565
Consumer		**340**	405	447	483	**340**	498
Total all other loans		**724**	842	905	1,031	**724**	1,063
Total foreclosed assets	$	**1,425**	1,767	1,958	2,329	**1,425**	2,609
Analysis of changes in foreclosed assets							
Balance, beginning of period	$	**1,767**	1,958	2,329	2,609	**2,609**	3,937
Net change in government insured/guaranteed (1)		**(56)**	(86)	(184)	(210)	**(536)**	(1,111)
Additions to foreclosed assets (2)		**327**	325	300	356	**1,308**	1,595
Reductions:							
Sales		**(719)**	(468)	(531)	(451)	**(2,169)**	(1,866)
Write-downs and net gains (losses) on sales		**106**	38	44	25	**213**	54
Total reductions		**(613)**	(430)	(487)	(426)	**(1,956)**	(1,812)
Balance, end of period	$	**1,425**	1,767	1,958	2,329	**1,425**	2,609

(1) Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as serv cer, until reimbursement is received from FHA or VA. The net change in government insured/guaranteed foreclosed assets is made up of inflows from mortgages held for investment and MHFS, and outflows when we are reimbursed by FHA/VA. Transfers from government insured/guaranteed loans to foreclosed assets amounted to $46 mill on, $38 million, $24 mill on, and $49 mill on for the quarters ended December 31, September 30, June 30, and March 31, 2015 and $157 million and $191 mill on for the years ended December 31, 2015 and 2014, respectively.
(2) Predominantly include loans moved into foreclosure from nonaccrual status, PCI loans transit oned directly to foreclosed assets and repossessed automobiles.

Foreclosed assets at December 31, 2015, included $861 million of foreclosed residential real estate that had collateralized commercial and consumer loans, of which 52% is predominantly FHA insured or VA guaranteed and expected to have minimal or no loss content. The remaining foreclosed assets balance of $564 million has been written down to estimated net realizable value. The decrease in foreclosed assets at December 31, 2015, compared with December 31, 2014, reflected improving credit trends as well as the continued decline in government insured/guaranteed foreclosed assets attributed to the adoption of ASU 2014-14, which requires that government guaranteed residential real estate mortgage loans that meet specific criteria be recognized as other receivables upon foreclosure (previously, these were included in foreclosed assets). Of the $1.4 billion in foreclosed assets at December 31, 2015, 41% have been in the foreclosed assets portfolio one year or less.

TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 33: Troubled Debt Restructurings (TDRs)

(in millions)		2015	2014	2013	2012	December 31, 2011
Commercial TDRs						
Commercial and industrial	$	**1,123**	724	1,034	1,700	2,046
Real estate mortgage		**1,456**	1,880	2,248	2,625	2,262
Real estate construction		**125**	314	475	801	1,008
Lease financing		**1**	2	8	20	33
Total commercial TDRs		**2,705**	2,920	3,765	5,146	5,349
Consumer TDRs						
Real estate 1-4 family first mortgage		**16,812**	18,226	18,925	17,804	13,799
Real estate 1-4 family junior lien mortgage		**2,306**	2,437	2,468	2,390	1,986
Credit Card		**299**	338	431	531	593
Automobile		**105**	127	189	314	260
Other revolving credit and installment		**73**	49	33	24	19
Trial modifications		**402**	452	650	705	651
Total consumer TDRs (1)		**19,997**	21,629	22,696	21,768	17,308
Total TDRs	$	**22,702**	24,549	26,461	26,914	22,657
TDRs on nonaccrual status	$	**6,506**	7,104	8,172	10,149	6,811
TDRs on accrual status (1)		**16,196**	17,445	18,289	16,765	15,846
Total TDRs	$	**22,702**	24,549	26,461	26,914	22,657

(1) TDR loans include $1.8 billion, $2.1 billion, $2.5 bill on, $1.9 billion, and $318 mill on at December 31, 2015, 2014, 2013, 2012, and 2011, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and are accruing.

Table 34: TDRs Balance by Quarter During 2015

(in millions)		Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
Commercial TDRs					
Commercial and industrial	$	**1,123**	999	808	779
Real estate mortgage		**1,456**	1,623	1,740	1,838
Real estate construction		**125**	207	236	247
Lease financing		**1**	1	2	2
Total commercial TDRs		**2,705**	2,830	2,786	2,866
Consumer TDRs					
Real estate 1-4 family first mortgage		**16,812**	17,193	17,692	18,003
Real estate 1-4 family junior lien mortgage		**2,306**	2,336	2,381	2,424
Credit Card		**299**	307	315	326
Automobile		**105**	109	112	124
Other revolving credit and installment		**73**	63	58	54
Trial modifications		**402**	421	450	432
Total consumer TDRs		**19,997**	20,429	21,008	21,363
Total TDRs	$	**22,702**	23,259	23,794	24,229
TDRs on nonaccrual status	$	**6,506**	6,709	6,889	6,982
TDRs on accrual status		**16,196**	16,550	16,905	17,247
Total TDRs	$	**22,702**	23,259	23,794	24,229

Table 33 and Table 34 provide information regarding the recorded investment of loans modified in TDRs. The allowance for loan losses for TDRs was $2.7 billion and $3.6 billion at December 31, 2015 and 2014, respectively. See Note 6 (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 35 provides an analysis of the changes in TDRs. Loans modified more than once are reported as TDR inflows only in the period they are first modified. Other than resolutions such as foreclosures, sales and transfers to held for sale, we may remove loans held for investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

Table 35: Analysis of Changes in TDRs

	Quarter ended				Year ended Dec. 31,	
(in millions)	**Dec 31, 2015**	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	**2015**	2014
Commercial TDRs						
Balance, beginning of period	**$ 2,830**	2,786	2,866	2,920	**2,920**	3,765
Inflows (1)	**474**	573	372	310	**1,729**	1,158
Outflows						
Charge-offs	**(109)**	(86)	(20)	(26)	**(241)**	(155)
Foreclosure	**(64)**	(30)	(5)	(11)	**(110)**	(50)
Payments, sales and other (2)	**(426)**	(413)	(427)	(327)	**(1,593)**	(1,798)
Balance, end of period	**2,705**	2,830	2,786	2,866	**2,705**	2,920
Consumer TDRs						
Balance, beginning of period	**20,429**	21,008	21,363	21,629	**21,629**	22,696
Inflows (1)	**672**	753	747	755	**2,927**	4,010
Outflows						
Charge-offs	**(73)**	(79)	(71)	(88)	**(311)**	(515)
Foreclosure	**(226)**	(226)	(242)	(245)	**(939)**	(1,163)
Payments, sales and other (2)	**(786)**	(998)	(807)	(668)	**(3,259)**	(3,201)
Net change in trial modifications (3)	**(19)**	(29)	18	(20)	**(50)**	(198)
Balance, end of period	**19,997**	20,429	21,008	21,363	**19,997**	21,629
Total TDRs	**$ 22,702**	23,259	23,794	24,229	**22,702**	24,549

(1) Inflows include loans that both modify and resolve within the per od as well as advances on loans that modified in a prior period.
(2) Other outflows include normal amortizat on/accret on of loan basis adjustments and loans transferred to held-for-sale. It also includes $6 million of loans refinanced or restructured at market terms and qualifying as new loans and removed from TDR classification for the quarter ended December 31, 2015, while no loans were removed from TDR classification for the quarters ended September 30, June 30, and March 31, 2015. During 2014, $1 million of loans refinanced or structured as new loans and were removed from TDR classif cat on.
(3) Net change in trial modifications includes: inflows of new TDRs entering the trial payment period, net of outflows for modifications that either (i) successfully perform and enter into a permanent modif cat on, or (ii) did not successfully perform according to the terms of the trial per od plan and are subsequently charged-off, foreclosed upon or otherwise resolved. Our experience is that substantially all of the mortgages that enter a trial payment period program are successful in completing the program requirements.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING

Loans 90 days or more past due as to interest or principal are still accruing if they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans are not included in past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

Excluding insured/guaranteed loans, loans 90 days or more past due and still accruing at December 31, 2015, were up $61 million, or 7%, from December 31, 2014, primarily due to increases in our credit card and dealer floorplan lending businesses, partially offset by improvement in consumer real estate lending.

Loans 90 days or more past due and still accruing whose repayments are predominantly insured by the FHA or guaranteed by the VA for mortgages and the U.S. Department of Education for student loans under the Federal Family Education Loan Program (FFELP) were $13.4 billion at December 31, 2015, down from $16.9 billion at December 31, 2014, due to improving credit trends.

Table 36 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 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 36: Loans 90 Days or More Past Due and Still Accruing

					December 31,
(in millions)	**2015**	2014	2013	2012	2011
Total (excluding PCI (1)):	**$ 14,380**	17,810	23,219	23,245	22,569
Less: FHA insured/guaranteed by the VA (2)(3)	**13,373**	16,827	21,274	20,745	19,240
Less: Student loans guaranteed under the FFELP (4)	**26**	63	900	1,065	1,281
Total, not government insured/guaranteed	**$ 981**	920	1,045	1,435	2,048
By segment and class, not government insured/guaranteed:					
Commercial:					
Commercial and industrial	**$ 97**	31	11	48	159
Real estate mortgage	**13**	16	35	228	256
Real estate construction	**4**	—	97	27	89
Total commercial	**114**	47	143	303	504
Consumer:					
Real estate 1-4 family first mortgage (3)	**224**	260	354	564	781
Real estate 1-4 family junior lien mortgage (3)	**65**	83	86	133	279
Credit card	**397**	364	321	310	346
Automobile	**79**	73	55	40	51
Other revolving credit and installment	**102**	93	86	85	87
Total consumer	**867**	873	902	1,132	1,544
Total, not government insured/guaranteed	**$ 981**	920	1,045	1,435	2,048

(1) PCI loans totaled $2.9 billion, $3.7 bill on, $4.5 billion, $6.0 bill on and $8.7 bill on at December 31, 2015, 2014, 2013, 2012 and 2011, respectively.
(2) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.
(3) Includes mortgages held for sale 90 days or more past due and still accruing.
(4) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Educat on under the FFELP. In fourth quarter 2014, substantially all government guaranteed loans were sold.

NET CHARGE-OFFS

Table 37: Net Charge-offs

($ in millions)	Year ended December 31, Net loan charge-offs	Year ended December 31, % of avg. loans	Quarter ended December 31, Net loan charge-offs	Quarter ended December 31, % of avg. loans (1)	Quarter ended September 30, Net loan charge-offs	Quarter ended September 30, % of avg. loans (1)	Quarter ended June 30, Net loan charge-offs	Quarter ended June 30, % of avg. loans (1)	Quarter ended March 31, Net loan charge-offs	Quarter ended March 31, % of avg. loans (1)
2015										
Commercial:										
Commercial and industrial	**$ 482**	**0.17%**	**$ 215**	**0.29%**	**$ 122**	**0.17%**	**$ 81**	**0.12%**	**$ 64**	**0.10%**
Real estate mortgage	**(68)**	**(0.06)**	**(19)**	**(0.06)**	**(23)**	**(0.08)**	**(15)**	**(0.05)**	**(11)**	**(0.04)**
Real estate construction	**(33)**	**(0.16)**	**(10)**	**(0.18)**	**(8)**	**(0.15)**	**(6)**	**(0.11)**	**(9)**	**(0.19)**
Lease financing	**6**	**0.05**	**1**	**0.01**	**3**	**0.11**	**2**	**0.06**	**—**	**—**
Total commercial	**387**	**0.09**	**187**	**0.16**	**94**	**0.08**	**62**	**0.06**	**44**	**0.04**
Consumer:										
Real estate 1-4 family first mortgage	**262**	**0.10**	**50**	**0.07**	**62**	**0.09**	**67**	**0.10**	**83**	**0.13**
Real estate 1-4 family junior lien mortgage	**376**	**0.67**	**70**	**0.52**	**89**	**0.64**	**94**	**0.66**	**123**	**0.85**
Credit card	**941**	**3.00**	**243**	**2.93**	**216**	**2.71**	**243**	**3.21**	**239**	**3.19**
Automobile	**417**	**0.72**	**135**	**0.90**	**113**	**0.76**	**68**	**0.48**	**101**	**0.73**
Other revolving credit and installment	**509**	**1.36**	**146**	**1.49**	**129**	**1.35**	**116**	**1.26**	**118**	**1.32**
Total consumer	**2,505**	**0.55**	**644**	**0.56**	**609**	**0.53**	**588**	**0.53**	**664**	**0.60**
Total	**$ 2,892**	**0.33%**	**$ 831**	**0.36%**	**$ 703**	**0.31%**	**$ 650**	**0.30%**	**$ 708**	**0.33%**
2014										
Commercial:										
Commercial and industrial	$ 258	0.10%	$ 82	0.12%	$ 67	0.11%	$ 60	0.10%	$ 49	0.08%
Real estate mortgage	(94)	(0.08)	(25)	(0.09)	(37)	(0.13)	(10)	(0.04)	(22)	(0.08)
Real estate construction	(127)	(0.72)	(26)	(0.56)	(58)	(1.27)	(20)	(0.47)	(23)	(0.54)
Lease financing	7	0.06	1	0.05	4	0.10	1	0.05	1	0.03
Total commercial	44	0.01	32	0.03	(24)	0.02	31	0.03	5	0.01
Consumer:										
Real estate 1-4 family first mortgage	509	0.19	88	0.13	114	0.17	137	0.21	170	0.27
Real estate 1-4 family junior lien mortgage	626	1.00	134	0.88	140	0.90	160	1.02	192	1.19
Credit card	864	3.14	221	2.97	201	2.87	211	3.20	231	3.57
Automobile	380	0.70	132	0.94	112	0.81	46	0.35	90	0.70
Other revolving credit and installment	522	1.35	128	1.45	125	1.46	132	1.22	137	1.29
Total consumer	2,901	0.65	703	0.63	692	0.62	686	0.62	820	0.75
Total	$ 2,945	0.35%	$ 735	0.34%	$ 668	0.32%	$ 717	0.35%	$ 825	0.41%

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

Table 37 presents net charge-offs for the four quarters and full year of 2015 and 2014. Net charge-offs in 2015 were $2.9 billion (0.33% of average total loans outstanding) compared with $2.9 billion (0.35%) in 2014. The increase in commercial and industrial net charge-offs in 2015 reflected continued deterioration within the oil and gas portfolio. Our commercial real estate portfolios were in a net recovery position every quarter in 2015 and 2014. We continued to have strong credit improvement in our residential real estate secured portfolios, benefiting from improvement in the housing market, with losses down $497 million, or 44%, from 2014.

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 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

We apply a disciplined process and methodology to establish our allowance for credit losses each quarter. This process takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific characteristics. 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. Our estimation approach for the commercial portfolio reflects the estimated probability of default in accordance with the borrower's financial strength, and the severity of loss in the event of default, considering the quality of any underlying collateral. Probability of default and severity at the time of default are statistically derived through historical observations of defaults and losses after default within each credit risk rating. Our estimation approach for the consumer portfolio uses forecasted losses that represent our best estimate of inherent loss based on historical experience, quantitative and other mathematical techniques over the loss emergence period. For additional information on our allowance for credit losses, see the "Critical Accounting Policies – Allowance for Credit Losses" section and Note 1 (Summary of Significant Accounting Policies) and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 38 presents the allocation of the allowance for credit losses by loan segment and class for the last five years.

Table 38: Allocation of the Allowance for Credit Losses (ACL)

	Dec 31, 2015		Dec 31, 2014		Dec 31, 2013		Dec 31, 2012		Dec 31, 2011	
(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	**$ 4,231**	**33%**	$ 3,506	32%	$ 3,040	29%	$ 2,789	28%	$ 2,810	27%
Real estate mortgage	**1,264**	**13**	1,576	13	2,157	14	2,284	13	2,570	14
Real estate construction	**1,210**	**3**	1,097	2	775	2	552	2	893	2
Lease financing	**167**	**1**	198	1	131	1	89	2	85	2
Total commercial	**6,872**	**50**	6,377	48	6,103	46	5,714	45	6,358	45
Consumer:										
Real estate 1-4 family first mortgage	**1,895**	**30**	2,878	31	4,087	32	6,100	31	6,934	30
Real estate 1-4 family junior lien mortgage	**1,223**	**6**	1,566	7	2,534	8	3,462	10	3,897	11
Credit card	**1,412**	**4**	1,271	4	1,224	3	1,234	3	1,294	3
Automobile	**529**	**6**	516	6	475	6	417	6	555	6
Other revolving credit and installment	**581**	**4**	561	4	548	5	550	5	630	5
Total consumer	**5,640**	**50**	6,792	52	8,868	54	11,763	55	13,310	55
Total	**$ 12,512**	**100%**	$ 13,169	100%	$ 14,971	100%	$ 17,477	100%	$ 19,668	100%

	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Components:					
Allowance for loan losses	**$ 11,545**	12,319	14,502	17,060	19,372
Allowance for unfunded credit commitments	**967**	850	469	417	296
Allowance for credit losses	**$ 12,512**	13,169	14,971	17,477	19,668
Allowance for loan losses as a percentage of total loans	**1.26%**	1.43	1.76	2.13	2.52
Allowance for loan losses as a percentage of total net charge-offs	**399**	418	322	189	171
Allowance for credit losses as a percentage of total loans	**1.37**	1.53	1.82	2.19	2.56
Allowance for credit losses as a percentage of total nonaccrual loans	**110**	103	96	85	92

In addition to the allowance for credit losses, there was $1.9 billion at December 31, 2015, and $2.9 billion at December 31, 2014, of nonaccretable difference to absorb losses for PCI loans. The allowance for credit losses is lower than otherwise would have been required without PCI loan accounting. As a result of PCI loans, certain ratios of the Company may not be directly comparable with credit-related metrics for other financial institutions. Additionally, loans purchased at fair value generally reflect a lifetime credit loss adjustment and therefore do not initially require additions to the allowance as is typically associated with loan growth. For additional information on PCI loans, see the "Risk Management – Credit Risk Management – Purchased Credit-Impaired Loans" section, Note 1 (Summary of Significant Accounting Policies) and Note 6 (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 one-half of our nonaccrual loans were real estate 1-4 family first and junior lien mortgage loans at December 31, 2015.

The allowance for credit losses declined in 2015, which reflected continued credit improvement, particularly in our residential real estate portfolios and primarily associated with continued improvement in the housing market, partially offset by an increase in our commercial allowance to reflect deterioration in the oil and gas portfolio. The total provision for credit losses was $2.4 billion in 2015, $1.4 billion in 2014 and $2.3 billion in 2013. The 2015 provision for credit losses was $450 million less than net charge-offs, due to strong underlying credit, and improvement in the housing market. The 2014 provision was $1.6 billion less than net charge-offs, and the 2013 provision was $2.2 billion less than net charge-offs. For each of 2014 and 2013, the provision was influenced by continually improving credit performance.

We believe the allowance for credit losses of $12.5 billion at December 31, 2015, was appropriate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at that date. Approximately $1.2 billion of the allowance at December 31, 2015 was allocated to our oil and gas portfolio, however the entire allowance is available to absorb credit losses inherent in the total loan portfolio. 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. Future allowance levels may increase or decrease based on a variety of factors, including loan growth, portfolio performance and general economic conditions. 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 this Report.

LIABILITY FOR MORTGAGE LOAN REPURCHASE LOSSES

We sell residential mortgage loans to various parties, including (1) government-sponsored entities (GSEs) Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) who include the mortgage loans in GSE-guaranteed mortgage securitizations, (2) SPEs that issue private label MBS, and (3) other financial institutions that purchase mortgage loans for investment or private label securitization. In addition, we pool FHA-insured and VA-guaranteed mortgage loans that are then used to back securities guaranteed by the Government National Mortgage Association (GNMA). We may be required to repurchase these mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for credit losses incurred on loans (collectively, repurchase) in the event of a breach of contractual representations or warranties that is not remedied within a period (usually 90 days or less) after we receive notice of the breach. The majority of repurchase demands are on loans that default in the first 24 to 36 months following origination of the mortgage loan.

In connection with our sales and securitization of residential mortgage loans to various parties, we have established a mortgage repurchase liability, initially at fair value, related to various representations and warranties that reflect management's estimate of losses for loans for which we could 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.

Because we retain the servicing for most of the mortgage loans we sell or securitize, we believe the quality of our residential mortgage loan servicing portfolio provides helpful information in evaluating our repurchase liability. Of the $1.6 trillion in the residential mortgage loan servicing portfolio at December 31, 2015, 95% was current and less than 2% was subprime at origination. Our combined delinquency and foreclosure rate on this portfolio was 5.18% at December 31, 2015, compared with 5.79% at December 31, 2014. Three percent of this portfolio is private label securitizations for which we originated the loans and, therefore, have some repurchase risk.

The overall level of unresolved repurchase demands and mortgage insurance rescissions outstanding at December 31, 2015, was $62 million, representing 280 loans, down from $183 million, or 839 loans, a year ago, as we observed a decline in new demands and continued to work through the outstanding 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. Historical recovery rates as well as projected lender performance are incorporated in the establishment of our mortgage repurchase liability.

We do not typically receive repurchase requests from GNMA, FHA and the Department of Housing and Urban Development (HUD) or VA. As an originator of an FHA-insured or VA-guaranteed loan, we are responsible for obtaining the insurance with the 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 39 summarizes the changes in our mortgage repurchase liability. We incurred net losses on repurchased loans and investor reimbursements totaling $78 million in 2015, compared with $144 million in 2014.

Table 39: Changes in Mortgage Repurchase Liability

	Quarter ended						
	Dec 31,	**Sep 30,**	**Jun 30,**	**Mar 31,**		Year ended Dec. 31,	
(in millions)	**2015**	**2015**	**2015**	**2015**	**2015**	2014	2013
Balance, beginning of period	**$ 538**	**557**	**586**	**615**	**615**	899	2,206
Provision for repurchase losses:							
Loan sales	**9**	**11**	**13**	**10**	**43**	44	143
Change in estimate (1)	**(128)**	**(17)**	**(31)**	**(26)**	**(202)**	(184)	285
Total additions (reductions)	**(119)**	**(6)**	**(18)**	**(16)**	**(159)**	(140)	428
Losses (2)	**(41)**	**(13)**	**(11)**	**(13)**	**(78)**	(144)	(1,735)
Balance, end of period	**$ 378**	**538**	**557**	**586**	**378**	615	899

(1) Results from changes in investor demand and mortgage insurer practices, credit deterioration and changes in the financial stability of correspondent lenders.
(2) Year ended December 31, 2013, reflects $746 million as a result of the agreement with FHLMC that resolves substantially all repurchase liabilities related to loans sold to FHLMC prior to January 1, 2009. Year ended December 31, 2013, reflects $508 mill on as a result of the agreement w th FNMA that resolves substantially all repurchase liabil ties related to loans sold to FNMA that were originated pr or to January 1, 2009.

Our liability for mortgage repurchases, included in "Accrued expenses and other liabilities" in our consolidated balance sheet, 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. The liability was $378 million at December 31, 2015, and $615 million at December 31, 2014. In 2015, we released $159 million, which increased net gains on mortgage loan origination/sales activities, compared with a release of $140 million in 2014. The release in 2015 was primarily due to resolving certain exposures and a re-estimation of our liability based on recently observed trends.

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 exceeded our recorded liability by $293 million at December 31, 2015, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) used in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions. Our estimate of reasonably possible losses decreased in 2015 as court rulings during the year provided a better understanding of our exposure to repurchase risk. For additional information on our repurchase liability, see Note 9 (Mortgage Banking Activities) to Financial Statements in this Report.

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. The following discussion summarizes the primary duties and requirements of servicing and related industry developments.

General Servicing Duties and Requirements

The loans we service were originated by us or by other mortgage loan originators. As servicer, our primary duties are typically to (1) collect payments due from borrowers, (2) advance certain delinquent payments of principal and interest on the mortgage loans, (3) maintain and administer any hazard, title or primary mortgage insurance policies relating to the mortgage loans, (4) maintain any required escrow accounts for payment of taxes and insurance and administer escrow payments, (5) foreclose on defaulted mortgage loans or, to the extent consistent with the related servicing agreement, consider alternatives to foreclosure, such as loan modifications or short sales, and (6) for loans sold into private label securitizations, manage the foreclosed property through liquidation. As master servicer, our primary duties are typically to (1) supervise, monitor and oversee the servicing of the mortgage loans by the servicer, (2) consult with each servicer and use reasonable efforts to cause the servicer to observe its servicing obligations, (3) prepare monthly distribution statements to security holders and, if required by the securitization documents, certain periodic reports required to be filed with the SEC, (4) if required by the securitization documents, calculate distributions and loss allocations on the mortgage-backed securities, (5) prepare tax and information returns of the securitization trust, and (6) advance amounts required by non-affiliated servicers who fail to perform their advancing obligations.

Each agreement under which we act as servicer or master servicer generally specifies a standard of responsibility for actions we take in such capacity and provides protection against expenses and liabilities we incur when acting in compliance with the specified standard. For example, most private label securitization agreements under which we act as servicer or master servicer typically provide that the servicer and the master servicer are entitled to indemnification by the securitization trust for taking action or refraining from taking action in good faith or for errors in judgment. However, we are not indemnified, but rather are required to indemnify the securitization trustee, against any failure by us, as servicer or master servicer, to perform our servicing obligations or against any of our acts or omissions that involve willful misfeasance, bad faith or gross negligence in the performance of, or reckless disregard of, our duties. In addition, if we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period following notice, which can generally be given by the securitization trustee or a specified percentage of security holders. Whole loan sale contracts under which we act as servicer generally include similar provisions with respect to our actions as servicer. The standards governing servicing in GSE-guaranteed securitizations, and the possible remedies for violations of such standards, vary, and those standards and remedies are determined by servicing guides maintained by the GSEs, contracts between the GSEs and individual servicers and topical guides published by the GSEs from time to time. Such remedies could include indemnification or repurchase of an affected mortgage loan.

Consent Orders and Settlement Agreements for Mortgage Servicing and Foreclosure Practices

In connection with our servicing activities we have entered into various settlements with federal and state regulators to resolve certain alleged servicing issues and practices. In general, these settlements required us to provide customers with loan modification relief, refinancing relief, and foreclosure prevention and assistance, as well as imposed certain monetary penalties on us.

In particular, on February 28, 2013, we entered into amendments to an April 2011 Consent Order with both the Office of the Comptroller of the Currency (OCC) and the FRB, which effectively ceased the Independent Foreclosure Review program created by such Consent Order and replaced it with an accelerated remediation commitment to provide foreclosure prevention actions on $1.2 billion of residential mortgage loans, subject to a process to be administered by the OCC and the FRB.

During 2014, we reported sufficient foreclosure prevention actions to satisfy the $1.2 billion financial commitment.

In June 2015, we entered into an additional amendment to the April 2011 Consent Order with the OCC to address 15 of the 98 actionable items contained in the April 2011 Consent Order that were still considered open. This amendment requires that we remediate certain activities associated with our mortgage loan servicing practices and allows for the OCC to take additional supervisory action, including possible civil money penalties, if we do not comply with the terms of this amended Consent Order. In addition, this amendment prohibits us from acquiring new mortgage servicing rights or entering into new mortgage servicing contracts, other than mortgage servicing associated with originating mortgage loans or purchasing loans from correspondent clients in our normal course of business. Additionally, this amendment prohibits any new off-shoring of new mortgage servicing activities and requires OCC approval to outsource or sub-service any new mortgage servicing activities.

Asset/Liability Management

Asset/liability management involves evaluating, monitoring and managing interest rate risk, market risk, liquidity and funding. Primary oversight of interest rate risk and market risk resides with the Finance Committee of our Board of Directors (Board), which oversees the administration and effectiveness of financial risk management policies and processes used to assess and manage these risks. Primary oversight of liquidity and funding resides with the Risk Committee of the Board. At the management level we utilize a Corporate Asset/Liability Management Committee (Corporate ALCO), which consists of senior financial, risk, and business executives, to oversee these risks and report on them periodically to the Board's Finance Committee and Risk Committee as appropriate. 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 market risk. 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 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 investment securities 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 in our simulations are also impacted by the valuation of MSRs and related hedge positions. See the "Risk Management – Mortgage Banking Interest Rate and Market Risk" section in this Report for more information.

The degree to which these sensitivities offset each other is dependent upon the timing and magnitude of changes in interest rates, and the slope of the yield curve. During a transition to a higher or lower interest rate environment, a reduction or increase in interest-sensitive earnings from the mortgage banking business could occur quickly, while the benefit or detriment from balance sheet repricing could take more time to develop. For example, our lower rate scenarios (scenario 1 and scenario 2) in the following table initially measure a decline in interest rates versus our most likely scenario. Although the performance in these rate scenarios contain initial benefit from increased mortgage banking activity, the result is lower earnings relative to the most likely scenario over time given pressure on net interest income. The higher rate scenarios (scenario 3 and scenario 4) measure the impact of varying degrees of rising short-term and long-term interest rates over the course of the forecast horizon relative to the most likely scenario, both resulting in positive earnings sensitivity.

As of December 31, 2015, 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 40, 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 and a negative range indicates a detrimental earnings sensitivity relative to the most likely earnings plan).

Table 40: Earnings Sensitivity Over 24 Month Horizon Relative to Most Likely Earnings Plan

	Most likely	Lower rates		Higher rates	
		Scenario 1	Scenario 2	Scenar o 3	Scenario 4
Ending rates:					
Federal funds	2.12 %	0.25	1.86	2.35	5.25
10-year treasury (1)	3.49	1.80	2.99	3.99	6.30
Earnings relative to most likely	N/A	(3)-(4) %	(1)-(2)	0-5	0-5

(1) U.S. Constant Maturity Treasury Rate

We use the investment securities portfolio and exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. See the "Balance Sheet Analysis – Investment Securities" section in this Report for more information on the use of the available-for-sale and held-to-maturity securities portfolios. The notional or contractual amount, credit risk amount and fair value of the derivatives used to hedge our interest rate risk exposures as of December 31, 2015, and 2014, are presented in Note 16 (Derivatives) to Financial Statements in this Report. We use derivatives for asset/liability management in two main ways:

- to convert the cash flows from selected asset and/or liability instruments/portfolios, including investments, commercial loans and long-term debt, 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. Based on market conditions and other factors, we reduce credit and liquidity risks by selling or securitizing a majority of the long-term fixed-rate mortgage and ARM loans we originate. On the other hand, we may hold originated ARMs and fixed-rate mortgage loans in our loan portfolio as an investment for our growing base of deposits. We determine whether the loans will be held for investment or held for sale at the time of commitment. We may subsequently change our intent to hold loans for investment and sell some or all of our ARMs or fixed-rate mortgages as part of our corporate asset/liability management. We may also acquire and add to our securities available for sale a portion of the securities issued at the time we securitize MHFS.

With the decrease in average mortgage interest rates in 2015, our mortgage banking revenue increased as the level of mortgage loan refinance activity increased compared with 2014. The increase in mortgage loan origination income (primarily driven by the increase in mortgage loan volume) more than offset the decrease in net servicing income. Despite the continued slow recovery in the housing sector, and the continued lack of liquidity in the nonconforming secondary markets, our mortgage banking revenue was strong in 2015, reflecting the complementary origination and servicing strengths of the business. The secondary market for agency-conforming mortgages functioned well during 2015.

Interest rate and market risk can be substantial in the mortgage business. Changes in interest rates may potentially reduce total origination and servicing fees, the value of our residential MSRs measured at fair value, the value of MHFS and the associated income and loss reflected in mortgage banking noninterest income, the income and expense associated with instruments (economic hedges) used to hedge changes in the fair value of MSRs and MHFS, and the value of derivative loan commitments (interest rate "locks") extended to mortgage applicants.

Interest rates affect the amount and timing of origination and servicing fees because consumer demand for new mortgages and the level of refinancing activity are sensitive to changes in mortgage interest rates. Typically, a decline in mortgage interest rates will lead to an increase in mortgage originations and fees and may also lead to an increase in servicing fee income, depending on the level of new loans added to the servicing portfolio and prepayments. Given the time it takes for consumer behavior to fully react to interest rate changes, as well as the time required for processing a new application, providing the commitment, and securitizing and selling the loan, interest rate changes will affect origination and servicing fees with a lag. The amount and timing of the impact on origination and servicing fees will depend on the magnitude, speed and duration of the change in interest rates.

We measure originations of MHFS at fair value where an active secondary market and readily available market prices exist to reliably support fair value pricing models used for these loans. Loan origination fees on these loans are recorded when earned, and related direct loan origination costs are recognized when incurred. We also measure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe fair value measurement for MHFS and other interests held, which we hedge with free-standing derivatives (economic hedges) along with our MSRs measured at fair value, reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets. During 2015 and 2014, in response to continued secondary market illiquidity, we continued to originate certain prime non-agency loans to be held for investment for the foreseeable future rather than to be held for sale.

We initially measure all of our MSRs at fair value and carry substantially all of them at fair value depending on our strategy for managing interest rate risk. Under this method, the MSRs are recorded at fair value at the time we sell or securitize the related mortgage loans. The carrying value of MSRs carried at fair value reflects changes in fair value at the end of each quarter and changes are included in net servicing income, a component of mortgage banking noninterest income. If the fair value of the MSRs increases, income is recognized; if the fair value of the MSRs decreases, a loss is recognized. We use a dynamic and sophisticated model to estimate the fair value of our MSRs and periodically benchmark our estimates to independent appraisals. The valuation of MSRs can be highly subjective and involve complex judgments by management about matters that are inherently unpredictable. See "Critical Accounting Policies – Valuation of Residential Mortgage Servicing Rights" section in this Report for additional information. Changes in interest rates influence a variety of significant assumptions included in the periodic valuation of MSRs, including prepayment speeds, expected returns and potential risks on the servicing asset portfolio, the value of escrow balances and other servicing valuation elements.

A decline in interest rates generally increases the propensity for refinancing, reduces the expected duration of the servicing portfolio and therefore reduces the estimated fair value of MSRs. This reduction in fair value causes a charge to income for MSRs carried at fair value, net of any gains on free-standing derivatives (economic hedges) used to hedge MSRs. We may choose not to fully hedge the entire potential decline in the value of our MSRs

resulting from a decline in interest rates because the potential increase in origination/servicing fees in that scenario provides a partial "natural business hedge." An increase in interest rates generally reduces the propensity for refinancing, extends the expected duration of the servicing portfolio and, therefore, increases the estimated fair value of the MSRs. However, an increase in interest rates can also reduce mortgage loan demand and, therefore, reduce origination income.

The price risk associated with our MSRs is economically hedged with a combination of highly liquid interest rate forward instruments including mortgage forward contracts, interest rate swaps and interest rate options. All of the instruments included in the hedge are marked to market daily. Because the hedging instruments are traded in highly liquid markets, their prices are readily observable and are fully reflected in each quarter's mark to market. Quarterly MSR hedging results include a combination of directional gain or loss due to market changes as well as any carry income generated. If the economic hedge is effective, its overall directional hedge gain or loss will offset the change in the valuation of the underlying MSR asset. Gains or losses associated with these economic hedges are included in mortgage banking noninterest income. Consistent with our longstanding approach to hedging interest rate risk in the mortgage business, the size of the hedge and the particular combination of forward hedging instruments at any point in time is designed to reduce the volatility of the mortgage business's earnings over various time frames within a range of mortgage interest rates. Because market factors, the composition of the mortgage servicing portfolio and the relationship between the origination and servicing sides of our mortgage business change continually, the types of instruments used in our hedging are reviewed daily and rebalanced based on our evaluation of current market factors and the interest rate risk inherent in our MSRs portfolio. Throughout 2015, our economic hedging strategy generally used forward mortgage purchase contracts that were effective at offsetting the impact of interest rates on the value of the MSR asset.

Mortgage forward contracts are designed to pass the full economics of the underlying reference mortgage securities to the holder of the contract, including both the directional gain and loss from the forward delivery of the reference securities and the corresponding carry income. Carry income represents the contract's price accretion from the forward delivery price to the spot price including both the yield earned on the reference securities and the market implied cost of financing during the period. The actual amount of carry income earned on the hedge each quarter will depend on the amount of the underlying asset that is hedged and the particular instruments included in the hedge. The level of carry income is driven by the slope of the yield curve and other market driven supply and demand factors affecting the specific reference securities. A steep yield curve generally produces higher carry income while a flat or inverted yield curve can result in lower or potentially negative carry income. The level of carry income is also affected by the type of instrument used. In general, mortgage forward contracts tend to produce higher carry income than interest rate swap contracts. Carry income is recognized over the life of the mortgage forward as a component of the contract's mark to market gain or loss.

Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires sophisticated modeling and constant monitoring. While we attempt to balance these various aspects of the mortgage business, there are several potential risks to earnings:

- Valuation changes for MSRs associated with interest rate changes are recorded in earnings immediately within the accounting period in which those interest rate changes occur, whereas the impact of those same changes in interest rates on origination and servicing fees occur with a lag and over time. Thus, the mortgage business could be protected from adverse changes in interest rates over a period of time on a cumulative basis but still display large variations in income from one accounting period to the next.
- The degree to which our net gains on loan originations offsets valuation changes for MSRs is imperfect, varies at different points in the interest rate cycle, and depends not just on the direction of interest rates but on the pattern of quarterly interest rate changes.
- Origination volumes, the valuation of MSRs and hedging results and associated costs are also affected by many factors. Such factors include the mix of new business between ARMs and fixed-rate mortgages, the relationship between short-term and long-term interest rates, the degree of volatility in interest rates, the relationship between mortgage interest rates and other interest rate markets, and other interest rate factors. Additional factors that can impact the valuation of the MSRs include changes in servicing and foreclosure costs due to changes in investor or regulatory guidelines, as well as individual state foreclosure legislation, and changes in discount rates due to market participants requiring a higher return due to updated market expectations on costs and risks associated with investing in MSRs. Many of these factors are hard to predict and we may not be able to directly or perfectly hedge their effect.
- 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 we earn on our economic hedges for the MSRs may not continue if the spread between short-term and long-term rates decreases, 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 $13.7 billion and $14.0 billion at December 31, 2015 and 2014, respectively. The weighted-average note rate on our portfolio of loans serviced for others was 4.37% and 4.45% at December 31, 2015 and 2014, respectively. The carrying value of our total MSRs represented 0.77% and 0.75% of mortgage loans serviced for others at December 31, 2015 and 2014, respectively.

As part of our mortgage banking activities, we enter into commitments to fund residential mortgage loans at specified times in the future. A mortgage loan commitment is an interest rate lock that binds us to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock. These loan commitments are derivative loan commitments if the loans that will result from the exercise of the commitments will be held for sale. These derivative loan commitments are recognized at fair value on the balance sheet with changes in their fair values recorded as part of mortgage banking noninterest income. The fair value of these commitments include, at inception and during the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan as part of the fair value measurement of derivative loan commitments.

Changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment, referred to as a fall-out factor. The value of the underlying loan commitment is affected primarily by changes in interest rates and the passage of time.

Outstanding derivative loan commitments expose us to the risk that the price of the mortgage loans underlying the commitments might decline due to increases in mortgage interest rates from inception of the rate lock to the funding of the loan. To minimize this risk, we employ mortgage forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts as economic hedges against the potential decreases in the values of the loans. We expect that these derivative financial instruments will experience changes in fair value that will either fully or partially offset the changes in fair value of the derivative loan commitments. However, changes in investor demand, such as concerns about credit risk, can also cause changes in the spread relationships between underlying loan value and the derivative financial instruments that cannot be hedged.

MARKET RISK – TRADING ACTIVITIES The Finance Committee of our Board of Directors reviews the acceptable market risk appetite for our trading activities. We engage in trading activities primarily to accommodate the investment and risk management activities of our customers (which involves transactions that are recorded as trading assets and liabilities on our balance sheet), to execute economic hedging to manage certain balance sheet risks and, to a very limited degree, for proprietary trading for our own account. These activities primarily occur within our Wholesale Banking businesses and to a lesser extent other divisions of the Company. 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 on trading activities, a component of noninterest income in our income statement.

Table 41 presents total revenue from trading activities.

Table 41: Net gains (losses) from Trading Activities

		Year ended December 31,	
(in millions)	**2015**	2014	2013
Interest income (1)	**1,971**	1,685	1,376
Less: Interest expense (2)	**357**	382	307
Net interest income	**1,614**	1,303	1,069
Noninterest income:			
Net gains (losses) from trading activities (3):			
Customer accommodation	**806**	924	1,278
Economic hedges and other (4)	**(192)**	233	332
Proprietary trading	**—**	4	13
Total net gains from trading activities	**614**	1,161	1,623
Total trading-related net interest and noninterest income	**2,228**	2,464	2,692

(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.
(4) Excludes economic hedging of mortgage banking and asset/liability management activities, for which hedge results (realized and unrealized) are reported with the respective hedged activities.

Customer accommodation Customer accommodation activities are conducted to help customers manage their investment and risk management needs. We engage in market-making activities or act as an intermediary to purchase or sell financial instruments in anticipation of or in response to customer needs. This category also includes positions we use to manage our exposure to customer 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 or security positions with a separate counterparty or exchange to manage our exposure to the derivative with our customer. We earn income on this activity based on the transaction price difference between the customer and offsetting derivative or security positions, which is reflected in the fair value changes of the positions recorded in net gains on trading activities.

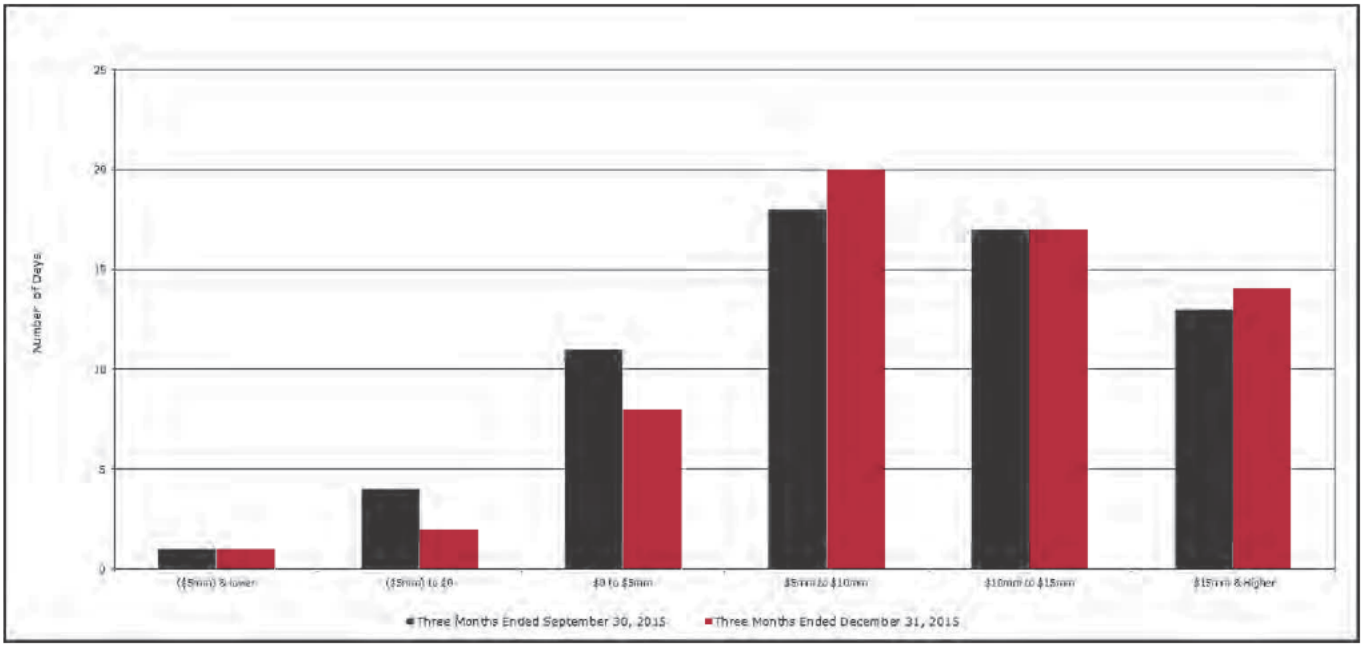
Customer accommodation trading also includes net gains related to market-making activities in which we take positions to facilitate customer order flow. For example, we may own securities recorded as trading assets (long positions) or sold securities we have not yet purchased, recorded as trading liabilities (short positions), typically on a short-term basis, to facilitate support of buying and selling demand from our customers. As a market maker in these securities, we earn income due to: (1) the difference between the price paid or received for the purchase and sale of the security (bid-ask spread), (2) the net interest income, and (3) the 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. Income earned on this type of market-making activity is reflected in the fair value changes of these positions recorded in net gains 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 has been substantially restricted by the Dodd-Frank Act provisions known as the "Volcker Rule." Accordingly, we reduced and have exited certain business activities as a result of the rule. As discussed within this section and the noninterest income section of our financial results, proprietary trading activity is insignificant to our business and financial results. For more details on the Volcker Rule, see the "Regulatory Reform" section in this Report.

Daily Trading-Related Revenue Table 42 provides information on the distribution of daily trading-related revenues for the Company's trading portfolio. This trading-related revenue is defined as the change in value of the trading assets and trading liabilities, trading-related net interest income, and trading-related intra-day gains and losses. Net trading-related revenue does not include activity related to long-term positions held for economic hedging purposes, period-end adjustments, and other activity not representative of daily price changes driven by market factors.

Table 42: Distribution of Daily Trading-Related Revenues



Market risk is the risk of possible economic loss from adverse changes in market risk factors such as interest rates, credit spreads, foreign exchange rates, equity prices, commodity prices, mortgage rates and mortgage liquidity. Market risk is intrinsic to the Company's sales and trading, market making, investing, and risk management activities.

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

VaR is a statistical risk measure used to estimate the potential loss from adverse moves in the financial markets. The VaR measures assume that historical changes in market values (historical simulation analysis) are representative of the potential future outcomes and measure the expected loss over a given time interval (for example, 1 day or 10 days) at a given confidence level. Our historical simulation analysis approach uses historical observations of daily changes in each of the market risk factors from each trading day in the previous 12 months. The risk drivers of each market risk exposure are updated on a daily basis. We measure and report VaR for 1-day and 10-day holding periods at a 99% confidence level. This means we would expect to incur single day losses greater than predicted by VaR estimates for the measured positions one time in every 100 trading days. We treat data from all historical periods as equally relevant and consider using data for the previous 12 months as appropriate for determining VaR. We believe using a 12-month look back period helps ensure the Company's VaR is responsive to current market conditions.

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

VaR models are subject to limitations which include, but are not limited to, the use of historical changes in market factors that may not accurately reflect future changes in market factors, and the inability to predict market liquidity in extreme market conditions. All limitations such as model inputs, model assumptions, and calculation methodology risk are monitored by the Corporate Market Risk Group and the Corporate Model Risk Group.

The VaR models measure exposure to the following categories:

- credit risk – exposures from corporate credit spreads, asset-backed security spreads, and mortgage prepayments.
- interest rate risk – exposures from changes in the level, slope, and curvature of interest rate curves and the volatility of interest rates.
- equity risk – exposures to changes in equity prices and volatilities of single name, index, and basket exposures.
- commodity risk – exposures to changes in commodity prices and volatilities.
- foreign exchange risk – exposures to changes in foreign exchange rates and volatilities.

VaR is a primary market risk management measure for assets and liabilities classified as trading positions and is used as a supplemental analysis tool to monitor exposures classified as available for sale (AFS) and other exposures that we carry at fair value.

Trading VaR is the measure used to provide insight into the market risk exhibited by the Company's trading positions. The Company calculates Trading VaR for risk management purposes to establish line of business and Company-wide risk limits. Trading VaR is calculated based on all trading positions classified as trading assets or trading liabilities on our balance sheet.

Table 43 shows the results of the Company's Trading General VaR by risk category. As presented in the table, average Trading General VaR was $19 million for the quarter ended December 31, 2015, compared with $21 million for the quarter ended September 30, 2015. The decrease was primarily driven by risk reducing changes in portfolio composition which offset the market volatility experienced during the quarter.

Table 43: Trading 1-Day 99% General VaR by Risk Category

	Quarter ended							
	December 31, 2015				September 30, 2015			
(in millions)	Period end	Average	Low	High	Period end	Average	Low	High
Company Trading General VaR Risk Categories								
Credit	**$ 14**	**18**	**14**	**25**	20	20	16	24
Interest rate	**8**	**9**	**5**	**13**	18	14	6	22
Equity	**13**	**14**	**12**	**16**	16	14	12	16
Commodity	**1**	**1**	**1**	**1**	1	1	1	2
Foreign exchange	**2**	**1**	**1**	**2**	1	1	—	2
Diversification benefit (1)	**(20)**	**(24)**			(38)	(29)		
Company Trading General VaR	**18**	**19**			18	21		

(1) The per od-end VaR was less than the sum of the VaR components described above, wh ch is due to portfol o diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone. The diversif cation benefit is not meaningful for low and high metr cs since they may occur on different days.

Sensitivity Analysis Given the inherent limitations of the VaR models, the Company uses other measures, including sensitivity analysis, to measure and monitor risk. Sensitivity analysis is the measure of exposure to a single risk factor, such as a 0.01% increase in interest rates or a 1% increase in equity prices. We conduct and monitor sensitivity on interest rates, credit spreads, volatility, equity, commodity, and foreign exchange exposure. Sensitivity analysis complements VaR as it provides an indication of risk relative to each factor irrespective of historical market moves.

Stress Testing While VaR captures the risk of loss due to adverse changes in markets using recent historical market data, stress testing captures the Company's exposure to extreme but low probability market movements. Stress scenarios estimate the risk of losses based on management's assumptions of abnormal but severe market movements such as severe credit spread widening or a large decline in equity prices. These scenarios assume that the market moves happen instantaneously and no repositioning or hedging activity takes place to mitigate losses as events unfold (a conservative approach since experience demonstrates otherwise).

An inventory of scenarios is maintained representing both historical and hypothetical stress events that affect a broad range of market risk factors with varying degrees of correlation and differing time horizons. Hypothetical scenarios assess the impact of large movements in financial variables on portfolio values. Typical examples include a 1% (100 basis point) increase across the yield curve or a 10% decline in equity market indexes. Historical scenarios utilize an event-driven approach: the stress scenarios are based on plausible but rare events, and the analysis addresses how these events might affect the risk factors relevant to a portfolio.

The Company's stress testing framework is also used in calculating results in support of the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) and internal stress tests. Stress scenarios are regularly reviewed and updated to address potential market events or concerns. For more detail on the CCAR process, see the "Capital Management" section in this Report.

Regulatory Market Risk Capital is based on U.S. regulatory agency risk-based capital regulations that are based on the Basel Committee Capital Accord of the Basel Committee on Banking Supervision. The Company must calculate regulatory capital based on the Basel III market risk capital rule, which requires banking organizations with significant trading activities to adjust their capital requirements to better account for the market risks of those activities based on comprehensive and risk sensitive methods and models. The market risk capital rule is intended to cover the risk of loss in value of covered positions due to changes in market conditions.

Composition of Material Portfolio of Covered Positions The positions that are "covered" by the market risk capital rule are generally a subset of our trading assets and trading liabilities, specifically those held by the Company for the purpose of short-term resale or with the intent of benefiting from actual or expected short-term price movements, or to lock in arbitrage profits. Positions excluded from market risk regulatory capital treatment are subject to the credit risk capital rules applicable to the "non-covered" trading positions.

The material portfolio of the Company's "covered" positions is predominantly concentrated in the trading assets and trading liabilities managed within Wholesale Banking where the substantial portion of market risk capital resides. Wholesale Banking engages in the fixed income, traded credit, foreign exchange, equities, and commodities markets businesses. Other business segments also hold small trading positions covered under the market risk capital rule.

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

Basel III prescribes various VaR measures in the determination of regulatory capital and risk-weighted assets (RWAs). The Company uses the same VaR models for both market risk management purposes as well as regulatory capital calculations. For regulatory purposes, we use the following metrics to determine the Company's market risk capital requirements:

General VaR measures the risk of broad market movements such as changes in the level of credit spreads, interest rates, equity prices, commodity prices, and foreign exchange rates. General VaR uses historical simulation analysis based on 99% confidence level and a 10-day time horizon.

Table 44 shows the General VaR measure by major risk categories for Wholesale Banking. Average 10-day Company Regulatory General VaR was $40 million for the quarter ended December 31, 2015, compared with $35 million for the quarter ended September 30, 2015. The increase was primarily driven by changes in portfolio composition.

Table 44: Regulatory 10-Day 99% General VaR by Risk Category

								Quarter ended
	December 31, 2015				September 30, 2015			
(in millions)	Period end	Average	Low	High	Period end	Average	Low	High
Wholesale Regulatory General VaR Risk Categories								
Credit	$ 29	38	26	54	45	46	30	61
Interest rate	25	29	21	40	38	45	27	77
Equity	9	7	4	11	7	6	3	13
Commodity	2	3	1	5	1	3	1	5
Foreign exchange	2	2	1	5	2	4	1	6
Diversification benefit (1)	(22)	(41)			(64)	(72)		
Wholesale Regulatory General VaR	$ 45	38	26	54	29	32	21	56
Company Regulatory General VaR	47	40	28	56	31	35	23	58

(1) The per od-end VaR was less than the sum of the VaR components described above, wh ch is due to portfol o diversification. The diversification benefit arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone. The diversif cation benefit is not meaningful for low and high metr cs since they may occur on different days.

Specific Risk measures the risk of loss that could result from factors other than broad market movements, or name-specific market risk. Specific Risk uses Monte Carlo simulation analysis based on a 99% confidence level and a 10-day time horizon.

Total VaR (as presented in Table 45) is composed of General VaR and Specific Risk and uses the previous 12 months of historical market data in accordance with regulatory requirements.

Total Stressed VaR (as presented in Table 45) uses a historical period of significant financial stress over a continuous 12 month period using historically available market data and is composed of Stressed General VaR and Stressed Specific Risk. Total Stressed VaR uses the same methodology and models as Total VaR.

Incremental Risk Charge (as presented in Table 45) captures losses due to both issuer default and migration risk at the 99.9% confidence level over the one-year capital horizon under the assumption of constant level of risk or a constant position assumption. The model covers all non-securitized credit-sensitive products.

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

Table 45 provides information on Total VaR, Total Stressed VaR and the Incremental Risk Charge results for the quarter ended December 31, 2015. For the Incremental Risk Charge, the required capital for market risk at quarter end equals the average for the quarter.

Table 45: Market Risk Regulatory Capital Modeled Components

	Quarter ended December 31, 2015				December 31, 2015	
(in millions)	Average	Low	High	Quarter end	Risk-based capital (1)	Risk-weighted assets (1)
Total VaR	63	51	75	67	188	2,350
Total Stressed VaR	258	185	316	285	773	9,661
Incremental Risk Charge	309	270	393	305	309	3,864

(1) Results represent the risk-based cap tal and RWAs based on the VaR and Incremental Risk Charge models.

Securitized Products Charge Basel III requires a separate market risk capital charge for positions classified as a securitization or re-securitization. The primary criteria for classification as a securitization are whether there is a transfer of risk and whether the credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority. Covered trading securitizations positions include consumer and commercial asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), and collateralized loan and other debt obligations (CLO/CDO) positions. The securitization capital requirements are the greater of the capital requirements of the net long or short exposure, and are capped at the maximum loss that could be incurred on any given transaction.

Table 46 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 at December 31, 2015 and 2014.

Table 46: Covered Securitization Positions by Exposure Type (Net Market Value)

(in millions)	ABS	CMBS	RMBS	CLO/CDO
December 31, 2015				
Securitization exposure:				
Securities	**$ 962**	**402**	**571**	**667**
Derivatives	**15**	**6**	**2**	**(21)**
Total	**977**	**408**	**573**	**646**
December 31, 2014				
Securitization Exposure:				
Securities	$ 752	709	689	553
Derivatives	(1)	5	23	(31)
Total	$ 751	714	712	522

SECURITIZATION DUE DILIGENCE AND RISK MONITORING The market risk capital rule requires that the Company conduct due diligence on the risk of each position within three days of the purchase of a securitization position. The Company's due diligence seeks to provide an understanding of the features that would materially affect the performance of a securitization or re-securitization. The due diligence analysis is re-performed on a quarterly basis for each securitization and re-securitization position. The Company uses an automated solution to track the due diligence associated with securitization activity. The Company aims to manage the risks associated with securitization and re-securitization positions through the use of offsetting positions and portfolio diversification.

Standardized Specific Risk Charge For debt and equity positions that are not evaluated by the approved internal specific risk models, a regulatory prescribed standard specific risk charge is applied. The standard specific risk add-on for sovereign entities, public sector entities, and depository institutions is based on the Organization for Economic Co-operation and Development (OECD) country risk classifications (CRC) and the remaining contractual maturity of the position. These risk add-ons for debt positions range from 0.25% to 12%. The add-on for corporate debt is based on creditworthiness and the remaining contractual maturity of the position. All other types of debt positions are subject to an 8% add-on. The standard specific risk add-on for equity positions is generally 8%.

Comprehensive Risk Charge/Correlation Trading The market risk capital rule requires capital for correlation trading positions. The Company's remaining correlation trading exposure covered under the market risk capital rule matured in fourth quarter 2014.

Table 47 summarizes the market risk-based capital requirements charge and market RWAs in accordance with the Basel III market risk capital rule as of December 31, 2015 and 2014. The market RWAs are calculated as the sum of the components in the table below.

Table 47: Market Risk Regulatory Capital and RWAs

	December 31, 2015		December 31, 2014	
(in millions)	**Risk-based capital**	**Risk-weighted assets**	Risk-based capital	Risk-weighted assets
Total VaR	**$ 188**	**2,350**	146	1,822
Total Stressed VaR	**773**	**9,661**	1,469	18,359
Incremental Risk Charge	**309**	**3,864**	345	4,317
Securitized Products Charge	**616**	**7,695**	766	9,577
Standardized Specific Risk Charge	**1,048**	**13,097**	1,177	14,709
De minimis Charges (positions not included in models)	**19**	**243**	66	829
Total	**$ 2,953**	**36,910**	3,969	49,613

RWA Rollforward Table 48 depicts the changes in market risk regulatory capital and RWAs under Basel III for the full year and fourth quarter of 2015.

Table 48: Analysis of Changes in Market Risk Regulatory Capital and RWAs

(in millions)	Risk-based capital	Risk-weighted assets
Balance, December 31, 2014	$ 3,969	49,613
Total VaR	42	528
Total Stressed VaR	(696)	(8,698)
Incremental Risk Charge	(36)	(453)
Securitized Products Charge	(151)	(1,882)
Standardized Specific Risk Charge	(129)	(1,612)
De minimis Charges	(46)	(586)
Balance, December 31, 2015	$ 2,953	36,910
Balance, September 30, 2015	$ 3,275	40,934
Total VaR	5	58
Total Stressed VaR	(73)	(910)
Incremental Risk Charge	(69)	(857)
Securitized Products Charge	(79)	(984)
Standardized Specific Risk Charge	(99)	(1,243)
De minimis Charges	(7)	(88)
Balance, December 31, 2015	$ 2,953	36,910

All changes to market risk regulatory capital and RWAs for the full year and fourth quarter of 2015 were associated with changes in positions due to normal trading activity in addition to market volatility over the last year.

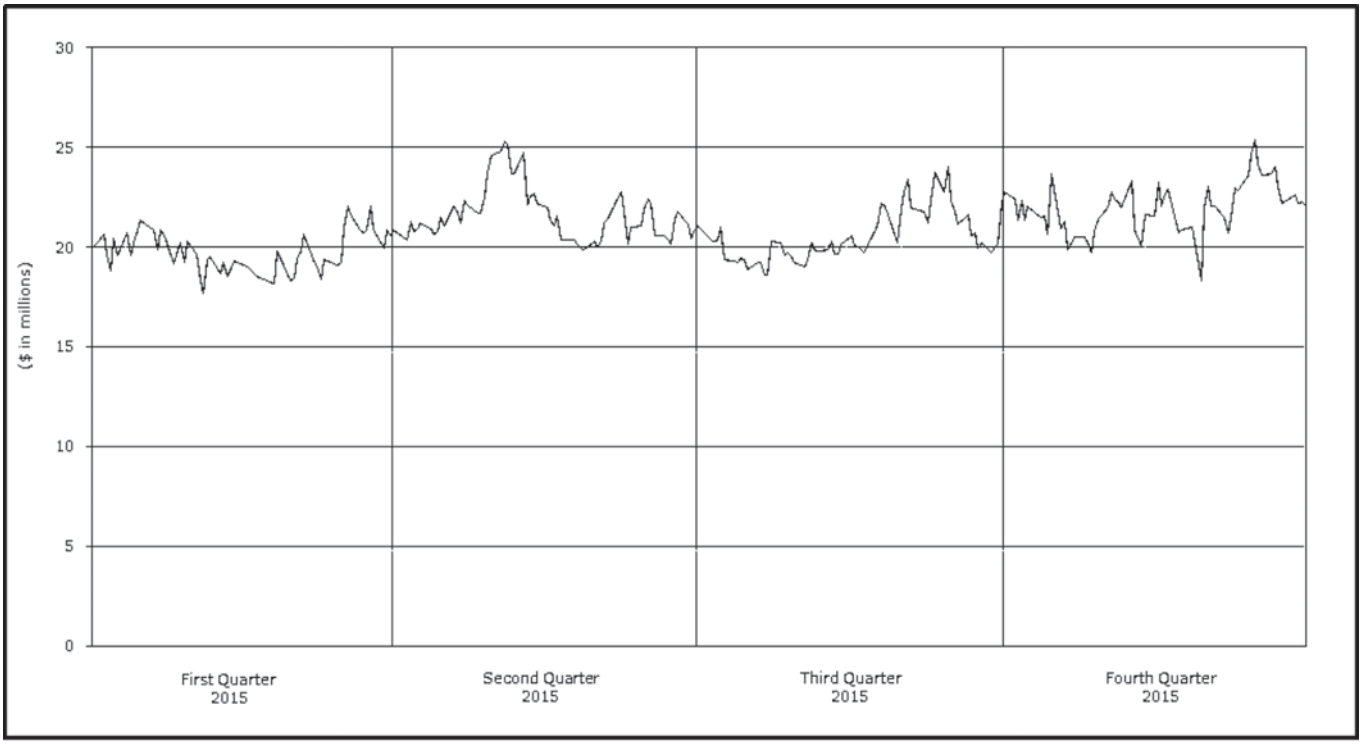
VaR Backtesting The market risk capital rule requires backtesting as one form of validation of the VaR model. Backtesting is a comparison of the daily VaR estimate with the actual clean profit and loss (clean P&L) as defined by the market risk capital rule. Clean P&L is the change in the value of the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

Any observed clean P&L loss in excess of the Total VaR is considered a market risk regulatory capital backtesting exception. The actual number of exceptions (that is, the number of business days for which the clean P&L losses exceed the corresponding 1-day, 99% Total VaR measure) over the preceding 12 months is used to determine the capital multiplier for the market risk capital calculation. The number of actual backtesting exceptions is dependent on current market

performance relative to historic market volatility in addition to model performance and assumptions. This capital multiplier increases from a minimum of three to a maximum of four, depending on the number of exceptions. No backtesting exceptions occurred over the preceding 12 months. Backtesting is also performed at more granular levels within the Company.

Table 49 shows daily Total VaR (1-day, 99%) used for market risk regulatory capital backtesting for the 12 months ended December 31, 2015. The Company's average Total VaR for fourth quarter 2015 was $22 million with a low of $18 million and a high of $25 million.

Table 49: Daily Total 1-Day 99% VaR Measure (Rolling 12 Months)



Market Risk Governance The Finance Committee of our Board has primary oversight over market risk-taking activities of the Company and reviews the acceptable market risk appetite. The Corporate Risk Group's Market Risk Committee, which reports to the Finance Committee of the Board, is responsible for governance and oversight of market risk-taking activities across the Company as well as the establishment of market risk appetite and associated limits. The Corporate Market Risk Group, which is part of the Corporate Risk Group, administers and monitors compliance with the requirements established by the Market Risk Committee. The Corporate Market Risk Group has oversight responsibilities in identifying, measuring and monitoring the Company's market risk. The group is responsible for developing corporate market risk policy, creating quantitative market risk models, establishing independent risk limits, calculating and analyzing market risk capital, and reporting aggregated and line-of-business market risk information. Limits are regularly reviewed to ensure they remain relevant and within the market risk appetite for the Company. An automated limits-monitoring system enables a daily comprehensive review of multiple limits mandated across businesses. Limits are set with inner boundaries that will be periodically breached to promote an ongoing dialogue of risk exposure within the Company. Each line of business that exposes the Company to market risk has direct responsibility for managing market risk in accordance with defined risk tolerances and approved market risk mandates and hedging strategies. We measure and monitor market risk for both management and regulatory capital purposes.

Model Risk Management The market risk capital models are governed by our Corporate Model Risk Committee policies and procedures, which include model validation. The purpose of model validation includes ensuring models are appropriate for their intended use and that appropriate controls exist to help mitigate the risk of invalid results. Model validation assesses the adequacy and appropriateness of the model, including reviewing its key components such as inputs, processing components, logic or theory, output results and supporting model documentation. Validation also includes ensuring significant unobservable model inputs are appropriate given observable market transactions or other market data within the same or similar asset classes. This ensures modeled approaches are appropriate given similar product valuation techniques and are in line with their intended purpose.

The Corporate Model Risk Group (CMoR) provides oversight of model validation and assessment processes. Corporate oversight responsibilities include evaluating the adequacy of business unit model risk management programs, maintaining company-wide model validation policies and standards, and reporting the results of these activities to management. In addition to the corporate-level review, all internal valuation models are subject to ongoing review by business-unit-level management.

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 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, equity method and fair value option.

In conjunction with the March 2008 initial public offering (IPO) of Visa, Inc. (Visa), we received approximately 20.7 million shares of Visa Class B common stock, which was apportioned to member banks of Visa at the time of the IPO. To manage our exposure to Visa and realize the value of the appreciated Visa shares, we incrementally sold these shares through a series of sales over the past few years, thereby eliminating this position as of September 30, 2015. As part of these sales, we agreed to compensate the buyer for any additional contributions to a litigation settlement fund for the litigation matters associated with the Class B shares we sold. Our exposure to this retained litigation risk has been reflected on our balance sheet.

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 available-for-sale securities 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 and the Corporate Market Risk Committee. Gains and losses on these securities are recognized in net income when realized and periodically include OTTI charges.

Changes in equity market prices may also indirectly affect our net income by (1) the value of third party assets under management and, hence, fee income, (2) borrowers whose ability to repay principal and/or interest may be affected by the stock market, or (3) brokerage activity, related commission income and other business activities. Each business line monitors and manages these indirect risks.

Table 50 provides information regarding our nonmarketable and marketable equity investments as of December 31, 2015 and 2014.

Table 50: Nonmarketable and Marketable Equity Investments

(in millions)	Dec 31, 2015	Dec 31, 2014
Nonmarketable equity investments:		
Cost method:		
Federal bank stock	**$ 4,814**	4,733
Private equity	**1,626**	2,300
Auction rate securities (1)	**595**	—
Total cost method	**7,035**	7,033
Equity method:		
LIHTC (2)	**8,314**	7,278
Private equity	**3,300**	3,043
Tax-advantaged renewable energy	**1,625**	1,710
New market tax credit and other	**408**	379
Total equity method	**13,647**	12,410
Fair value (3)	**3,065**	2,512
Total nonmarketable equity investments (4)	**$ 23,747**	21,955
Marketable equity securities:		
Cost	**$ 1,058**	1,906
Net unrealized gains	**579**	1,770
Total marketable equity securities (5)	**$ 1,637**	3,676

(1) Reflects auction rate perpetual preferred equ ty securities that were reclassified during 2015 w th a cost basis of $689 million (fair value of $640 mill on) from available-for-sale securities because they do not trade on a qualified exchange.
(2) Represents low income housing tax cred t investments.
(3) Represents nonmarketable equ ty investments for which we have elected the fair value opt on. See Note 7 (Premises, Equipment, Lease Comm tments and Other Assets) and Note 17 (Fair Values of Assets and Liabil ties) to Financial Statements in this Report for addit onal information.
(4) Included in other assets on the balance sheet. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets) to Financial Statements in this Report for additional informat on.
(5) Included in available-for-sale secur ties. See Note 5 (Investment Secur ties) to Financial Statements in this Report for add t onal information.

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 periods of Wells Fargo-specific and/or market stress. To achieve this objective, the Board of Directors establishes liquidity guidelines that require sufficient asset-based liquidity to cover potential funding requirements and to avoid over-dependence on volatile, less reliable funding markets. These guidelines are monitored on a monthly basis by the Corporate ALCO and on a quarterly basis by the Board of Directors. These guidelines are established and monitored for both the consolidated company and for the Parent on a stand-alone basis to ensure that the Parent is a source of strength for its regulated, deposit-taking banking subsidiaries.

Liquidity Standards On September 3, 2014, the FRB, OCC and FDIC issued a final rule that implements a quantitative liquidity requirement consistent with the liquidity coverage ratio (LCR) established by the Basel Committee on Banking Supervision (BCBS). The rule requires banking institutions, such as Wells Fargo, to hold high-quality liquid assets, such as central bank reserves and government and corporate debt that can be converted easily and quickly into cash, in an amount equal to or greater than its projected net cash outflows during a 30-day stress period. The final LCR rule began its phase-in period on January 1, 2015, and requires full compliance with a minimum 100% LCR by January 1, 2017. The FRB also finalized rules imposing enhanced liquidity management standards on large bank holding companies (BHC) such as Wells Fargo. In addition, the FRB recently proposed a rule that would require large bank holding companies, such as Wells Fargo, to publicly disclose on a quarterly basis certain quantitative and qualitative information regarding their LCR calculations. We continue to analyze these rules and other regulatory proposals that may affect liquidity risk management to determine the level of operational or compliance impact to Wells Fargo. For additional information see the "Capital Management" and "Regulatory Reform" sections in this Report.

Liquidity Sources We maintain liquidity in the form of cash, cash equivalents and unencumbered high-quality, liquid securities. These assets make up our primary sources of liquidity which are presented in Table 51. Our cash is primarily on deposit with the Federal Reserve. Securities included as part of our primary sources of liquidity are comprised of U.S. Treasury and federal agency debt, and mortgage-backed securities issued by federal agencies within our investment securities portfolio. We believe these securities provide quick sources of liquidity through sales or by pledging to obtain financing, regardless of market conditions. Some of these securities are within the held-to-maturity portion of our investment securities portfolio and as such are not intended for sale but may be pledged to obtain financing. Some of the legal entities within our consolidated group of companies are subject to various regulatory, tax, legal and other restrictions that can limit the transferability of their funds. We believe we maintain adequate liquidity for these entities in consideration of such funds transfer restrictions.

Table 51: Primary Sources of Liquidity

	December 31, 2015			December 31, 2014		
(in millions)	**Total**	**Encumbered**	**Unencumbered**	Total	Encumbered	Unencumbered
Interest-earning deposits	**$ 220,409**	**—**	**220,409**	219,220	—	219,220
Securities of U.S. Treasury and federal agencies (1)	**81,417**	**6,462**	**74,955**	67,352	856	66,496
Mortgage-backed securities of federal agencies (2)	**132,967**	**74,778**	**58,189**	115,730	80,324	35,406
Total	**$ 434,793**	**81,240**	**353,553**	402,302	81,180	321,122

(1) Included in encumbered securities at December 31, 2014, were securities with a fair value of $152 million which were purchased in December 2014, but settled in January 2015.
(2) Included in encumbered securities at December 31, 2014, were securities with a fair value of $5 million which were purchased in December 2014, but settled in January 2015.

In addition to our primary sources of liquidity shown in Table 51, liquidity is also available through the sale or financing of other securities including trading and/or available-for-sale securities, as well as through the sale, securitization or financing of loans, to the extent such securities and loans are not encumbered. In addition, other securities in our held-to-maturity portfolio, to the extent not encumbered, may be pledged to obtain financing.

Deposits have historically provided a sizeable source of relatively low-cost funds. At December 31, 2015, deposits were 133% of total loans compared with 135% at December 31, 2014. Additional funding is provided by long-term debt and short-term borrowings.

Table 52 shows selected information for short-term borrowings, which generally mature in less than 30 days.

Table 52: Short-Term Borrowings

(in millions)	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014
	Quarter ended				
Balance, period end					
Federal funds purchased and securities sold under agreements to repurchase	**$ 82,948**	74,652	71,439	64,400	51,052
Commercial paper	**334**	393	621	3,552	2,456
Other short-term borrowings	**14,246**	13,024	10,903	9,745	10,010
Total	**$ 97,528**	88,069	82,963	77,697	63,518
Average daily balance for period					
Federal funds purchased and securities sold under agreements to repurchase	**$ 88,949**	79,445	72,429	58,881	51,509
Commercial paper	**414**	484	2,433	3,040	3,511
Other short-term borrowings	**13,552**	10,428	9,637	9,791	9,656
Total	**$ 102,915**	90,357	84,499	71,712	64,676
Maximum month-end balance for period					
Federal funds purchased and securities sold under agreements to repurchase (1)	**$ 89,800**	80,961	71,811	66,943	51,052
Commercial paper (2)	**461**	510	2,713	3,552	3,740
Other short-term borrowings (3)	**14,246**	13,024	10,903	10,068	10,010

(1) Highest month-end balance in each of the last five quarters was in October, August, May and February 2015 and December 2014.
(2) Highest month-end balance in each of the last five quarters was in November, July, April and March 2015 and November 2014.
(3) Highest month-end balance in each of the last five quarters was in December, September, June and February 2015 and December 2014.

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.

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 May 2014, the Parent filed a registration statement with the SEC for the issuance of senior and subordinated notes, preferred stock and other securities. The Parent's ability to issue debt and other securities under this registration statement is limited by the debt issuance authority granted by the Board. The Parent is currently authorized by the Board to issue $60 billion in outstanding short-term debt and $170 billion in outstanding long-term debt. At December 31, 2015, the Parent had available $39.4 billion in short-term debt issuance authority and $46.0 billion in long-term debt issuance authority. The Parent's debt issuance authority granted by the Board includes short-term and long-term debt issued to affiliates. In 2015, the Parent issued $26.4 billion of senior notes, of which $17.0 billion were registered with the SEC. In addition, in 2015, the Parent issued $5.3 billion of subordinated notes, all of which were registered with the SEC.

The Parent's proceeds from securities issued 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 53 provides information regarding the Parent's medium-term note (MTN) programs, which are covered by the long-term debt issuance authority granted by the Board. The Parent may issue senior and subordinated debt securities under Series N & O, 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 53: Medium-Term Note (MTN) Programs

(in billions)	Date established		December 31, 2015 Debt issuance authority	Available for issuance
MTN program:				
Series N & O (1)(2)	May 2014		$ —	—
Series K (1)(3)	April 2010		25.0	20.7
European (4)(5)	December 2009		25.0	3.9
European (4)(6)	August 2013		10.0	7.9
Australian (4)(7)	June 2005	AUD	10.0	7.8

(1) SEC registered.
(2) The Parent can issue an indeterminate amount of debt securities, subject to the debt issuance author ty granted by the Board.
(3) As amended in April 2012 and March 2015.
(4) Not registered with the SEC. May not be offered in the Un ted States w thout applicable exempt ons from registration.
(5) As amended in April 2012, April 2013, April 2014 and March 2015. For securities to be adm tted to listing on the Off cial List of the Un ted Kingdom Financial Conduct Authority and to trade on the Regulated Market of the London Stock Exchange.
(6) As amended in May 2014 and April 2015, for secur ties that will not be admitted to listing, trading and/or quotation by any stock exchange or quotation system, or will be adm tted to listing, trading and/or quotation by a stock exchange or quotation system that is not cons dered to be a regulated market.
(7) As amended in October 2005, March 2010 and September 2013.

Wells Fargo Bank, N.A. Wells Fargo Bank, N.A. is authorized by its board of directors to issue $100 billion in outstanding short-term debt and $125 billion in outstanding long-term debt. At December 31, 2015, Wells Fargo Bank, N.A. had available $99.98 billion in short-term debt issuance authority and $66.3 billion in long-term debt issuance authority. In April 2015, 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. At December 31, 2015, Wells Fargo Bank, N.A. had remaining issuance capacity under the bank note program of $50.0 billion in short-term senior notes and $50.0 billion in long-term senior or subordinated notes. In January 2016, Wells Fargo Bank, N.A. issued $3.5 billion of unregistered senior notes under the bank note program. In addition, during 2015, Wells Fargo Bank, N.A. executed advances of $10.5 billion with the Federal Home Loan

Bank of Des Moines, and as of December 31, 2015, Wells Fargo Bank, N.A. had outstanding advances of $37.1 billion across the Federal Home Loan Bank System. In January 2016, Wells Fargo Bank, N.A. executed an additional $12.5 billion in Federal Home Loan Bank advances.

Credit Ratings 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, our debt securities do not contain credit rating covenants.

On October 5, 2015, Fitch Ratings, Inc. affirmed all the ratings of Wells Fargo and its rated subsidiaries. On December 2, 2015, Standard and Poor's Ratings Services (S&P) completed their assessment of whether to continue incorporating the likelihood of extraordinary government support into the ratings of eight bank holding companies, including the Parent, in light of regulatory progress toward developing a resolution regime that reduces the likelihood of government support. S&P concluded that it was appropriate to remove from its ratings the uplift created by the likelihood of government support and, as a result, the ratings of all eight bank holding companies, including the Parent, were lowered by one notch. S&P also concluded that nondeferrable subordinated debt issued by a bank should be treated as hybrid capital. As a result, the nondeferrable subordinated debt of Wells Fargo Bank, N.A., and several other banks, was lowered one notch. Both the Parent and Wells Fargo Bank, N.A. remain among the top-rated financial firms in the U.S.

See the "Risk Management – Asset/Liability Management" and "Risk Factors" sections in this Report for additional information regarding our credit ratings as of December 31, 2015, and the potential impact a credit rating downgrade would have on our liquidity and operations, as well as Note 16 (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.

The credit ratings of the Parent and Wells Fargo Bank, N.A. as of December 31, 2015, are presented in Table 54.

Table 54: Credit Ratings as of December 31, 2015

	Wells Fargo & Company		Wells Fargo Bank, N.A.	
	Senior debt	Short-term borrowings	Long-term deposits	Short-term borrowings
Moody's	A2	P-1	Aa1	P-1
S&P	A	A-1	AA-	A-1+
Fitch Ratings, Inc.	AA-	F1+	AA+	F1+
DBRS	AA	R-1*	AA**	R-1**

* m ddle **high

FEDERAL HOME LOAN BANK MEMBERSHIP The Federal Home Loan Banks (the FHLBs) are a group of cooperatives that lending institutions use to finance housing and economic development in local communities. We are a member of the FHLBs based in Dallas, Des Moines and San Francisco. 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.

We have an active program for managing capital through a comprehensive process for assessing the Company's overall capital adequacy. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. We primarily fund our capital needs through the retention of earnings net of dividends as well as the issuance of preferred stock and long and short-term debt. Retained earnings increased $13.8 billion from December 31, 2014, predominantly from Wells Fargo net income of $22.9 billion, less common and preferred stock dividends of $9.1 billion. During 2015, we issued 85.2 million shares of common stock. In January 2015, we issued 2 million Depositary Shares, each representing 1/25th interest in a share of the Company's newly issued 5.875% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series U, for an aggregate public offering price of $2.0 billion. In September 2015, we issued 40 million Depositary Shares, each representing 1/1,000th interest in a share of the Company's newly issued Non-Cumulative Perpetual Class A Preferred Stock, Series V, for an aggregate public offering price of $1.0 billion. In addition, in January 2016, we issued 40 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 W, for an aggregate public offering price of $1.0 billion. During 2015, we repurchased 163.4 million shares of common stock in open market transactions, private transactions and from employee benefit plans, at a cost of $8.9 billion. We also entered into a $500 million forward repurchase contract with an unrelated third party in December 2015 that settled in January 2016 for 9.2 million shares. In addition, we entered into a $750 million forward repurchase contract with an unrelated third party in January 2016 that settled in first quarter 2016 for 15.9 million shares. 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 insured depository institutions are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC. Risk-based capital (RBC) guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures. See Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

RISK-BASED CAPITAL AND RISK-WEIGHTED ASSETS The Company is subject to final and interim final rules issued by federal banking regulators to implement Basel III capital requirements for U.S. banking organizations. These rules are based on international guidelines for determining regulatory capital issued by the Basel Committee on Banking Supervision (BCBS). The federal banking regulators' capital rules, among other things, require on a fully phased-in basis:

- a minimum Common Equity Tier 1 (CET1) ratio of 4.5%;
- a minimum tier 1 capital ratio of 6.0%;
- a minimum total capital ratio of 8.0%;
- a capital conservation buffer of 2.5% to be added to the minimum capital ratios, and a capital surcharge between 1.0-4.5% for global systemically important banks (G-SIBs) that will be calculated annually (based on year-end 2014 data, the FRB estimated that our G-SIB surcharge would be 2.0%) and also added to the minimum capital ratios (for a minimum CET1 ratio of 9.0%, a minimum tier 1 capital ratio of 10.5%, and a minimum total capital ratio of 12.5%);
- 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;
- a minimum tier 1 leverage ratio of 4.0%; and
- a minimum supplementary leverage ratio (SLR) of 5.0% (comprised of a 3.0% minimum requirement and a supplementary leverage buffer of 2.0%) for large and internationally active bank holding companies (BHCs).

We were required to comply with the final Basel III capital rules beginning January 2014, with certain provisions subject to phase-in periods. The Basel III capital rules are scheduled to be fully phased in by the end of 2021. The Basel III capital rules contain two frameworks for calculating capital requirements, a Standardized Approach, which replaced Basel I, and an Advanced Approach applicable to certain institutions.

In March 2015, the FRB and OCC directed the Company and its subsidiary national banks to exit the parallel run phase and begin using the Basel III Advanced Approaches capital framework, in addition to the Standardized Approach, to determine our risk-based capital requirements starting in second quarter 2015. Accordingly, in the assessment of our capital adequacy, we must report the lower of our CET1, tier 1 and total capital ratios calculated under the Standardized Approach and under the Advanced Approach.

Because the Company has been designated as a G-SIB, we will also be subject to the FRB's rule implementing the additional capital surcharge on G-SIBs. Under the rule, we must annually calculate our surcharge under two methods and use the higher of the two surcharges. The first method (method one) will consider our size, interconnectedness, cross-jurisdictional activity, substitutability, and complexity, consistent with a methodology developed by the BCBS and the Financial Stability Board (FSB). The second (method two) will use similar inputs, but will replace substitutability with use of short-term wholesale funding and will generally result in higher surcharges than the BCBS methodology. The G-SIB surcharge will be phased in beginning on January 1, 2016 and become fully effective on January 1, 2019. Based on year-end 2014 data, the FRB estimated that the Company's G-SIB surcharge would be 2.0% of the Company's RWAs. However, because the G-SIB surcharge is calculated annually based on data that can differ over time, the amount of the surcharge is subject to change in future periods. Assuming a 2.0% G-SIB surcharge, our fully phased-in minimum required CET1 ratio at December 31, 2015 would have been 9.0%. Under the Standardized Approach (fully phased-in), our CET1 ratio of 10.77% exceeded the minimum of 9.0% by 177 basis points at December 31, 2015.

The tables that follow provide information about our risk-based capital and related ratios as calculated under Basel III capital guidelines. For banking industry regulatory reporting purposes, we report our capital in accordance with Transition Requirements but are managing our capital based on a fully phased-in calculation. For information about our capital requirements calculated in accordance with Transition Requirements, see Note 26 (Regulatory and Agency Capital

Requirements) to Financial Statements in this Report.

Table 55 summarizes our Basel III CET1, tier 1 capital, total capital, risk-weighted assets and capital ratios on a fully phased-in basis at December 31, 2015 and 2014. As of December 31, 2015, our CET1 ratio was lower using RWAs calculated under the Standardized Approach.

Table 55: Capital Components and Ratios Under Basel III (Fully Phased-In) (1)

		December 31, 2015			December 31, 2014
(in billions)		Advanced Approach		Standardized Approach	General Approach
Common Equity Tier 1	(A)	**$ 142.4**		**142.4**	137.1
Tier 1 Capital	(B)	**162.8**		**162.8**	154.7
Total Capital	(C)	**190.4**		**200.8**	192.9
Risk-Weighted Assets	(D)	**1,282.8**		**1,321.7**	1,242.5
Common Equity Tier 1 Capital Ratio	(A)/(D)	**11.10%**		**10.77** *	11.04
Tier 1 Capital Ratio	(B)/(D)	**12.69**		**12.32** *	12.45
Total Capital Ratio	(C)/(D)	**14.84** *		**15.19**	15.53

*Denotes the lowest cap tal ratio as determined under the Basel III Advanced and Standardized Approaches.

(1) Fully phased-in regulatory capital amounts, ratios and RWAs are cons dered non-GAAP financial measures that are used by management, bank regulatory agencies, investors and analysts to assess and monitor the Company's cap tal position. See Table 56 for information regarding the calculat on and components of CET1, Tier 1 capital, total capital and RWAs, as well as the corresponding reconciliat on of our regulatory capital amounts to total equity.

Table 56 provides information regarding the calculation and composition of our risk-based capital under the Advanced and Standardized Approaches at December 31, 2015 and under the General Approach at December 31, 2014.

Table 56: Risk-Based Capital Calculation and Components Under Basel III

		December 31, 2015		December 31, 2014
(in billions)		Advanced Approach	Standardized Approach	General Approach
Total equity		$ **193.9**	**193.9**	185.3
Noncontrolling interests		**(0.9)**	**(0.9)**	(0.9)
Total Wells Fargo stockholders' equity		**193.0**	**193.0**	184.4
Adjustments:				
Preferred stock		**(21.0)**	**(21.0)**	(18.0)
Cumulative other comprehensive income		**—**	**—**	(2.6)
Goodwill and other intangible assets (1)		**(28.7)**	**(28.7)**	(26.3)
Investment in certain subsidiaries and other		**(0.9)**	**(0.9)**	(0.4)
Common Equity Tier 1 (Fully Phased-In)		**142.4**	**142.4**	137.1
Effect of Transition Requirements		**1.8**	**1.8**	—
Common Equity Tier 1 (Transition Requirements)		$ **144.2**	**144.2**	137.1
Common Equity Tier 1 (Fully Phased-In)		$ **142.4**	**142.4**	137.1
Preferred stock		**21.0**	**21.0**	18.0
Other		**(0.6)**	**(0.6)**	(0.4)
Total Tier 1 capital (Fully Phased-In)	(A)	**162.8**	**162.8**	154.7
Effect of Transition Requirements		**1.8**	**1.8**	—
Total Tier 1 capital (Transition Requirements)		$ **164.6**	**164.6**	154.7
Total Tier 1 capital (Fully Phased-In)		$ **162.8**	**162.8**	154.7
Long-term debt and other instruments qualifying as Tier 2		**25.8**	**25.8**	25.0
Qualifying allowance for credit losses (2)		**2.1**	**12.5**	13.2
Other		**(0.3)**	**(0.3)**	—
Total Tier 2 capital (Fully Phased-In)	(B)	**27.6**	**38.0**	38.2
Effect of Transition Requirements		**3.0**	**3.0**	—
Total Tier 2 capital (Transition Requirements)		$ **30.6**	**41.0**	38.2
Total qualifying capital (Fully Phased-In)	(A+B)	$ **190.4**	**200.8**	192.9
Total Effect of Transition Requirements		**4.8**	**4.8**	—
Total qualifying capital (Transition Requirements)		$ **195.2**	**205.6**	192.9
Risk-Weighted Assets (RWAs) (3)(4):				
Credit risk		$ **989.6**	**1,284.8**	1,192.9
Market risk		**36.9**	**36.9**	49.6
Operational risk		**256.3**	**N/A**	N/A
Total RWAs (Fully Phased-In)		$ **1,282.8**	**1,321.7**	1,242.5
Credit risk		$ **970.0**	**1,266.2**	1,192.9
Market risk		**36.9**	**36.9**	49.6
Operational risk		**256.3**	**N/A**	N/A
Total RWAs (Transition Requirements)		$ **1,263.2**	**1,303.1**	1,242.5

(1) Goodwill and other intangible assets are net of any associated deferred tax liabilities.
(2) Under the Advanced Approach the allowance for cred t losses that exceeds expected cred t losses is eligible for inclusion in Tier 2 Cap tal, to the extent the excess allowance does not exceed 0.6% of Advanced credit RWAs, and under the Standardized Approach, the allowance for credit losses is includable in Tier 2 Capital up to 1.25% of Standardized cred t RWAs, with any excess allowance for credit losses being deducted from total RWAs.
(3) RWAs calculated under the Advanced Approach utilize a risk-sensitive methodology, wh ch relies upon the use of internal cred t models based upon our experience with internal rating grades. Advanced Approach also includes an operat onal risk component, which reflects the risk of operating loss resulting from inadequate or failed internal processes or systems.
(4) Under the regulatory guidelines for risk-based cap tal, on-balance sheet assets and cred t equivalent amounts of derivatives and off-balance sheet tems 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 RWAs. The risk weights and categories were changed by Basel III for the Standardized Approach and will generally result in higher RWAs than result from the General Approach risk weights and categories.

Table 57 presents the changes in Common Equity Tier 1 under the Advanced Approach for the year ended December 31, 2015.

Table 57: Analysis of Changes in Common Equity Tier 1 Under Basel III

(in billions)		
Common Equity Tier 1 (General Approach) at December 31, 2014	$	137.1
Effect of changes in rules		(0.4)
Common Equity Tier 1 (Advanced Approach – Fully Phased-In) at December 31, 2014		136.7
Net income		21.5
Common stock dividends		(7.6)
Common stock issued, repurchased, and stock compensation-related items		(5.0)
Goodwill and other intangible assets (net of any associated deferred tax liabilities)		0.3
Other		(3.5)
Change in Common Equity Tier 1		5.7
Common Equity Tier 1 (Advanced Approach – Fully Phased-In) at December 31, 2015	$	142.4

Table 58 presents net changes in the components of RWAs under the Advanced and Standardized Approaches for the year ended December 31, 2015.

Table 58: Analysis of Changes in Basel III RWAs

(in billions)		Advanced Approach	Standardized Approach
Basel III RWAs (General Approach) at December 31, 2014	$	1,242.5	1,242.5
Effect of changes in rules		68.0	62.9
Basel III RWAs (Fully Phased-In) at December 31, 2014		1,310.5	1,305.4
Net change in credit risk RWAs		(24.4)	29.0
Net change in market risk RWAs		(12.7)	(12.7)
Net change in operational risk RWAs		9.4	N/A
Total change in RWAs		(27.7)	16.3
Basel III RWAs (Fully Phased-In) at December 31, 2015		1,282.8	1,321.7
Effect of Transition Requirements		(19.6)	(18.6)
Basel III RWAs (Transition Requirements) at December 31, 2015	$	1,263.2	1,303.1

SUPPLEMENTARY LEVERAGE RATIO In April 2014, federal banking regulators finalized a rule that enhances the SLR requirements for BHCs, like Wells Fargo, and their insured depository institutions. The SLR consists of Tier 1 capital under Basel III divided by the Company's total leverage exposure. Total leverage exposure consists of the total average on-balance sheet assets, plus off-balance sheet exposures, such as undrawn commitments and derivative exposures, less amounts permitted to be deducted from Tier 1 capital. The rule, which becomes effective on January 1, 2018, will require a covered BHC to maintain a SLR of at least 5.0% (comprised of the 3.0% minimum requirement and a supplementary leverage buffer of 2.0%) to avoid restrictions on capital distributions and discretionary bonus payments. The rule will also require that all of our insured depository institutions maintain a SLR of 6.0% under applicable regulatory capital adequacy guidelines. In September 2014, federal banking regulators finalized additional changes to the SLR requirements to implement revisions to the Basel III leverage framework finalized by the BCBS in January 2014. These additional changes, among other things, modify the methodology for including off- balance sheet items, including credit derivatives, repo-style transactions and lines of credit, in the denominator of the SLR, and will become effective on January 1, 2018. At December 31, 2015, our SLR for the Company was 7.7% assuming full phase-in of the Basel III Advanced Approach capital framework. Based on our review, our current leverage levels would exceed the applicable requirements for each of our insured depository institutions as well. The fully phased-in SLR is considered a non-GAAP financial measure that is used by management, bank regulatory agencies, investors and analysts to assess and monitor the Company's leverage exposure. See Table 59 for information regarding the calculation and components of the SLR.

Table 59: Basel III Fully Phased-In SLR

(in billions)		December 31, 2015
Tier 1 capital	$	162.8
Total average assets		1,787.3
Less: deductions from Tier 1 capital		29.6
Total adjusted average assets		1,757.7
Adjustments:		
Derivative exposures		63.2
Repo-style transactions		3.3
Other off-balance sheet exposures		292.3
Total adjustments		358.8
Total leverage exposure	$	2,116.5
Supplementary leverage ratio		7.7%

OTHER REGULATORY CAPITAL MATTERS In October 2015, the FRB proposed rules to address the amount of equity and unsecured long-term debt a U.S. G-SIB must hold to improve its resolvability and resiliency, often referred to as Total Loss Absorbing Capacity (TLAC). Under the proposed rules, U.S. G-SIBs would be required to have a minimum TLAC amount (consisting of CET1 capital and additional tier 1 capital issued directly by the top-tier or covered BHC plus eligible external long-term debt) equal to the greater of (i) 18% of RWAs and (ii) 9.5% of total leverage exposure (the denominator of the SLR calculation). Additionally, U.S. G-SIBs would be required to maintain a TLAC buffer equal to 2.5% of RWAs plus the firm's applicable G-SIB capital surcharge calculated under method one plus any applicable countercyclical buffer that would be added to the 18% minimum in order to avoid restrictions on capital distributions and discretionary bonus payments. The proposed rules would also require U.S. G-SIBs to have a minimum amount of eligible unsecured long-term debt equal to the greater of (i) 6.0% of RWAs plus the firm's applicable G-SIB capital surcharge calculated under method two and (ii) 4.5% of the total leverage exposure. In addition, the proposed rules would impose certain restrictions on the operations and liabilities of the top-tier or covered BHC in order to further facilitate an orderly resolution, including prohibitions on the issuance of short-term debt to external investors and on entering into derivatives and certain other types of financial contracts with external counterparties. The proposed rules were open for comments until February 1, 2016. If the proposed rules are finalized as proposed, we may be required to issue additional long-term debt. We continue to evaluate the impact this proposal will have on our consolidated financial statements.

In addition, as discussed in the "Risk Management – Asset/Liability Management – Liquidity and Funding – Liquidity Standards" section in this Report, a final rule regarding the U.S. implementation of the Basel III LCR was issued by the FRB, OCC and FDIC in September 2014.

Capital Planning and Stress Testing

Our planned long-term capital structure is designed to meet regulatory and market expectations. We believe that our long-term targeted capital structure enables us to invest in and grow our business, satisfy our customers' financial needs in varying environments, access markets, and maintain flexibility to return capital to our shareholders. Our long-term targeted capital structure also considers capital levels sufficient to exceed Basel III capital requirements including the G-SIB surcharge. Accordingly, based on the final Basel III capital rules under the lower of the Standardized or Advanced Approaches CET1 capital ratios, we currently target a long-term CET1 capital ratio at or in excess of 10%, which assumes a 2% G-SIB surcharge. Our capital targets are subject to change based on various factors, including changes to the regulatory capital framework and expectations for large banks promulgated by bank regulatory agencies, planned capital actions, changes in our risk profile and other factors.

Under the FRB's capital plan rule, large BHCs are required to submit capital plans annually for review to determine if the FRB has any objections before making any capital distributions. The rule requires updates to capital plans in the event of material changes in a BHC's risk profile, including as a result of any significant acquisitions. The FRB assesses the overall financial condition, risk profile, and capital adequacy of BHCs while considering both quantitative and qualitative factors when evaluating capital plans.

Our 2015 CCAR, which was submitted on January 2, 2015, included a comprehensive capital plan supported by an assessment of expected sources and uses of capital over a given planning horizon under a range of expected and stress scenarios, similar to the process the FRB used to conduct the CCAR in 2014. As part of the 2015 CCAR, the FRB also generated a supervisory stress test, which assumed a sharp decline in the economy and significant decline in asset pricing using the information provided by the Company to estimate performance. The FRB reviewed the supervisory stress results both as required under the Dodd-Frank Act using a common set of capital actions for all large BHCs and by taking into account the Company's proposed capital actions. The FRB published its supervisory stress test results as required under the Dodd-Frank Act on March 5, 2015. On March 11, 2015, the FRB notified us that it did not object to our capital plan included in the 2015 CCAR. The

FRB has moved the start date for future CCAR cycles, including the 2016 CCAR, to the first quarter.

In addition to CCAR, federal banking regulators also require stress tests to evaluate whether an institution has sufficient capital to continue to operate during periods of adverse economic and financial conditions. These stress testing requirements 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. The rules also limit a large BHC's ability to make capital distributions to the extent its actual capital issuances were less than amounts indicated in its capital plan. As required under the FRB's stress testing rule, we completed a mid-cycle stress test based on data and scenarios developed by the Company. We submitted the results of the mid-cycle stress test to the FRB and disclosed a summary of the results in July 2015.

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 March 2014, the Board authorized the repurchase of 350 million shares of our common stock. At December 31, 2015, we had remaining authority to repurchase approximately 77 million shares, subject to regulatory and legal conditions. In January 2016, the Board authorized the repurchase of an additional 350 million shares of our common stock. For more information about share repurchases during fourth quarter 2015, see Part II, Item 5 in our 2015 Form 10-K.

Historically, our policy has been to repurchase shares under the "safe harbor" conditions of Rule 10b-18 of the Securities Exchange Act of 1934 including a limitation on the daily volume of repurchases. Rule 10b-18 imposes an additional daily volume limitation on share repurchases during a pending merger or acquisition in which shares of our stock will constitute some or all of the consideration. Our management may determine that during a pending stock merger or acquisition when the safe harbor would otherwise be available, it is in our best interest to repurchase shares in excess of this additional daily volume limitation. In such cases, we intend to repurchase shares in compliance with the other conditions of the safe harbor, including the standing daily volume limitation that applies whether or not there is a pending stock merger or acquisition.

In connection with our participation in the Capital Purchase Program (CPP), a part of the Troubled Asset Relief Program (TARP), we issued to the U.S. Treasury Department warrants to purchase 110,261,688 shares of our common stock with an original exercise price of $34.01 per share expiring on October 28, 2018. The terms of the warrants require the exercise price to be adjusted under certain circumstances when the Company's quarterly common stock dividend exceeds $0.34 per share, which began occurring in second quarter 2014. Accordingly, with each quarterly common stock dividend above $0.34 per share, we must calculate whether an adjustment to the exercise price is required by the terms of the warrants, including whether certain minimum thresholds have been met to trigger an adjustment, and notify the holders of any such change. The Board authorized the repurchase by the Company of up to $1 billion of the warrants. At December 31, 2015, there were 34,816,632 warrants outstanding, exercisable at $33.92 per share, 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.

Regulatory Reform

Since the enactment of the Dodd-Frank Act in 2010, the U.S. financial services industry has been subject to a significant increase in regulation and regulatory oversight initiatives. This increased regulation and oversight has substantially changed how most U.S. financial services companies conduct business and has increased their regulatory compliance costs. The following highlights the more significant regulations and regulatory oversight initiatives that have affected or may affect our business. For additional information about the regulatory reform matters discussed below and other regulations and regulatory oversight matters, see Part I, Item 1 "Regulation and Supervision" of our 2015 Form 10-K, and the "Capital Management," "Forward-Looking Statements" and "Risk Factors" sections and Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

Dodd-Frank Act

The Dodd-Frank Act is the most significant financial reform legislation since the 1930s and is driving much of the current U.S. regulatory reform efforts. The Dodd-Frank Act and many of its provisions became effective in July 2010 and July 2011. However, a number of its provisions still require final rulemaking or additional guidance and interpretation by regulatory authorities or will be implemented over time. Accordingly, in many respects the ultimate impact of the Dodd-Frank Act and its effects on the U.S. financial system and the Company remain uncertain. The following provides additional information on the Dodd-Frank Act, including the current status of certain of its rulemaking initiatives.

- *Enhanced supervision and regulation of systemically important firms*. The Dodd-Frank Act grants broad authority to federal banking regulators to establish enhanced supervisory and regulatory requirements for systemically important firms. The FRB has finalized a number of regulations implementing enhanced prudential requirements for large bank holding companies (BHCs) like Wells Fargo regarding risk-based capital and leverage, risk and liquidity management, and imposing debt-to-equity limits on any BHC that regulators determine poses a grave threat to the financial stability of the United States. The FRB and OCC have also finalized rules implementing stress testing requirements for large BHCs and national banks. The FRB has also proposed, but not yet finalized, additional enhanced prudential standards that would implement single counterparty credit limits and establish remediation requirements for large BHCs experiencing financial distress. In addition to the authorization of enhanced supervisory and regulatory requirements for systemically important firms, the Dodd-Frank Act also established the Financial Stability Oversight Council and the Office of Financial Research, which may recommend new systemic risk management requirements and require new reporting of systemic risks. The OCC, under separate authority, has also finalized guidelines establishing heightened governance and risk management standards for large national banks such as Wells Fargo Bank, N.A. The OCC guidelines require covered banks to establish and adhere to a written risk governance framework in order to manage and control their risk-taking activities. The guidelines also formalize roles and responsibilities for risk management practices within covered banks and create certain risk oversight responsibilities for their boards of directors.
- *Regulation of consumer financial products*. The Dodd-Frank Act established the Consumer Financial Protection Bureau (CFPB) to ensure consumers receive clear and accurate disclosures regarding financial products and to protect them from hidden fees and unfair or abusive practices. With respect to residential mortgage lending, the CFPB issued a number of final rules in 2013 implementing new origination, notification and other requirements that generally became effective in January 2014. In November 2013, the CFPB also finalized rules integrating disclosures required of lenders and settlement agents under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). These rules, which became effective in October 2015, combine existing separate disclosure forms under the TILA and RESPA into new integrated forms and provide additional limitations on the fees and charges that may be increased from the estimates provided by lenders. In October 2015, the CFPB finalized amendments to the rule implementing the Home Mortgage Disclosure Act, resulting in a significant expansion of the data points lenders will be required to collect beginning January 1, 2018 and report to the CFPB beginning January 1, 2019. The CFPB also expanded the transactions covered by the rule and increased the reporting frequency from annual to quarterly for large volume lenders, such as Wells Fargo, beginning January 1, 2020. With respect to other financial products, in November 2014, the CFPB issued a proposed rule to expand consumer protections for prepaid products such as prepaid cards. The proposal would make prepaid cards subject to similar consumer protections as those provided by more traditional debit and credit cards such as fraud protection and expanded access to account information.

  In addition to these rulemaking activities, the CFPB is continuing its on-going supervisory examination activities of the financial services industry with respect to a number of consumer businesses and products, including mortgage lending and servicing, fair lending requirements, student lending activities, and auto finance. At this time, the Company cannot predict the full impact of the CFPB's rulemaking and supervisory authority on our business practices or financial results.
- *Volcker Rule*. The Volcker Rule, with limited exceptions, prohibits banking entities from engaging in proprietary trading or owning any interest in or sponsoring or having certain relationships with a hedge fund, a private equity fund or certain structured transactions that are deemed covered funds. On December 10, 2013, federal banking regulators, the SEC and CFTC (collectively, the Volcker supervisory regulators) jointly released a final rule to implement the Volcker Rule's restrictions. Banking entities were required to comply with many of the Volcker Rule's restrictions by July 21, 2015. However, the FRB has extended the rule's compliance date to give banking entities until July 21, 2016, to conform their ownership interests in and sponsorships of covered funds that were in place prior to December 31, 2013, and the FRB has announced that it intends to provide an additional one-year extension to this date in the future. As a banking entity with more than $50 billion in consolidated assets, we are also subject to enhanced compliance program requirements. We expect to have to make divestments in non-conforming funds prior to

the extended compliance date for covered funds that were in place prior to December 31, 2013, however we do not anticipate a material impact to our financial results as prohibited proprietary trading and covered fund investment activities are not significant to our financial results.

- *Regulation of swaps and other derivatives activities*. The Dodd-Frank Act established a comprehensive framework for regulating over-the-counter derivatives and authorized the CFTC and the SEC to regulate swaps and security-based swaps, respectively. The CFTC and SEC jointly adopted new rules and interpretations that established the compliance dates for many of their rules implementing the new regulatory framework, including provisional registration of our national bank subsidiary, Wells Fargo Bank, N.A., as a swap dealer, which occurred at the end of 2012. In addition, the CFTC has adopted final rules that, among other things, require extensive regulatory and public reporting of swaps, require certain swaps to be centrally cleared and traded on exchanges or other multilateral platforms, and require swap dealers to comply with comprehensive internal and external business conduct standards. In October 2015, federal regulators also approved a final rule requiring certain margin and capital requirements for swaps not centrally cleared. All of these new rules, as well as others being considered by regulators in other jurisdictions, may negatively impact customer demand for over-the-counter derivatives and may increase our costs for engaging in swaps and other derivatives activities.
- *Changes to asset-backed securities (ABS) markets*. The Dodd-Frank Act requires sponsors of ABS to hold at least a 5% ownership stake in the ABS. Exemptions from the requirement include qualified residential mortgages (QRMs) and FHA/VA loans. In October 2014, federal regulatory agencies issued final rules to implement this credit risk retention requirement, which included an exemption for the GSE's mortgage-backed securities. The final rules also aligned the definition of QRMs, which are exempt from the risk retention requirements, with the Consumer Financial Protection Bureau's definition of "qualified mortgage." In addition, the final rules addressed the measures for complying with the risk retention requirement and continued to provide limited exemptions for qualifying commercial loans, qualifying commercial real estate loans, and qualifying automobile loans that meet certain requirements. The final rules may impact our ability to issue certain asset-backed securities or otherwise participate in various securitization transactions.
- *Enhanced regulation of money market mutual funds*. On July 23, 2014, the SEC adopted a rule governing money market mutual funds that, among other things, requires significant structural changes to these funds, including requiring non-governmental institutional money market funds to maintain a variable net asset value and providing for the imposition of liquidity fees and redemption gates for all non-governmental money market funds during periods in which they experience liquidity impairments of a certain magnitude. Money market mutual funds must comply with these requirements by October 14, 2016.
- *Regulation of interchange transaction fees (the Durbin Amendment)*. On October 1, 2011, the FRB rule enacted to implement the Durbin Amendment to the Dodd-Frank Act that limits debit card interchange transaction fees to those reasonable and proportional to the cost of the transaction became effective. The rule generally established that the maximum allowable interchange fee that an issuer may receive or charge for an electronic debit transaction is the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction. On July 31, 2013, the U.S. District Court for the District of Columbia ruled that the approach used by the FRB in setting the maximum allowable interchange transaction fee impermissibly included costs that were specifically excluded from consideration under the Durbin Amendment. In August 2013, the FRB filed a notice of appeal of the decision to the United States Court of Appeals for the District of Columbia. In March 2014, the Court of Appeals reversed the District Court's decision, but did direct the FRB to provide further explanation regarding its treatment of the costs of monitoring transactions. The plaintiffs did not file a petition for rehearing with the Court of Appeals but filed a petition for writ of certiorari with the U.S. Supreme Court. In January 2015, the U.S. Supreme Court denied the petition for writ of certiorari.
- *FDIC Deposit Insurance Assessments*. Through a Deposit Insurance Fund (DIF), the FDIC insures the deposits of our banks up to prescribed limits for each depositor and funds the DIF through assessments on member insured depository institutions. In October 2015, the FDIC issued a proposed rule that would impose on insured depository institutions with $10 billion or more in assets, such as Wells Fargo, a surcharge of 4.5 cents per $100 of their assessment base, after making certain adjustments. The proposed surcharge would be in addition to the base assessments we pay and could significantly increase the overall amount of our deposit insurance assessments. For more information, see the "Regulation and Supervision – Deposit Insurance Assessments" section in our 2015 Form 10-K.

Regulatory Capital Guidelines and Capital Plans

During 2013, federal banking regulators issued final rules that substantially amended the risk-based capital rules for banking organizations. The rules implement the Basel III regulatory capital reforms in the U.S., comply with changes required by the Dodd-Frank Act, and replace the existing Basel I-based capital requirements. We were required to begin complying with the rules on January 1, 2014, subject to phase-in periods that are scheduled to be fully phased in by January 1, 2022. In 2014, federal banking regulators also finalized rules to impose a supplementary leverage ratio on large BHCs like Wells Fargo and our insured depository institutions and to implement the Basel III liquidity coverage ratio. For more information on the final capital, leverage and liquidity rules, and additional capital requirements under consideration by federal banking regulators, see the "Capital Management" section in this Report.

"Living Will" Requirements and Related Matters

Rules adopted by the FRB and the FDIC under the Dodd-Frank Act require large financial institutions, including Wells Fargo, to prepare and periodically revise resolution plans, so-called "living-wills", that would facilitate their resolution in the event of material distress or failure. Under the rules, resolution plans are required to provide strategies for resolution under the Bankruptcy Code and other applicable insolvency regimes that can be accomplished in a reasonable period of time and in a manner that mitigates the risk that failure would have serious adverse effects on the financial stability of the United States. On November 25, 2014, the FRB and FDIC announced that our 2014 resolution plan submission provided a basis for a resolution strategy that could facilitate an orderly resolution under

bankruptcy; however, they identified specific shortcomings in the 2014 resolution plan that would need to be addressed in the 2015 resolution plan. We submitted our 2015 resolution plan on June 29, 2015, but have not yet received regulatory feedback on the plan. If the FRB and FDIC determine that our resolution plan is deficient, the Dodd-Frank Act authorizes the FRB and FDIC to impose more stringent capital, leverage or liquidity requirements on us or restrict our growth or activities until we submit a plan remedying the deficiencies. If the FRB and FDIC ultimately determine that we have been unable to remedy the deficiencies, they could order us to divest assets or operations in order to facilitate our orderly resolution in the event of our material distress or failure. Our national bank subsidiary, Wells Fargo Bank, N.A., is also required to prepare a resolution plan for the FDIC under separate regulatory authority and submitted its third annual resolution plan on June 29, 2015.

We must also prepare and submit to the FRB on an annual basis a recovery plan that identifies a range of options that we may consider during times of idiosyncratic or systemic economic stress to remedy any financial weaknesses and restore market confidence without extraordinary government support. Recovery options include the possible sale, transfer or disposal of assets, securities, loan portfolios or businesses. In December 2015, the OCC published a notice of proposed rulemaking on guidelines to establish standards for recovery planning by large insured national banks, such as Wells Fargo Bank, N.A. The guidelines would require a bank to develop and maintain a recovery plan that sets forth the bank's plan to remain a going concern when the bank is experiencing considerable financial or operational stress, but has not yet deteriorated to the point where liquidation or resolution is imminent. If either the FRB or the OCC determine that our recovery plan is deficient, they may impose restrictions on our business or ultimately require us to divest assets.

The Dodd-Frank Act also establishes an orderly liquidation process which allows for the appointment of the FDIC as a receiver of a systemically important financial institution that is in default or in danger of default. The FDIC has issued rules to implement its orderly liquidation authority and released a notice and request for comment regarding a proposed resolution strategy, known as "single point of entry," designed to resolve a large financial institution in a manner that holds management responsible for its failure, maintains market stability, and imposes losses on shareholders and creditors in accordance with statutory priorities, without imposing a cost on U.S. taxpayers. Implementation of the strategy would require that institutions maintain a sufficient amount of available equity and unsecured debt to absorb losses and recapitalize operating subsidiaries. The FDIC has not issued any final statements on the single point of entry resolution strategy.

Critical Accounting Policies

Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report) 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. Five 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;
- the fair value of financial instruments; and
- income taxes.

Management and the Board's Audit and Examination committee have reviewed and approved these critical accounting policies.

Allowance for Credit Losses

We maintain an allowance for credit losses, which consists of the allowance for loan losses and the allowance for unfunded credit commitments, which is management's estimate of credit losses inherent in the loan portfolio, including unfunded credit commitments, at the balance sheet date, excluding loans carried at fair value. For a description of our related accounting policies, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Changes in the allowance for credit losses and, therefore, in the related provision for credit losses can materially affect net income. In applying the review and judgment required to determine the allowance for credit losses, management considers changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, economic factors or business decisions, such as the addition or liquidation of a loan product or business unit, may affect the loan portfolio, causing management to provide or release amounts from the allowance for credit losses. While our methodology attributes portions of the allowance to specific portfolio segments (commercial and consumer), the entire allowance for credit losses is available to absorb credit losses inherent in the total loan portfolio and unfunded credit commitments.

Judgment is specifically applied in:

- *Credit risk ratings applied to individual commercial loans and unfunded credit commitments.* We estimate the probability of default in accordance with the borrower's financial strength using a borrower quality rating and the severity of loss in the event of default using a collateral quality rating. Collectively, these ratings are referred to as credit risk ratings and are assigned to our commercial loans. Probability of default and severity at the time of default are statistically derived through historical observations of defaults and losses after default within each credit risk rating. Commercial loan risk ratings are evaluated based on each situation by experienced senior credit officers and are subject to periodic review by an internal team of credit specialists.
- *Economic assumptions applied to pools of consumer loans (statistically modeled).* Losses are estimated using economic variables to represent our best estimate of inherent loss. Our forecasted losses are modeled using a range of economic scenarios.
- *Selection of a credit loss estimation model that fits the credit risk characteristics of its portfolio.* We use both internally developed and vendor supplied models in this process. We often use expected loss, roll rate, net flow, vintage maturation, behavior score, and time series or

statistical trend models, most with economic correlations. Management must use judgment in establishing additional input metrics for the modeling processes, considering further stratification into reference data time series, sub-product, origination channel, vintage, loss type, geographic location and other predictive characteristics. The models used to determine the allowance are validated by an internal model validation group operating in accordance with Company policies.

- *Assessment of limitations to credit loss estimation models.* We apply our judgment to adjust or supplement our modeled estimates to reflect other risks that may be identified from current conditions and developments in selected portfolios.
- *Identification and measurement of impaired loans, including loans modified in a TDR.* Our experienced senior credit officers may consider a loan impaired based on their evaluation of current information and events, including loans modified in a TDR. The measurement of impairment is typically based on an analysis of the present value of expected future cash flows. The development of these expectations requires significant management review and judgment.
- *An amount for imprecision or uncertainty which reflects management's overall estimate of the effect of quantitative and qualitative factors on inherent credit losses.* This amount represents management's judgment of risks inherent in the processes and assumptions used in establishing the allowance. This imprecision considers economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends and emerging risk assessments.

SENSITIVITY TO CHANGES Table 60 demonstrates the impact of the sensitivity of our estimates on our allowance for credit losses.

Table 60: Allowance Sensitivity Summary

	December 31, 2015
	Estimated increase/(decrease)
(in billions)	in allowance
Assumption:	
Favorable (1)	$ (3.5)
Adverse (2)	8.3

(1) Represents a one risk rating upgrade throughout our commercial portfolio segment and a more optimist c economic outlook for modeled losses on our consumer portfolio segment.
(2) Represents a one risk rating downgrade throughout our commercial portfolio segment, a more pessimist c econom c outlook for modeled losses on our consumer portfolio segment, and incremental deterioration for PCI loans.

The sensitivity analyses provided in the previous table are hypothetical scenarios and are not considered probable. They do not represent management's view of inherent losses in the portfolio as of the balance sheet date. Because significant judgment is used, it is possible that others performing similar analyses could reach different conclusions. See the "Risk Management – Credit Risk Management – Allowance for Credit Losses" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for further discussion of our allowance for credit losses.

Purchased Credit-Impaired (PCI) Loans

Loans acquired with evidence of credit deterioration since their origination and where it is probable that we will not collect all contractually required principal and interest payments are PCI loans. Substantially all of our PCI loans were acquired in the Wachovia acquisition on December 31, 2008. For a description of our related accounting policies, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

We apply judgment for PCI loans in:

- identifying loans that meet the PCI criteria at acquisition based on our evaluation of credit quality deterioration using indicators such as past due and nonaccrual status, commercial risk ratings, recent borrower credit scores and recent loan-to-value percentages.
- determining initial fair value at acquisition, which is based on an estimate of cash flows, both principal and interest, expected to be collected, discounted at the prevailing market rate of interest. We estimate the cash flows expected to be collected at acquisition using our internal credit risk, interest rate risk and prepayment risk models, which incorporate our best estimate of current key assumptions, such as property values, default rates, loss severity and prepayment speeds. Our estimation includes the timing and amount of cash flows expected to be collected.
- regularly evaluating our estimates of cash flows expected to be collected, subsequent to acquisition. These evaluations, performed quarterly, require the continued usage of key assumptions and estimates, similar to our initial estimate of fair value. We must apply judgment to develop our estimates of cash flows for PCI loans given the impact of changes in value of underlying collateral such as home price and property value changes, changing loss severities, modification activity, and prepayment speeds.

The amount of cash flows expected to be collected and, accordingly, the appropriateness of the allowance for loan loss due to certain decreases in cash flows expected to be collected, is particularly sensitive to changes in loan credit quality. The sensitivity of the overall allowance for credit losses, including PCI loans, is presented in the preceding section, "Critical Accounting Policies – Allowance for Credit Losses."

See the "Risk Management – Credit Risk Management – Purchased Credit Impaired Loans" section and Note 6 (Loans and Allowance for Credit Losses – Purchased Credit Impaired Loans") to Financial Statements in this Report for further discussion of PCI loans.

Valuation of Residential Mortgage Servicing Rights (MSRs)

MSRs are assets that represent the rights to service mortgage loans for others. We recognize MSRs when we purchase servicing rights from third parties, or retain servicing rights in connection with the sale or securitization of loans we originate (asset transfers). We also have MSRs acquired in the past under co-issuer agreements that provide for us to service loans that were originated and securitized by third-party correspondents.

We carry our MSRs related to residential mortgage loans at fair value. Periodic changes in our residential MSRs and the economic hedges used to hedge our residential MSRs are reflected in earnings.

We use a model to estimate the fair value of our residential MSRs. The model is validated by an internal model validation group operating in accordance with Company policies. The model calculates the present value of estimated

future net servicing income and incorporates inputs and assumptions that market participants use in estimating fair value. Certain significant inputs and assumptions are not observable in the market and require judgment to determine:

- *The mortgage loan prepayment speed used to estimate future net servicing income*. The prepayment speed is the annual rate at which borrowers are forecasted to repay their mortgage loan principal; this rate also includes estimated borrower defaults. We use models to estimate prepayment speeds and borrower defaults which are influenced by changes in mortgage interest rates and borrower behavior.
- *The discount rate used to present value estimated future net servicing income*. The discount rate is the required rate of return investors in the market would expect for an asset with similar risk. To determine the discount rate, we consider the risk premium for uncertainties from servicing operations (e.g., possible changes in future servicing costs, ancillary income and earnings on escrow accounts).
- *The expected cost to service loans used to estimate future net servicing income*. The cost to service loans includes estimates for unreimbursed expenses, such as delinquency and foreclosure costs, which considers the number of defaulted loans as well as changes in servicing processes associated with default and foreclosure management.

Both prepayment speed and discount rate assumptions can, and generally will, change quarterly as market conditions and mortgage interest rates change. For example, an increase in either the prepayment speed or discount rate assumption results in a decrease in the fair value of the MSRs, while a decrease in either assumption would result in an increase in the fair value of the MSRs. In recent years, there have been significant market-driven fluctuations in loan prepayment speeds and the discount rate. These fluctuations can be rapid and may be significant in the future. Additionally, while our current valuation reflects our best estimate of servicing costs, future regulatory changes in servicing standards, as well as changes in individual state foreclosure legislation, may have an impact on our servicing cost assumption and our MSR valuation in future periods.

For a description of our valuation and sensitivity of MSRs, see Note 1 (Summary of Significant Accounting Policies), Note 8 (Securitizations and Variable Interest Entities), Note 9 (Mortgage Banking Activities) and Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Fair Value of Financial Instruments

Fair value represents the price that would be received to sell the financial asset or paid to transfer the financial liability in an orderly transaction between market participants at the measurement date.

We use fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures. For example, trading assets, securities available for sale, derivatives and substantially all of our residential MHFS are carried at fair value each period. Other financial instruments, such as certain MHFS and substantially all of our loans held for investment, are not carried at fair value each period but may require nonrecurring fair value adjustments due to application of lower-of-cost-or-market accounting or write-downs of individual assets. We also disclose our estimate of fair value for financial instruments not recorded at fair value, such as loans held for investment or issuances of long-term debt.

The accounting provisions for fair value measurements include a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data. For additional information on fair value levels, see Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

When developing fair value measurements, we maximize the use of observable inputs and minimize the use of unobservable inputs. When available, we use quoted prices in active markets to measure fair value. If quoted prices in active markets are not available, fair value measurement is based upon models that use primarily market-based or independently sourced market parameters, including interest rate yield curves, prepayment speeds, option volatilities and currency rates. However, in certain cases, when market observable inputs for model-based valuation techniques are not readily available, we are required to make judgments about assumptions market participants would use to estimate fair value. Additionally, we use third party pricing services to obtain fair values, which are used to either record the price of an instrument or to corroborate internally developed prices. For additional information on our use of pricing services, see Note 1 (Summary of Significant Accounting Policies) and Note 17 (Fair Value of Assets and Liabilities) to Financial Statements in this Report.

The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted prices in active markets or observable market parameters. For financial instruments with quoted market prices or observable market parameters in active markets, there is minimal subjectivity involved in measuring fair value. When quoted prices and observable data in active markets are not fully available, management judgment is necessary to estimate fair value. Changes in the market conditions, such as reduced liquidity in the capital markets or changes in secondary market activities, may reduce the availability and reliability of quoted prices or observable data used to determine fair value. When significant adjustments are required to price quotes or inputs, it may be appropriate to utilize an estimate based primarily on unobservable inputs. When an active market for a financial instrument does not exist, the use of management estimates that incorporate current market participant expectations of future cash flows, adjusted for an appropriate risk premium, is acceptable.

Significant judgment is also required to determine whether certain assets measured at fair value are classified as Level 2 or Level 3. When making this judgment, we consider available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, we use a predetermined percentage to evaluate the impact of fair value adjustments derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Otherwise, the classification of Level 2 or Level 3 is based upon the specific facts and circumstances of each instrument or instrument category and judgments are made regarding the significance of the Level 3 inputs to the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

Table 61 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 61: Fair Value Level 3 Summary

	December 31, 2015		December 31, 2014	
($ in billions)	**Total balance**	**Level 3 (1)**	Total balance	Level 3 (1)
Assets carried at fair value	**$ 384.2**	**27.7**	378.1	32.3
As a percentage of total assets	**21%**	**2**	22	2
Liabilities carried at fair value	**$ 29.6**	**1.5**	34.9	2.3
As a percentage of total liabilities	**2%**	*****	2	*

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

See Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for a complete discussion on our fair value of financial instruments, our related measurement techniques and the impact to our financial statements.

Income Taxes

We are subject to the income tax laws of the U.S., its states and municipalities and those of the foreign jurisdictions in which we operate. Our income tax expense consists of current and deferred income tax expense. Current income tax expense represents our estimated taxes to be paid or refunded for the current period and includes income tax expense related to our uncertain tax positions. We determine deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and recognizes enacted changes in tax rates and laws in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized subject to management's judgment that realization is "more likely than not." Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement. Tax benefits not meeting our realization criteria represent unrecognized tax benefits. Our unrecognized tax benefits on uncertain tax positions are reflected in Note 21 (Income Taxes) to Financial Statements in this Report. Foreign taxes paid are generally applied as credits to reduce federal income taxes payable. We account for interest and penalties as a component of income tax expense.

The income tax laws of the jurisdictions in which we operate are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of these inherently complex tax laws. We must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions by the government taxing authorities, both domestic and foreign. Our interpretations may be subjected to review during examination by taxing authorities and disputes may arise over the respective tax positions. We attempt to resolve these disputes during the tax examination and audit process and ultimately through the court systems when applicable.

We monitor relevant tax authorities and revise our estimate of accrued income taxes due to changes in income tax laws and their interpretation by the courts and regulatory authorities on a quarterly basis. Revisions of our estimate of accrued income taxes also may result from our own income tax planning and from the resolution of income tax controversies. Such revisions in our estimates may be material to our operating results for any given quarter.

See Note 21 (Income Taxes) to Financial Statements in this Report for a further description of our provision for income taxes and related income tax assets and liabilities.

Current Accounting Developments

Table 62 provides accounting pronouncements applicable to us that have been issued by the FASB but are not yet effective.

Table 62: Current Accounting Developments – Issued Standards

Standard	Description	Effective date and financial statement impact
Accounting Standards Update (ASU or Update) 2016-01 — Financial Instruments — Overall (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*	The Update amends the presentation and accounting for certain financial instruments, including liabilities measured at fair value under the fair value option and equity investments. The guidance also updates fair value presentation and disclosure requirements for financial instruments measured at amortized cost.	The Update is effective for us in first quarter 2018 with prospective application to changes in guidance related to nonmarketable equity investments. The remaining amendments should be applied with a cumulative-effect adjustment to the balance sheet as of the beginning of the adoption period. Early application is only permitted for changes related to liabilities measured at fair value under the fair value option. Early adoption is prohibited for the remaining amendments. We are evaluating the impact of the Update on our consolidated financial statements.
ASU 2015-16 — Business Combinations (Topic 805): *Simplifying the Accounting for Measurement-Period Adjustments*	The Update eliminates the requirement for companies to retrospectively adjust initial amounts recognized in business combinations when the accounting is incomplete at the acquisition date. Under the new guidance, companies should record adjustments in the same reporting period in which the amounts are determined.	The Update is effective for us in first quarter 2016 with prospective application. The Update will not have a material impact on our consolidated financial statements.
ASU 2015-07 — Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*	The Update eliminates the disclosure requirement to categorize investments within the fair value hierarchy that are measured at fair value using net asset value as a practical expedient.	The guidance is effective for us in first quarter 2016 with retrospective application. The Update will not affect our consolidated financial statements as it impacts only the fair value disclosure requirements for certain investments.
ASU 2015-03 — Interest — Imputation of Interest (Subtopic 835-30): *Simplifying the Presentation of Debt Issuance Costs*	The Update changes the balance sheet presentation for debt issuance costs. Under the new guidance, debt issuance costs should be reported as a deduction from debt liabilities rather than as a deferred charge classified as an asset.	The Update is effective for us in first quarter 2016 and will not have a material impact on our consolidated financial statements since it is limited to a reclassification on our balance sheet.
ASU 2015-02 — Consolidation (Topic 810): *Amendments to the Consolidation Analysis*	The Update primarily amends the criteria companies use to evaluate whether they should consolidate certain variable interest entities that have fee arrangements and the criteria used to determine whether partnerships and similar entities are variable interest entities. The Update also excludes certain money market funds from the consolidation guidance.	These changes are effective for us in first quarter 2016 and will be applied with a cumulative-effect adjustment to opening retained earnings. The Update will not have a material impact on our consolidated financial statements.
ASU 2015-01 — Income Statement — Extraordinary and Unusual Items (Subtopic 225-20): *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*	The Update removes the concept of extraordinary items from GAAP and eliminates the requirement for extraordinary items to be separately presented in the statement of income.	The Update is effective for us in first quarter 2016 with prospective application. The Update will not have a material impact on our consolidated financial statements.
ASU 2014-16 — Derivatives and Hedging (Topic 815): *Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity*	The Update clarifies that the nature of host contracts in hybrid financial instruments that are issued in share form should be determined based on the entire instrument, including the embedded derivative.	The Update is effective for us in first quarter 2016 with modified retrospective application. The Update will not have a material impact on our consolidated financial statements.
ASU 2014-13 — Consolidation (Topic 810): *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity*	The Update provides a measurement alternative to companies that consolidate collateralized financing entities (CFEs), such as collateralized debt obligation and collateralized loan obligation structures. Under the new guidance, companies can measure both the financial assets and financial liabilities of a CFE using the more observable fair value of the financial assets or of the financial liabilities.	These changes are effective for us in first quarter 2016 and can be applied by a modified retrospective approach. The Update will not have a material impact on our consolidated financial statements.

Standard	Description	Effective date and financial statement impact
ASU 2014-12 — Compensation — Stock Compensation (Topic 718): *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*	The Update provides accounting guidance for employee share-based payment awards with specific performance targets. The Update clarifies that performance targets should be treated as performance conditions if the targets affect vesting and could be achieved after the requisite service period.	The Update is effective for us in first quarter 2016 and can be applied prospectively. The Update will not have a material impact on our consolidated financial statements.
ASU 2014-09 — *Revenue from Contracts With Customers (Topic 606)*	The Update modifies the guidance companies use to recognize revenue from contracts with customers for transfers of goods or services and transfers of nonfinancial assets, unless those contracts are within the scope of other standards. The guidance also requires new qualitative and quantitative disclosures, including information about contract balances and performance obligations.	In August 2015, the FASB issued ASU 2015-14 (*Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*), which defers the effective date of ASU 2014-09 to first quarter 2018. The Update can be applied retrospectively to prior periods presented or as a cumulative-effect adjustment in the period of adoption. Early adoption is permitted in first quarter 2017. Our revenue is balanced between net interest income on financial assets and liabilities, which is explicitly excluded from the scope of the new guidance, and noninterest income. We continue to evaluate the impact of the Update to our noninterest income and on our presentation and disclosures. We expect to adopt the Update in first quarter 2018 with a cumulative-effect adjustment to opening retained earnings.

Table 63 provides proposed accounting pronouncements that could materially affect our consolidated financial statements when finalized by the FASB.

Table 63: Current Accounting Developments – Proposed Standards

Proposed Standard	Description	Expected Issuance
Financial Instruments — Credit Losses (Subtopic 825-15)	The proposed Update would change the accounting for credit losses on loans and debt securities. For loans, the proposal would require an expected credit loss model rather than the current incurred loss model to determine the allowance for credit losses. The expected credit loss model would estimate losses for the estimated life of the financial asset. In addition, the proposed guidance would modify the other-than-temporary impairment model for available-for-sale debt securities to require an allowance for credit impairment instead of a direct write-down, which would allow for reversal of credit impairments in future periods.	The FASB expects to issue a final standard in 2016.
Leases (Topic 842)	The proposed Update would require lessees to recognize leases on the balance sheet with lease liabilities and corresponding right-of-use assets based on the present value of lease payments. Additionally, lessors would largely continue current accounting with lease financings and operating lease assets depending on the nature of the leases. The proposed Update would also eliminate leveraged lease accounting, but would allow existing leveraged leases to continue their current accounting until maturity or termination.	The FASB expects to issue a final standard in 2016.

Forward-Looking Statements

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, we may make forward-looking statements in our other documents filed or furnished with the SEC, and our management may make forward-looking statements orally to analysts, investors, representatives of the media and others. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects," "target," "projects," "outlook," "forecast," "will," "may," "could," "should," "can" and similar references to future periods. In particular, forward-looking statements include, but are not limited to, statements we make about: (i) the future operating or financial performance of the Company, including our outlook for future growth; (ii) our noninterest expense and

efficiency ratio; (iii) future credit quality and performance, including our expectations regarding future loan losses and allowance levels; (iv) the appropriateness of the allowance for credit losses; (v) our expectations regarding net interest income and net interest margin; (vi) loan growth or the reduction or mitigation of risk in our loan portfolios; (vii) future capital levels or targets and our estimated Common Equity Tier 1 ratio under Basel III capital standards; (viii) the performance of our mortgage business and any related exposures; (ix) the expected outcome and impact of legal, regulatory and legislative developments, as well as our expectations regarding compliance therewith; (x) future common stock dividends, common share repurchases and other uses of capital; (xi) our targeted range for return on assets and return on equity; (xii) the outcome of contingencies, such as legal proceedings; and (xiii) the Company's plans, objectives and strategies.

Forward-looking statements are not based on historical facts but instead represent our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

- current and future economic and market conditions, including the effects of declines in housing prices, high unemployment rates, U.S. fiscal debt, budget and tax matters, geopolitical matters, and the overall slowdown in global economic growth;
- our capital and liquidity requirements (including under regulatory capital standards, such as the Basel III capital standards) and our ability to generate capital internally or raise capital on favorable terms;
- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and other legislation and regulation relating to bank products and services;
- the extent of our success in our loan modification efforts, as well as the effects of regulatory requirements or guidance regarding loan modifications;
- the amount of mortgage loan repurchase demands that we receive and our ability to satisfy any such demands without having to repurchase loans related thereto or otherwise indemnify or reimburse third parties, and the credit quality of or losses on such repurchased mortgage loans;
- negative effects relating to our mortgage servicing and foreclosure practices, as well as changes in industry standards or practices, regulatory or judicial requirements, penalties or fines, increased servicing and other costs or obligations, including loan modification requirements, or delays or moratoriums on foreclosures;
- our ability to realize our efficiency ratio target as part of our expense management initiatives, including as a result of business and economic cyclicality, seasonality, changes in our business composition and operating environment, growth in our businesses and/or acquisitions, and unexpected expenses relating to, among other things, litigation and regulatory matters;
- the effect of the current low interest rate environment or changes in interest rates on our net interest income, net interest margin and our mortgage originations, mortgage servicing rights and mortgages held for sale;
- significant turbulence or a disruption in the capital or financial markets, which could result in, among other things, reduced investor demand for mortgage loans, a reduction in the availability of funding or increased funding costs, and declines in asset values and/or recognition of other-than-temporary impairment on securities held in our investment securities portfolio;
- the effect of a fall in stock market prices on our investment banking business and our fee income from our brokerage, asset and wealth management businesses;
- reputational damage from negative publicity, protests, fines, penalties and other negative consequences from regulatory violations and legal actions;
- a failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors or other service providers, including as a result of cyber attacks;
- the effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin;
- fiscal and monetary policies of the Federal Reserve Board; and
- the other risk factors and uncertainties described under "Risk Factors" in this Report.

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

For more information about factors that could cause actual results to differ materially from our expectations, refer to our reports filed with the Securities and Exchange Commission, including the discussion under "Risk Factors" in this Report, as filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

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

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. We discuss below risk factors that could adversely affect our financial results and condition, and the value of, and return on, an investment in the Company.

RISKS RELATED TO THE ECONOMY, FINANCIAL MARKETS, INTEREST RATES AND LIQUIDITY

As one of the largest lenders in the U.S. and a provider of financial products and services to consumers and businesses across the U.S. and internationally, our financial results have been, and will continue to be, materially affected by general economic conditions, particularly unemployment levels and home prices in the U.S., and a deterioration in economic conditions or in the financial markets may materially adversely affect our lending and other businesses and our financial results and condition. We generate revenue from the interest and fees we charge on the loans and other products and services we sell, and a substantial amount of our revenue and earnings comes from the net interest income and fee income that we earn from our consumer and commercial lending and banking businesses, including our mortgage banking business where we currently are the largest mortgage originator in the U.S. These businesses have been, and will continue to be, materially affected by the state of the U.S. economy, particularly unemployment levels and home prices. Although the U.S. economy has continued to gradually improve from the depressed levels of 2008 and early 2009, economic growth has been slow and uneven. In addition, the negative effects and continued uncertainty stemming from U.S. fiscal and political matters, including concerns about deficit levels, taxes and U.S. debt ratings, have impacted and may continue to impact the continuing global economic recovery. Moreover, geopolitical matters, including international political unrest or disturbances, as well as continued concerns over energy prices and global economic difficulties, may impact the stability of financial markets and the global economy. A prolonged period of slow growth in the global economy, particularly in the U.S., or any deterioration in general economic conditions and/or the financial markets resulting from the above matters or any other events or factors that may disrupt or dampen the global economic recovery, could materially adversely affect our financial results and condition.

The improvement in the U.S. economy as well as higher home prices contributed to our strengthened credit performance and allowed us to release amounts from our allowance for credit losses, however there is no guarantee we will have allowance releases in the future. If unemployment levels worsen or if home prices fall we would expect to incur elevated charge-offs and provision expense from increases in our allowance for credit losses. These conditions may adversely affect not only consumer loan performance but also commercial and CRE loans, especially for those business borrowers that rely on the health of industries that may experience deteriorating economic conditions. The ability of these and other borrowers to repay their loans may deteriorate, causing us, as one of the largest commercial and CRE lenders in the U.S., to incur significantly higher credit losses. In addition, weak or deteriorating economic conditions make it more challenging for us to increase our consumer and commercial loan portfolios by making loans to creditworthy borrowers at attractive yields. Although we have significant capacity to add loans to our balance sheet, weak economic conditions, as well as competition and/or increases in interest rates, could soften demand for our loans resulting in our retaining a much higher amount of lower yielding liquid assets on our balance sheet. If economic conditions do not continue to improve or if the economy worsens and unemployment rises, which also would likely result in a decrease in consumer and business confidence and spending, the demand for our credit products, including our mortgages, may fall, reducing our interest and noninterest income and our earnings.

A deterioration in business and economic conditions, which may erode consumer and investor confidence levels, and/or increased volatility of financial markets, also could adversely affect financial results for our fee-based businesses, including our investment advisory, mutual fund, securities brokerage, wealth management, and investment banking businesses. In 2015, approximately 26% of our revenue was fee income, which included trust and investment fees, card fees and other fees. We earn fee income from managing assets for others and providing brokerage and other investment advisory and wealth management services. Because investment management fees are often based on the value of assets under management, a fall in the market prices of those assets could reduce our fee income. Changes in stock market prices could affect the trading activity of investors, reducing commissions and other fees we earn from our brokerage business. The U.S. stock market experienced all-time highs in 2015, but also experienced significant volatility and there is no guarantee that high price levels will continue. Poor economic conditions and volatile or unstable financial markets also can negatively affect our debt and equity underwriting and advisory businesses, as well as our trading and venture capital businesses. Any deterioration in global financial markets and economies, including as a result of any international political unrest or disturbances, may adversely affect the revenues and earnings of our international operations, particularly our global financial institution and correspondent banking services.

For more information, refer to the "Risk Management – Asset/Liability Management" and "– Credit Risk Management" sections in this Report.

Changes in interest rates and financial market values could reduce our net interest income and earnings, including as a result of recognizing losses or OTTI on the securities that we hold in our portfolio or trade for our customers. Our net interest income is the interest we earn on loans, debt securities and other assets we hold less the interest we pay on our deposits, long-term and short-term debt, and other liabilities. Net interest income is a measure of both our net interest margin – the difference between the yield we earn on our assets and the interest rate we pay for deposits and our other sources of funding – and the amount of earning assets we hold. Changes in either our net interest margin or the amount or mix of earning assets we hold could affect our net interest income and our earnings. Changes in interest rates can affect our net interest margin. Although the yield we earn on our assets and our funding costs tend to move in the same direction in response to changes in interest rates, one can rise or fall faster than the other, causing our net interest margin to expand or contract. If our funding costs rise faster than the yield we earn

on our assets or if the yield we earn on our assets falls faster than our funding costs, our net interest margin could contract.

The amount and type of earning assets we hold can affect our yield and net interest margin. We hold earning assets in the form of loans and investment securities, among other assets. As noted above, if the economy worsens we may see lower demand for loans by creditworthy customers, reducing our net interest income and yield. In addition, our net interest income and net interest margin can be negatively affected by a prolonged low interest rate environment, which is currently being experienced as a result of economic conditions and FRB monetary policies, as it may result in us holding lower yielding loans and securities on our balance sheet, particularly if we are unable to replace the maturing higher yielding assets, including the loans in our non-strategic and liquidating loan portfolio, with similar higher yielding assets. Increases in interest rates, however, may negatively affect loan demand and could result in higher credit losses as borrowers may have more difficulty making higher interest payments. As described below, changes in interest rates also affect our mortgage business, including the value of our MSRs.

Changes in the slope of the "yield curve" – or the spread between short-term and long-term interest rates – could also reduce our net interest margin. Normally, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. When the yield curve flattens, or even inverts, our net interest margin could decrease if the cost of our short-term funding increases relative to the yield we can earn on our long-term assets.

The interest we earn on our loans may be tied to U.S.-denominated interest rates such as the federal funds rate while the interest we pay on our debt may be based on international rates such as LIBOR. If the federal funds rate were to fall without a corresponding decrease in LIBOR, we might earn less on our loans without any offsetting decrease in our funding costs. This could lower our net interest margin and our net interest income.

We assess our interest rate risk by estimating the effect on our earnings under various scenarios that differ based on assumptions about the direction, magnitude and speed of interest rate changes and the slope of the yield curve. We hedge some of that interest rate risk with interest rate derivatives. We also rely on the "natural hedge" that our mortgage loan originations and servicing rights can provide.

We generally do not hedge all of our interest rate risk. There is always the risk that changes in interest rates could reduce our net interest income and our earnings in material amounts, especially if actual conditions turn out to be materially different than what we assumed. For example, if interest rates rise or fall faster than we assumed or the slope of the yield curve changes, we may incur significant losses on debt securities we hold as investments. To reduce our interest rate risk, we may rebalance our investment and loan portfolios, refinance our debt and take other strategic actions. We may incur losses when we take such actions.

We hold securities in our investment securities portfolio, including U.S. Treasury and federal agency securities and federal agency MBS, securities of U.S. states and political subdivisions, residential and commercial MBS, corporate debt securities, other asset-backed securities and marketable equity securities, including securities relating to our venture capital activities. We analyze securities held in our investment securities portfolio for OTTI on at least a quarterly basis. The process for determining whether impairment is other than temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving contractual principal and interest payments on the security. Because of changing economic and market conditions, as well as credit ratings, affecting issuers and the performance of the underlying collateral, we may be required to recognize OTTI in future periods. In particular, economic difficulties in the oil and gas industry resulting from prolonged low oil prices may further impact our energy sector investments and require us to recognize OTTI in these investments in future periods. Our net income also is exposed to changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices in connection with our trading activities, which are conducted primarily to accommodate our customers in the management of their market price risk, as well as when we take positions based on market expectations or to benefit from differences between financial instruments and markets. The securities held in these activities are carried at fair value with realized and unrealized gains and losses recorded in noninterest income. As part of our business to support our customers, we trade public securities and these securities also are subject to market fluctuations with gains and losses recognized in net income when realized and periodically include OTTI charges. Although we have processes in place to measure and monitor the risks associated with our trading activities, including stress testing and hedging strategies, there can be no assurance that our processes and strategies will be effective in avoiding losses that could have a material adverse effect on our financial results.

The value of our public and private equity investments can fluctuate from quarter to quarter. Certain of these investments are carried under the cost or equity method, while others are carried at fair value with unrealized gains and losses reflected in earnings. Earnings from our equity investments may be volatile and hard to predict, and may have a significant effect on our earnings from period to period. When, and if, we recognize gains may depend on a number of factors, including general economic and market conditions, the prospects of the companies in which we invest, when a company goes public, the size of our position relative to the public float, and whether we are subject to any resale restrictions.

Our venture capital investments could result in significant OTTI losses for those investments carried under the cost or equity method. Our assessment for OTTI is based on a number of factors, including the then current market value of each investment compared with its carrying value. If we determine there is OTTI for an investment, we write-down the carrying value of the investment, resulting in a charge to earnings. The amount of this charge could be significant.

For more information, refer to the "Risk Management – Asset/Liability Management – Interest Rate Risk", "– Market Risk – Equity Investments", and "– Market Risk – Trading Activities" and the "Balance Sheet Analysis – Investment Securities" sections in this Report and Note 5 (Investment Securities) to Financial Statements in this Report.

Effective liquidity management, which ensures that we can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments, including principal and interest payments on our debt, efficiently under both normal operating conditions and other unpredictable circumstances of industry or financial market stress, is essential for the operation of our business, and our financial results and condition could be materially adversely affected if we do not effectively manage our liquidity. Our liquidity is essential for the operation of our business. We primarily rely on bank

deposits to be a low cost and stable source of funding for the loans we make and the operation of our business. Customer deposits, which include noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits, have historically provided us with a sizeable source of relatively stable and low-cost funds. In addition to customer deposits, our sources of liquidity include investments in our securities portfolio, our ability to sell or securitize loans in secondary markets and to pledge loans to access secured borrowing facilities through the FHLB and the FRB, and our ability to raise funds in domestic and international money through capital markets.

Our liquidity and our ability to fund and run our business could be materially adversely affected by a variety of conditions and factors, including financial and credit market disruption and volatility or a lack of market or customer confidence in financial markets in general similar to what occurred during the financial crisis in 2008 and early 2009, which may result in a loss of customer deposits or outflows of cash or collateral and/or our inability to access capital markets on favorable terms. Market disruption and volatility could impact our credit spreads, which are the amount in excess of the interest rate of U.S. Treasury securities, or other benchmark securities, of the same maturity that we need to pay to our funding providers. Increases in interest rates and our credit spreads could significantly increase our funding costs. Other conditions and factors that could materially adversely affect our liquidity and funding include a lack of market or customer confidence in the Company or negative news about the Company or the financial services industry generally which also may result in a loss of deposits and/or negatively affect our ability to access the capital markets; our inability to sell or securitize loans or other assets, and, as described below, reductions in one or more of our credit ratings. Many of the above conditions and factors may be caused by events over which we have little or no control. While market conditions have continued to improve since the financial crisis, there can be no assurance that significant disruption and volatility in the financial markets will not occur in the future. For example, concerns over geopolitical issues, commodity and currency prices, as well as global economic conditions, may cause financial market volatility.

In addition, concerns regarding the potential failure to raise the U.S. government debt limit and any associated downgrade of U.S. government debt ratings may cause uncertainty and volatility as well. A failure to raise the U.S. debt limit in the future and/or additional downgrades of the sovereign debt ratings of the U.S. government or the debt ratings of related institutions, agencies or instrumentalities, as well as other fiscal or political events could, in addition to causing economic and financial market disruptions, materially adversely affect the market value of the U.S. government securities that we hold, the availability of those securities as collateral for borrowing, and our ability to access capital markets on favorable terms, as well as have other material adverse effects on the operation of our business and our financial results and condition.

As noted above, we rely heavily on bank deposits for our funding and liquidity. We compete with banks and other financial services companies for deposits. If our competitors raise the rates they pay on deposits our funding costs may increase, either because we raise our rates to avoid losing deposits or because we lose deposits and must rely on more expensive sources of funding. Higher funding costs reduce our net interest margin and net interest income. Checking and savings account balances and other forms of customer deposits may decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. When customers move money out of bank deposits and into other investments, we may lose a relatively low cost source of funds, increasing our funding costs and negatively affecting our liquidity.

If we are unable to continue to fund our assets through customer bank deposits or access capital markets on favorable terms or if we suffer an increase in our borrowing costs or otherwise fail to manage our liquidity effectively, our liquidity, net interest margin, financial results and condition may be materially adversely affected. As we did during the financial crisis, we may also need, or be required by our regulators, to raise additional capital through the issuance of common stock, which could dilute the ownership of existing stockholders, or reduce or even eliminate our common stock dividend to preserve capital or in order to raise additional capital.

For more information, refer to the "Risk Management – Asset/Liability Management" section in this Report.

Adverse changes in our credit ratings could have a material adverse effect on our liquidity, cash flows, financial results and condition. Our borrowing costs and ability to obtain funding are influenced by our credit ratings. Reductions in one or more of our credit ratings could adversely affect our ability to borrow funds and raise the costs of our borrowings substantially and could cause creditors and business counterparties to raise collateral requirements or take other actions that could adversely affect our ability to raise funding. Credit ratings and credit ratings agencies' outlooks are based on the ratings agencies' analysis of many quantitative and qualitative factors, such as our capital adequacy, liquidity, asset quality, business mix, the level and quality of our earnings, rating agency assumptions regarding the probability and extent of federal financial assistance or support, and other rating agency specific criteria. In addition to credit ratings, our borrowing costs are affected by various other external factors, including market volatility and concerns or perceptions about the financial services industry generally. There can be no assurance that we will maintain our credit ratings and outlooks and that credit ratings downgrades in the future would not materially affect our ability to borrow funds and borrowing costs.

Downgrades in our credit ratings also may trigger additional collateral or funding obligations which could negatively affect our liquidity, including as a result of credit-related contingent features in certain of our derivative contracts. Although a one or two notch downgrade in our current credit ratings would not be expected to trigger a material increase in our collateral or funding obligations, a more severe credit rating downgrade of our long-term and short-term credit ratings could increase our collateral or funding obligations and the effect on our liquidity could be material.

For information on our credit ratings, see the "Risk Management – Asset/Liability Management – Liquidity and Funding – Credit Ratings" section and for information regarding additional collateral and funding obligations required of certain derivative instruments in the event our credit ratings were to fall below investment grade, see Note 16 (Derivatives) to Financial Statements in this Report.

We rely on dividends from our subsidiaries for liquidity, and federal and state law can limit those dividends. Wells Fargo & Company, the parent holding company, is a separate and distinct legal entity from its subsidiaries. It receives a significant portion of its funding and

liquidity from dividends and other distributions from its subsidiaries. We generally use these dividends and distributions, among other things, to pay dividends on our common and preferred stock and interest and principal on our debt. Federal and state laws limit the amount of dividends and distributions that our bank and some of our nonbank subsidiaries, including our broker-dealer subsidiaries, may pay to our parent holding company. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors.

For more information, refer to the "Regulation and Supervision – Dividend Restrictions" and "– Holding Company Structure" sections in our 2015 Form 10-K and to Note 3 (Cash, Loan and Dividend Restrictions) and Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

RISKS RELATED TO FINANCIAL REGULATORY REFORM AND OTHER LEGISLATION AND REGULATIONS

Enacted legislation and regulation, including the Dodd-Frank Act, as well as future legislation and/or regulation, could require us to change certain of our business practices, reduce our revenue and earnings, impose additional costs on us or otherwise adversely affect our business operations and/or competitive position. Our parent company, our subsidiary banks and many of our nonbank subsidiaries such as those related to our brokerage and mutual fund businesses, are subject to significant and extensive regulation under state and federal laws in the U.S., as well as the applicable laws of the various jurisdictions outside of the U.S. where we conduct business. These regulations protect depositors, federal deposit insurance funds, consumers, investors and the banking and financial system as a whole, not necessarily our stockholders. Economic, market and political conditions during the past few years have led to a significant amount of new legislation and regulation in the U.S. and abroad, as well as heightened expectations and scrutiny of financial services companies from banking regulators. These laws and regulations may affect the manner in which we do business and the products and services that we provide, affect or restrict our ability to compete in our current businesses or our ability to enter into or acquire new businesses, reduce or limit our revenue in businesses or impose additional fees, assessments or taxes on us, intensify the regulatory supervision of us and the financial services industry, and adversely affect our business operations or have other negative consequences. In addition, greater government oversight and scrutiny of financial services companies has increased our operational and compliance costs as we must continue to devote substantial resources to enhancing our procedures and controls and meeting heightened regulatory standards and expectations. Any failure to meet regulatory standards or expectations could result in fees, penalties, or restrictions on our ability to engage in certain business activities.

On July 21, 2010, the Dodd-Frank Act, the most significant financial reform legislation since the 1930s, became law. The Dodd-Frank Act, among other things, (i) established the Financial Stability Oversight Council to monitor systemic risk posed by financial firms and imposes additional and enhanced FRB regulations, including capital and liquidity requirements, on certain large, interconnected bank holding companies such as Wells Fargo and systemically significant nonbanking firms intended to promote financial stability; (ii) creates a liquidation framework for the resolution of covered financial companies, the costs of which would be paid through assessments on surviving covered financial companies; (iii) makes significant changes to the structure of bank and bank holding company regulation and activities in a variety of areas, including prohibiting proprietary trading and private fund investment activities, subject to certain exceptions; (iv) creates a new framework for the regulation of over-the-counter derivatives and new regulations for the securitization market and strengthens the regulatory oversight of securities and capital markets by the SEC; (v) established the Consumer Financial Protection Bureau (CFPB) within the FRB, which has sweeping powers to administer and enforce a new federal regulatory framework of consumer financial regulation; (vi) may limit the existing pre-emption of state laws with respect to the application of such laws to national banks, makes federal pre-emption no longer applicable to operating subsidiaries of national banks, and gives state authorities, under certain circumstances, the ability to enforce state laws and federal consumer regulations against national banks; (vii) provides for increased regulation of residential mortgage activities; (viii) revised the FDIC's assessment base for deposit insurance by changing from an assessment base defined by deposit liabilities to a risk-based system based on total assets; (ix) permitted banks to pay interest on business checking accounts beginning on July 1, 2011; (x) authorized the FRB under the Durbin Amendment to adopt regulations that limit debit card interchange fees received by debit card issuers; and (xi) includes several corporate governance and executive compensation provisions and requirements, including mandating an advisory stockholder vote on executive compensation.

The Dodd-Frank Act and many of its provisions became effective in July 2010 and July 2011. However, a number of its provisions still require final rulemaking or additional guidance and interpretation by regulatory authorities or will be implemented over time. Accordingly, in many respects the ultimate impact of the Dodd-Frank Act and its effects on the U.S. financial system and the Company still remain uncertain. Nevertheless, the Dodd-Frank Act, including current and future rules implementing its provisions and the interpretation of those rules, could result in a loss of revenue, require us to change certain of our business practices, limit our ability to pursue certain business opportunities, increase our capital requirements and impose additional assessments and costs on us and otherwise adversely affect our business operations and have other negative consequences.

Our consumer businesses, including our mortgage, credit card and other consumer lending and non-lending businesses, may be negatively affected by the activities of the CFPB, which has broad rulemaking powers and supervisory authority over consumer financial products and services. Although the full impact of the CFPB on our businesses is uncertain, the CFPB's activities may increase our compliance costs and require changes in our business practices as a result of new regulations and requirements which could limit or negatively affect the products and services that we currently offer our customers. For example, in 2013 and 2015, the CFPB issued a number of new rules impacting residential mortgage lending practices. As a result of greater regulatory scrutiny of our consumer businesses, we have become subject to more and expanded regulatory examinations and/or investigations, which also could result in increased costs and harm to our reputation in the event of a failure to comply with the increased regulatory requirements.

The Dodd-Frank Act's proposed prohibitions or limitations on proprietary trading and private fund investment activities, known as the "Volcker Rule," also may reduce our revenue and

earnings, although proprietary trading has not been significant to our financial results. Final rules to implement the requirements of the Volcker Rule were issued in December 2013. Pursuant to an order of the FRB, banking entities were required to comply with many of the Volcker Rule's restrictions by July 21, 2015. However, the FRB has extended the rule's compliance date to give banking entities until July 21, 2016 to conform their ownership interests in and sponsorships of covered funds that were in place prior to December 31, 2013, and the FRB has announced that it intends to provide an additional one-year extension to this date in the future. Wells Fargo is also subject to enhanced compliance program requirements.

In addition, the Dodd-Frank Act established a comprehensive framework for regulating over-the-counter derivatives and authorized the CFTC and SEC to regulate swaps and security-based swaps, respectively. The CFTC and SEC have adopted various rules to implement this framework, including rules requiring extensive regulatory and public reporting of swaps, certain swaps to be centrally cleared and traded on exchanges or other multilateral platforms, and swap dealers to comply with comprehensive internal and external business conduct standards. Federal regulators also approved rules requiring certain margin and capital requirements for swaps not centrally cleared. All of these rules, as well as others being considered by regulators in other jurisdictions, may negatively impact customer demand for over-the-counter derivatives and may increase our costs for engaging in swaps and other derivatives activities.

The Dodd-Frank Act also imposes changes on the ABS markets by requiring sponsors of ABS to hold at least a 5% ownership stake in the ABS. Exemptions from the requirement include qualified residential mortgages and FHA/VA loans. Federal regulatory agencies have finalized rules to implement this credit risk retention requirement, which have only included limited exemptions. The final rules may impact our ability to issue certain ABS or otherwise participate in various securitization transactions.

In order to address the perceived risks that money market mutual funds may pose to the financial stability of the United States, the SEC adopted rules in July 2014 that, among other things, require significant structural changes to these funds, including requiring non-governmental institutional money market funds to maintain a variable net asset value and providing for the imposition of liquidity fees and redemption gates for all non-governmental money market funds during periods in which they experience liquidity impairments of a certain magnitude. Money market mutual funds must comply with these requirements by October 14, 2016. Certain of our money market mutual funds may see a decline in assets under management in response to implementation of these structural changes.

Through a Deposit Insurance Fund (DIF), the FDIC insures the deposits of our banks up to prescribed limits for each depositor and funds the DIF through assessments on member insured depository institutions. In October 2015, the FDIC issued a proposed rule that would impose on insured depository institutions with $10 billion or more in assets, such as Wells Fargo, a surcharge of 4.5 cents per $100 of their assessment base, after making certain adjustments. The proposed surcharge would be in addition to the base assessments we pay and could significantly increase the overall amount of our deposit insurance assessments.

Federal banking regulators also continue to implement the provisions of the Dodd-Frank Act addressing the risks to the financial system posed by the failure of a systemically important financial institution. Pursuant to rules adopted by the FRB and the FDIC, Wells Fargo has prepared and filed a resolution plan, a so-called "living will," that is designed to facilitate our resolution in the event of material distress or failure. There can be no assurance that the FRB or FDIC will respond favorably to the Company's resolution plans. If the FRB and FDIC determine that our resolution plan is deficient, the Dodd-Frank Act authorizes the FRB and FDIC to impose more stringent capital, leverage or liquidity requirements on us or restrict our growth or activities until we submit a plan remedying the deficiencies. If the FRB and FDIC ultimately determine that we have been unable to remedy the deficiencies, they could order us to divest assets or operations in order to facilitate our orderly resolution in the event of our material distress or failure. Our national bank subsidiary, Wells Fargo Bank, N.A., is also required to prepare and submit a resolution plan to the FDIC under separate regulatory authority.

We must also prepare and submit to the FRB on an annual basis a recovery plan that identifies a range of options that we may consider during times of idiosyncratic or systemic economic stress to remedy any financial weaknesses and restore market confidence without extraordinary government support. In December 2015, the OCC published a notice of proposed rulemaking on guidelines to establish standards for recovery planning by large insured national banks, such as Wells Fargo Bank, N.A. The guidelines would require a bank to develop and maintain a recovery plan that sets forth the bank's plan to remain a going concern when the bank is experiencing considerable financial or operational stress, but has not yet deteriorated to the point where liquidation or resolution is imminent. If either the FRB or the OCC determine that our recovery plan is deficient, they may impose restrictions on our business or ultimately require us to divest assets.

The Dodd-Frank Act also establishes an orderly liquidation process which allows for the appointment of the FDIC as a receiver of a systemically important financial institution that is in default or in danger of default. The FDIC has issued rules to implement its orderly liquidation authority and released a notice and request for comment regarding a proposed resolution strategy, known as "single point of entry," designed to resolve a large financial institution in a manner that holds management responsible for its failure, maintains market stability, and imposes losses on shareholders and creditors in accordance with statutory priorities, without imposing a cost on U.S. taxpayers. Implementation of the strategy would require that institutions maintain a sufficient amount of available equity and unsecured debt to absorb losses and recapitalize operating subsidiaries. The FDIC has not issued any final statements on the single point of entry resolution strategy.

Other future regulatory initiatives that could significantly affect our business include proposals to reform the housing finance market in the United States. These proposals, among other things, consider winding down the GSEs and reducing or eliminating over time the role of the GSEs in guaranteeing mortgages and providing funding for mortgage loans, as well as the implementation of reforms relating to borrowers, lenders, and investors in the mortgage market, including reducing the maximum size of a loan that the GSEs can guarantee, phasing in a minimum down payment requirement for borrowers, improving underwriting standards, and increasing accountability and transparency in the securitization process. Congress also may consider the adoption of legislation to reform the mortgage financing market in an effort to assist borrowers experiencing difficulty in making mortgage payments or refinancing their mortgages. The extent and timing of any

regulatory reform or the adoption of any legislation regarding the GSEs and/or the home mortgage market, as well as any effect on the Company's business and financial results, are uncertain.

Any other future legislation and/or regulation, if adopted, also could significantly change our regulatory environment and increase our cost of doing business, limit the activities we may pursue or affect the competitive balance among banks, savings associations, credit unions, and other financial services companies, and have a material adverse effect on our financial results and condition.

For more information, refer to the "Regulatory Reform" section in this Report and the "Regulation and Supervision" section in our 2015 Form 10-K.

Bank regulations, including Basel capital and liquidity standards and FRB guidelines and rules, may require higher capital and liquidity levels, limiting our ability to pay common stock dividends, repurchase our common stock, invest in our business, or provide loans or other products and services to our customers. The Company and each of our insured depository institutions are subject to various regulatory capital adequacy requirements administered by federal banking regulators. In particular, the Company is subject to final and interim final rules issued by federal banking regulators to implement Basel III capital requirements for U.S. banking organizations. These rules are based on international guidelines for determining regulatory capital issued by the Basel Committee on Banking Supervision (BCBS) and are designed to address weaknesses identified in the banking sector as contributing to the financial crisis of 2008, including excessive leverage, inadequate and low quality capital and insufficient liquidity buffers. The federal banking regulators' capital rules, among other things, require on a fully phased-in basis:

- a minimum Common Equity Tier 1 (CET1) ratio of 4.5%;
- a minimum tier 1 capital ratio of 6.0%;
- a minimum total capital ratio of 8.0%;
- a capital conservation buffer of 2.5% to be added to the minimum capital ratios, and a capital surcharge between 1.0-4.5% for global systemically important banks (G-SIBs) that will be calculated annually (based on year-end 2014 data, the FRB estimated that our G-SIB surcharge would be 2.0%) and also added to the minimum capital ratios (for a minimum CET1 ratio of 9.0%, a minimum tier 1 capital ratio of 10.5%, and a minimum total capital ratio of 12.5%);
- 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;
- a minimum tier 1 leverage ratio of 4.0%; and
- a minimum supplementary leverage ratio (SLR) of 5.0% (comprised of a 3.0% minimum requirement and a supplementary leverage buffer of 2.0%) for large and internationally active bank holding companies (BHCs).

We were required to comply with the final Basel III capital rules beginning January 2014, with certain provisions subject to phase-in periods. The Basel III capital rules are scheduled to be fully phased in by the end of 2021.

Because the Company has been designated as a G-SIB, we will also be subject to the FRB's rule implementing the additional capital surcharge on G-SIBs. Under the rule, we must annually calculate our surcharge under two prescribed methods and use the higher of the two surcharges. The G-SIB surcharge will be phased in beginning on January 1, 2016 and become fully effective on January 1, 2019. Based on year-end 2014 data, the FRB estimated that the Company's G-SIB surcharge would be 2.0% of the Company's RWAs. However, because the G-SIB surcharge is calculated annually based on data that can differ over time, the amount of the surcharge is subject to change in future periods.

In April 2014, federal banking regulators finalized a rule that enhances the SLR requirements for BHCs, like Wells Fargo, and their insured depository institutions. The SLR consists of tier 1 capital under Basel III divided by the Company's total leverage exposure. Total leverage exposure consists of the total average on-balance sheet assets, plus off-balance sheet exposures, such as undrawn commitments and derivative exposures, less amounts permitted to be deducted from tier 1 capital. The rule, which becomes effective on January 1, 2018, will require a covered BHC to maintain a SLR of at least 5.0% (comprised of the 3.0% minimum requirement and a supplementary leverage buffer of 2.0%) to avoid restrictions on capital distributions and discretionary bonus payments. The rule will also require that all of our insured depository institutions maintain a SLR of 6.0% under applicable regulatory capital adequacy guidelines.

In October 2015, the FRB proposed rules to address the amount of equity and unsecured long-term debt a U.S. G-SIB must hold to improve its resolvability and resiliency, often referred to as Total Loss Absorbing Capacity (TLAC). Under the proposed rules, U.S. G-SIBs would be required to have a minimum TLAC amount (consisting of CET1 capital and additional tier 1 capital issued directly by the top-tier or covered BHC plus eligible external long-term debt) equal to the greater of (i) 18% of RWAs and (ii) 9.5% of total leverage exposure (the denominator of the SLR calculation). Additionally, U.S. G-SIBs would be required to maintain a TLAC buffer equal to 2.5% of RWAs plus the firm's applicable G-SIB capital surcharge calculated under method one of the G-SIB calculation plus any applicable countercyclical buffer that would be added to the 18% minimum in order to avoid restrictions on capital distributions and discretionary bonus payments. The proposed rules would also require U.S. G-SIBs to have a minimum amount of eligible unsecured long-term debt equal to the greater of (i) 6.0% of RWAs plus the firm's applicable G-SIB capital surcharge calculated under method two of the G-SIB calculation and (ii) 4.5% of the total leverage exposure. In addition, the proposed rules would impose certain restrictions on the operations and liabilities of the top-tier or covered BHC in order to further facilitate an orderly resolution, including prohibitions on the issuance of short-term debt to external investors and on entering into derivatives and certain other types of financial contracts with external counterparties. If the proposed rules are finalized as proposed, we may be required to issue additional long-term debt. We continue to evaluate the impact this proposal will have on our consolidated financial statements.

In September 2014, federal banking regulators issued a final rule that implements a quantitative liquidity requirement consistent with the liquidity coverage ratio (LCR) established by the BCBS. The rule requires banking institutions, such as Wells Fargo, to hold high-quality liquid assets, such as central bank reserves and government and corporate debt that can be converted easily and quickly into cash, in an amount equal to or greater than its projected net cash outflows during a 30-day stress period. The final LCR rule began its phase-in period on January 1, 2015, and requires full compliance with a minimum 100% LCR by January 1, 2017. The FRB also finalized rules imposing enhanced liquidity management standards on large BHCs such as Wells Fargo.

The ultimate impact of all of these finalized and proposed or contemplated rules on our capital and liquidity requirements will depend on final rulemaking and regulatory interpretation of the rules as we, along with our regulatory authorities, apply the final rules during the implementation process.

As part of its obligation to impose enhanced capital and risk-management standards on large financial firms pursuant to the Dodd-Frank Act, the FRB issued a final capital plan rule that requires large BHCs, including the Company, to submit annual capital plans for review and to obtain regulatory approval before making capital distributions. There can be no assurance that the FRB would respond favorably to the Company's future capital plans. The FRB has also finalized a number of regulations implementing enhanced prudential requirements for large BHCs like Wells Fargo regarding risk-based capital and leverage, risk and liquidity management, and imposing debt-to-equity limits on any BHC that regulators determine poses a grave threat to the financial stability of the United States. The FRB and OCC have also finalized rules implementing stress testing requirements for large BHCs and national banks. The FRB has also proposed, but not yet finalized, remediation requirements for large BHCs experiencing financial distress that would restrict capital distributions upon the occurrence of capital, stress test, or risk and liquidity management triggers. The OCC, under separate authority, has also established heightened governance and risk management standards for large national banks, such as Wells Fargo Bank, N.A.

The Basel standards and federal regulatory capital and liquidity requirements may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases, and may require us to increase our capital and/or liquidity. Any requirement that we increase our regulatory capital, regulatory capital ratios or liquidity could require us to liquidate assets or otherwise change our business, product offerings and/or investment plans, which may negatively affect our financial results. Although not currently anticipated, proposed capital requirements and/or our regulators may require us to raise additional capital in the future. Issuing additional common stock may dilute the ownership of existing stockholders. In addition, federal banking regulations may increase our compliance costs as well as limit our ability to invest in our business or provide loans or other products and services to our customers. For more information, refer to the "Capital Management" and "Regulatory Reform" sections in this Report and the "Regulation and Supervision" section of our 2015 Form 10-K.

FRB policies, including policies on interest rates, can significantly affect business and economic conditions and our financial results and condition. The FRB regulates the supply of money in the United States. Its policies determine in large part our cost of funds for lending and investing and the return we earn on those loans and investments, both of which affect our net interest income and net interest margin. The FRB's interest rate policies also can materially affect the value of financial instruments we hold, such as debt securities and MSRs. In addition, its policies can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in FRB policies are beyond our control and can be hard to predict. The FRB recently increased the target range for the federal funds rate by 25 basis points. The FRB has stated that in determining the timing and size of any future adjustments to the target range for the federal funds rate, the FRB will assess realized and expected economic conditions relative to its objectives of maximum employment and two percent inflation. The FRB has indicated that any future increases in interest rates likely would be gradual and data dependent. As noted above, a declining or low interest rate environment and a flattening yield curve which may result from the FRB's actions could negatively affect our net interest income and net interest margin as it may result in us holding lower yielding loans and investment securities on our balance sheet.

RISKS RELATED TO CREDIT AND OUR MORTGAGE BUSINESS

As one of the largest lenders in the U.S., increased credit risk, including as a result of a deterioration in economic conditions, could require us to increase our provision for credit losses and allowance for credit losses and could have a material adverse effect on our results of operations and financial condition. When we loan money or commit to loan money we incur credit risk, or the risk of losses if our borrowers do not repay their loans. As one of the largest lenders in the U.S., the credit performance of our loan portfolios significantly affects our financial results and condition. As noted above, if the current economic environment were to deteriorate, more of our customers may have difficulty in repaying their loans or other obligations which could result in a higher level of credit losses and provision for credit losses. We reserve for credit losses by establishing an allowance through a charge to earnings. The amount of this allowance is based on our assessment of credit losses inherent in our loan portfolio (including unfunded credit commitments). The process for determining the amount of the allowance is critical to our financial results and condition. It requires difficult, subjective and complex judgments about the future, including forecasts of economic or market conditions that might impair the ability of our borrowers to repay their loans. We might increase the allowance because of changing economic conditions, including falling home prices and higher unemployment, significant loan growth, or other factors. For example, if oil prices remain low for a prolonged period of time, we may have to increase the allowance, particularly to cover potential losses on loans to customers in the energy sector. Additionally, the regulatory environment or external factors, such as natural disasters, also can influence recognition of credit losses in our loan portfolios and impact our allowance for credit losses.

Reflecting the continued improved credit performance in our loan portfolios, our provision for credit losses was $450 million and $1.6 billion less than net charge-offs in 2015 and 2014, respectively, which had a positive effect on our earnings. Future allowance levels may increase or decrease based on a variety of factors, including loan growth, portfolio performance and general economic conditions. While we believe that our allowance for credit losses was appropriate at December 31, 2015, there is no assurance that it will be sufficient to cover future credit losses, especially if housing and employment conditions worsen. In the event of significant deterioration in economic conditions or if we experience significant loan growth, we may be required to build reserves in future periods, which would reduce our earnings.

For more information, refer to the "Risk Management – Credit Risk Management" and "Critical Accounting Policies – Allowance for Credit Losses" sections in this Report.

We may have more credit risk and higher credit losses to the extent our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. Our credit risk and credit losses can

increase if our loans are concentrated to borrowers engaged in the same or similar activities or to borrowers who individually or as a group may be uniquely or disproportionately affected by economic or market conditions. We experienced the effect of concentration risk in 2009 and 2010 when we incurred greater than expected losses in our residential real estate loan portfolio due to a housing slowdown and greater than expected deterioration in residential real estate values in many markets, including the Central Valley California market and several Southern California metropolitan statistical areas. As California is our largest banking state in terms of loans and deposits, deterioration in real estate values and underlying economic conditions in those markets or elsewhere in California could result in materially higher credit losses. In addition, deterioration in macro-economic conditions generally across the country could result in materially higher credit losses, including for our residential real estate loan portfolio. We may experience higher delinquencies and higher loss rates as our consumer real estate secured lines of credit reach their contractual end of draw period and begin to amortize. Additionally, we may experience higher delinquencies and higher loss rates as borrowers in our consumer Pick-a-Pay portfolio reach their recast trigger, particularly if interest rates increase significantly which may cause more borrowers to experience a payment increase of more than 7.5% upon recast.

We are currently one of the largest CRE lenders in the U.S. A deterioration in economic conditions that negatively affects the business performance of our CRE borrowers, including increases in interest rates and/or declines in commercial property values, could result in materially higher credit losses and have a material adverse effect on our financial results and condition.

Challenging foreign economic conditions, such as those occurring in China and parts of Europe, have increased our foreign credit risk. Although our foreign loan exposure represented only approximately 6% of our total consolidated outstanding loans and 3% of our total assets at December 31, 2015, continued economic difficulties in these or other foreign jurisdictions could indirectly have a material adverse effect on our credit performance and results of operations and financial condition to the extent they negatively affect the U.S. economy and/or our borrowers who have foreign operations.

Additionally, economic conditions in the oil and gas industry have increased our credit risk. Although our oil and gas portfolio represented less than 2% of our total outstanding loans at December 31, 2015, prolonged economic difficulties in this sector could have an adverse effect on our credit performance to the extent they negatively affect our customers who are dependent on the oil and gas industry. In particular, if oil prices remain low for a prolonged period of time, there could be additional performance deterioration in our oil and gas portfolio resulting in higher criticized assets, nonperforming loans, allowance levels and ultimately credit losses. Deteriorated performance can take the form of increased downgrades, borrower defaults, potentially higher commitment drawdowns prior to default, and downgraded borrowers being unable to fully access the capital markets. Furthermore, our loan exposure in communities where the employment base has a concentration in the oil and gas sector may experience some credit challenges.

For more information, refer to the "Risk Management – Credit Risk Management" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

We may incur losses on loans, securities and other acquired assets of Wachovia that are materially greater than reflected in our fair value adjustments. We accounted for the Wachovia merger under the purchase method of accounting, recording the acquired assets and liabilities of Wachovia at fair value. All PCI loans acquired in the merger were recorded at fair value based on the present value of their expected cash flows. We estimated cash flows using internal credit, interest rate and prepayment risk models using assumptions about matters that are inherently uncertain. We may not realize the estimated cash flows or fair value of these loans. In addition, although the difference between the pre-merger carrying value of the credit-impaired loans and their expected cash flows – the "nonaccretable difference" – is available to absorb future charge-offs, we may be required to increase our allowance for credit losses and related provision expense because of subsequent additional credit deterioration in these loans.

For more information, refer to the "Critical Accounting Policies – Purchased Credit-Impaired (PCI) Loans" and "Risk Management – Credit Risk Management" sections in this Report.

Our mortgage banking revenue can be volatile from quarter to quarter, including as a result of changes in interest rates and the value of our MSRs and MHFS, and we rely on the GSEs to purchase our conforming loans to reduce our credit risk and provide liquidity to fund new mortgage loans. We were the largest mortgage originator and residential mortgage servicer in the U.S. as of December 31, 2015, and we earn revenue from fees we receive for originating mortgage loans and for servicing mortgage loans. As a result of our mortgage servicing business, we have a sizeable portfolio of MSRs. An MSR is the right to service a mortgage loan – collect principal, interest and escrow amounts – for a fee. We acquire MSRs when we keep the servicing rights after we sell or securitize the loans we have originated or when we purchase the servicing rights to mortgage loans originated by other lenders. We initially measure and carry all our residential MSRs using the fair value measurement method. Fair value is the present value of estimated future net servicing income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers. Changes in interest rates can affect prepayment assumptions and thus fair value. When interest rates fall, borrowers are usually more likely to prepay their mortgage loans by refinancing them at a lower rate. As the likelihood of prepayment increases, the fair value of our MSRs can decrease. Each quarter we evaluate the fair value of our MSRs, and any decrease in fair value reduces earnings in the period in which the decrease occurs. We also measure at fair value MHFS for which an active secondary market and readily available market prices exist. In addition, we measure at fair value certain other interests we hold related to residential loan sales and securitizations. Similar to other interest-bearing securities, the value of these MHFS and other interests may be negatively affected by changes in interest rates. For example, if market interest rates increase relative to the yield on these MHFS and other interests, their fair value may fall.

When rates rise, the demand for mortgage loans usually tends to fall, reducing the revenue we receive from loan originations. Under the same conditions, revenue from our MSRs can increase through increases in fair value. When rates fall, mortgage originations usually tend to increase and the value of our MSRs usually tends to decline, also with some offsetting

revenue effect. Even though they can act as a "natural hedge," the hedge is not perfect, either in amount or timing. For example, the negative effect on revenue from a decrease in the fair value of residential MSRs is generally immediate, but any offsetting revenue benefit from more originations and the MSRs relating to the new loans would generally accrue over time. It is also possible that, because of economic conditions and/or a weak or deteriorating housing market, even if interest rates were to fall or remain low, mortgage originations may also fall or any increase in mortgage originations may not be enough to offset the decrease in the MSRs value caused by the lower rates.

We typically use derivatives and other instruments to hedge our mortgage banking interest rate risk. We may not hedge all of our risk, and we may not be successful in hedging any of the risk. Hedging is a complex process, requiring sophisticated models and constant monitoring, and is not a perfect science. We may use hedging instruments tied to U.S. Treasury rates, LIBOR or Eurodollars that may not perfectly correlate with the value or income being hedged. We could incur significant losses from our hedging activities. There may be periods where we elect not to use derivatives and other instruments to hedge mortgage banking interest rate risk.

We rely on GSEs to purchase mortgage loans that meet their conforming loan requirements and on the Federal Housing Authority (FHA) to insure loans that meet their policy requirements. These loans are then securitized into either GSE or GNMA securities that are sold to investors. In order to meet customer needs, we also originate loans that do not conform to either GSE or FHA standards, which are referred to as "nonconforming" loans. We generally retain these nonconforming loans on our balance sheet. When we retain a loan on our balance sheet not only do we forgo fee revenue and keep the credit risk of the loan but we also do not receive any sale proceeds that could be used to generate new loans. If we were unable or unwilling to continue retaining nonconforming loans on our balance sheet, whether due to regulatory, business or other reasons, our ability to originate new mortgage loans may be reduced, thereby reducing the fees we earn from originating and servicing loans. Similarly, if the GSEs or the FHA were to limit or reduce their purchases or insuring of loans, our ability to fund, and thus originate new mortgage loans, could also be reduced. We cannot assure that the GSEs or the FHA will not materially limit their purchases or insuring of conforming loans or change their criteria for what constitutes a conforming loan (e.g., maximum loan amount or borrower eligibility). Each of the GSEs is currently in conservatorship, with its primary regulator, the Federal Housing Finance Agency acting as conservator. We cannot predict if, when or how the conservatorship will end, or any associated changes to the GSEs business structure and operations that could result. As noted above, there are various proposals to reform the housing finance market in the U.S., including the role of the GSEs in the housing finance market. The impact of any such regulatory reform regarding the housing finance market and the GSEs, including whether the GSEs will continue to exist in their current form, as well as any effect on the Company's business and financial results, are uncertain.

For more information, refer to the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" and "Critical Accounting Policies" sections in this Report.

We may be required to repurchase mortgage loans or reimburse investors and others as a result of breaches in contractual representations and warranties, and we may incur other losses as a result of real or alleged violations of statutes or regulations applicable to the origination of our residential mortgage loans. The origination of residential mortgage loans is governed by a variety of federal and state laws and regulations, including the Truth in Lending Act of 1968 and various anti-fraud and consumer protection statutes, which are complex and frequently changing. We often sell residential mortgage loans that we originate to various parties, including GSEs, SPEs that issue private label MBS, and other financial institutions that purchase mortgage loans for investment or private label securitization. We may also pool FHA-insured and VA-guaranteed mortgage loans which back securities guaranteed by GNMA. The agreements under which we sell mortgage loans and the insurance or guaranty agreements with the FHA and VA contain various representations and warranties regarding the origination and characteristics of the mortgage loans, including ownership of the loan, compliance with loan criteria set forth in the applicable agreement, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, and compliance with applicable origination laws. We may be required to repurchase mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for credit losses incurred on loans 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. Contracts for mortgage loan sales to the GSEs include various types of specific remedies and penalties that could be applied to inadequate responses to repurchase requests. Similarly, the agreements under which we sell mortgage loans require us to deliver various documents to the securitization trust or investor, and we may be obligated to repurchase any mortgage loan as to which the required documents are not delivered or are defective. We may negotiate global settlements in order to resolve a pipeline of demands in lieu of repurchasing the loans. We establish a mortgage repurchase liability related to the various representations and warranties that reflect management's estimate of losses for loans which we have a repurchase obligation. Our mortgage repurchase liability represents management's best estimate of the probable loss that we may expect to incur for the representations and warranties in the contractual provisions of our sales of mortgage loans. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. As a result 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. If economic conditions or the housing market worsen or future investor repurchase demand and our success at appealing repurchase requests differ from past experience, we could have increased repurchase obligations and increased loss severity on repurchases, requiring significant additions to the repurchase liability.

Additionally, for residential mortgage loans that we originate, borrowers may allege that the origination of the loans did not comply with applicable laws or regulations in one or more respects and assert such violation as an affirmative defense

to payment or to the exercise by us of our remedies, including foreclosure proceedings, or in an action seeking statutory and other damages in connection with such violation. If we are not successful in demonstrating that the loans in dispute were originated in accordance with applicable statutes and regulations, we could become subject to monetary damages and other civil penalties, including the loss of certain contractual payments or the inability to exercise certain remedies under the loans.

For more information, refer to the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section in this Report.

We may be terminated as a servicer or master servicer, be required to repurchase a mortgage loan or reimburse investors for credit losses on a mortgage loan, or incur costs, liabilities, fines and other sanctions if we fail to satisfy our servicing obligations, including our obligations with respect to mortgage loan foreclosure actions. We act as servicer and/or master servicer for mortgage loans included in securitizations and for unsecuritized mortgage loans owned by investors. As a servicer or master servicer for those loans we have certain contractual obligations to the securitization trusts, investors or other third parties, including, in our capacity as a servicer, foreclosing on defaulted mortgage loans or, to the extent consistent with the applicable securitization or other investor agreement, considering alternatives to foreclosure such as loan modifications or short sales and, in our capacity as a master servicer, overseeing the servicing of mortgage loans by the servicer. If we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period of time following notice, which can generally be given by the securitization trustee or a specified percentage of security holders, causing us to lose servicing income. In addition, we may be required to indemnify the securitization trustee against losses from any failure by us, as a servicer or master servicer, to perform our servicing obligations or any act or omission on our part that involves willful misfeasance, bad faith or gross negligence. For certain investors and/or certain transactions, we may be contractually obligated to repurchase a mortgage loan or reimburse the investor for credit losses incurred on the loan as a remedy for servicing errors with respect to the loan. If we have increased repurchase obligations because of claims that we did not satisfy our obligations as a servicer or master servicer, or increased loss severity on such repurchases, we may have a significant reduction to net servicing income within mortgage banking noninterest income.

We may incur costs if we are required to, or if we elect to, re-execute or re-file documents or take other action in our capacity as a servicer in connection with pending or completed foreclosures. We may incur litigation costs if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, we may have liability to the borrower and/or to any title insurer of the property sold in foreclosure if the required process was not followed. These costs and liabilities may not be legally or otherwise reimbursable to us, particularly to the extent they relate to securitized mortgage loans. In addition, if certain documents required for a foreclosure action are missing or defective, we could be obligated to cure the defect or repurchase the loan. We may incur liability to securitization investors relating to delays or deficiencies in our processing of mortgage assignments or other documents necessary to comply with state law governing foreclosures. The fair value of our MSRs may be negatively affected to the extent our servicing costs increase because of higher foreclosure costs. We may be subject to fines and other sanctions imposed by federal or state regulators as a result of actual or perceived deficiencies in our foreclosure practices or in the foreclosure practices of other mortgage loan servicers. Any of these actions may harm our reputation, negatively affect our residential mortgage origination or servicing business, or result in material fines, penalties, equitable remedies, or other enforcement actions.

In particular, on February 28, 2013, we entered into amendments to an April 2011 Consent Order with both the OCC and the FRB, which effectively ceased the Independent Foreclosure Review program created by such Consent Order and replaced it with an accelerated remediation commitment to provide foreclosure prevention actions on $1.2 billion of residential mortgage loans, subject to a process to be administered by the OCC and the FRB. During 2014, we reported sufficient foreclosure prevention actions to satisfy the $1.2 billion financial commitment.

In June 2015, we entered into an additional amendment to the April 2011 Consent Order with the OCC to address 15 of the 98 actionable items contained in the April 2011 Consent Order that were still considered open. This amendment requires that we remediate certain activities associated with our mortgage loan servicing practices and allows for the OCC to take additional supervisory action, including possible civil money penalties, if we do not comply with the terms of this amended Consent Order. In addition, this amendment prohibits us from acquiring new mortgage servicing rights or entering into new mortgage servicing contracts, other than mortgage servicing associated with originating mortgage loans or purchasing loans from correspondent clients in our normal course of business. Additionally, this amendment prohibits any new off-shoring of new mortgage servicing activities and requires OCC approval to outsource or sub-service any new mortgage servicing activities. As noted above, any increase in our servicing costs from changes in our foreclosure and other servicing practices, including resulting from consent orders, could negatively affect the fair value of our MSRs.

For more information, refer to the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" and "– Risks Relating to Servicing Activities," and "Critical Accounting Policies – Valuation of Residential Mortgage Servicing Rights" sections and Note 14 (Guarantees, Pledged Assets and Collateral) and Note 15 (Legal Actions) to Financial Statements in this Report.

Financial difficulties or credit downgrades of mortgage and bond insurers may negatively affect our servicing and investment portfolios. Our servicing portfolio includes certain mortgage loans that carry some level of insurance from one or more mortgage insurance companies. To the extent that any of these companies experience financial difficulties or credit downgrades, we may be required, as servicer of the insured loan on behalf of the investor, to obtain replacement coverage with another provider, possibly at a higher cost than the coverage we would replace. We may be responsible for some or all of the incremental cost of the new coverage for certain loans depending on the terms of our servicing agreement with the investor and other circumstances, although we do not have an additional risk of repurchase loss associated with claim amounts for loans sold to third-party investors. Similarly, some of the mortgage loans we hold for investment or for sale carry mortgage insurance. If a mortgage insurer is unable to meet its credit obligations with

respect to an insured loan, we might incur higher credit losses if replacement coverage is not obtained. For example, in October 2011, PMI Mortgage Insurance Co. (PMI) was seized by its regulator. Although only a limited amount of loans and securities held in our portfolios had PMI insurance support, we cannot be certain that any future financial difficulties or credit downgrades involving one of our mortgage insurance company providers will not materially adversely affect our mortgage business and/or financial results. We also have investments in municipal bonds that are guaranteed against loss by bond insurers. The value of these bonds and the payment of principal and interest on them may be negatively affected by financial difficulties or credit downgrades experienced by the bond insurers.

For more information, refer to the "Balance Sheet Analysis – Investment Securities" and "Risk Management – Credit Risk Management– Liability for Mortgage Loan Repurchase Losses" sections in this Report.

OPERATIONAL AND LEGAL RISK

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, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses. As a large financial institution that serves over 70 million customers through 8,700 locations, 13,000 ATMs, the Internet, mobile banking and other distribution channels across the U.S. and internationally, we depend on our ability to process, record and monitor a large number of customer transactions on a continuous basis. As our customer base and locations have expanded throughout the U.S. and internationally, and as customer, public, legislative and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns. Our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control. For example, there could be sudden increases in customer transaction volume; electrical or telecommunications outages; degradation or loss of public internet domain; climate change related impacts and natural disasters such as earthquakes, tornados, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and, as described below, cyber attacks. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our businesses and customers.

Information security risks for large financial institutions such as Wells Fargo have generally increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties, including foreign state-sponsored parties. Those parties also may attempt to fraudulently induce employees, customers, or other users of our systems to disclose confidential information in order to gain access to our data or that of our customers. As noted above, our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. Our banking, brokerage, investment advisory, and capital markets businesses rely on our digital technologies, computer and email systems, software, and networks to conduct their operations. In addition, to access our products and services, our customers may use personal smartphones, tablet PC's, and other mobile devices that are beyond our control systems. Although we believe we have robust information security procedures and controls, our technologies, systems, networks, and our customers' devices may become the target of cyber attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of Wells Fargo's or our customers' confidential, proprietary and other information, or otherwise disrupt Wells Fargo's or its customers' or other third parties' business operations. For example, various retailers have reported they were victims of cyber attacks in which large amounts of their customers' data, including debit and credit card information, was obtained. In these situations we generally incur costs to replace compromised cards and address fraudulent transaction activity affecting our customers.

Third parties with which we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries or vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

To date we have not experienced any material losses relating to cyber attacks or other information security breaches, but there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the prominent size and scale of Wells Fargo and its role in the financial services industry, our plans to continue to implement our Internet banking and mobile banking channel strategies and develop additional remote connectivity solutions to serve our customers when and how they want to be served, our expanded geographic footprint and international presence, the outsourcing of some of our business operations, and the current global economic and political environment. For example, Wells Fargo and other financial institutions continue to be the target of various evolving and adaptive cyber attacks, including malware and denial-of-service, as part of an effort to disrupt the operations of financial institutions, potentially test their cybersecurity capabilities, or obtain confidential, proprietary or other information. As a result, cybersecurity and the continued development and enhancement of our controls, processes and systems designed to protect our networks, computers, software and data from attack, damage or unauthorized access remain a priority for Wells Fargo. We are also proactively involved in industry cybersecurity efforts and working with other parties, including our third-party service providers and governmental agencies, to continue to enhance defenses and improve resiliency to cybersecurity threats. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of the networks, systems or devices that our customers use to access our products and services could result in customer attrition, financial losses, the inability of our customers to transact business with us, violations

of applicable privacy and other laws, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition.

Our framework for managing risks may not be fully effective in mitigating risk and loss to us. Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. In certain instances, we rely on models to measure, monitor and predict risks, such as market and interest rate risks, however there is no assurance that these models will appropriately capture all relevant risks or accurately predict future events or exposures. In addition, we rely on data to aggregate and assess our various risk exposures and any issues with the quality or effectiveness of our data aggregation and validation procedures could result in ineffective risk management practices or inaccurate risk reporting. The recent financial and credit crisis and resulting regulatory reform highlighted both the importance and some of the limitations of managing unanticipated risks, and our regulators remain focused on ensuring that financial institutions build and maintain robust risk management policies. If our risk management framework proves ineffective, we could suffer unexpected losses which could materially adversely affect our results of operations or financial condition.

We may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations. We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations. However, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there was in place at the time systems and procedures designed to ensure compliance. For example, we are subject to regulations issued by the Office of Foreign Assets Control (OFAC) that prohibit financial institutions from participating in the transfer of property belonging to the governments of certain foreign countries and designated nationals of those countries. OFAC may impose penalties for inadvertent or unintentional violations even if reasonable processes are in place to prevent the violations. There may be other negative consequences resulting from a finding of noncompliance, including restrictions on certain activities. Such a finding may also damage our reputation as described below and could restrict the ability of institutional investment managers to invest in our securities.

Under the Iran Threat Reduction and Syria Human Rights Act of 2012, we are required to make certain disclosures and file a separate report with the SEC if we or our worldwide affiliates knowingly engage in certain activities involving Iran. The scope of the reporting requirement is broad and covers any domestic or foreign entity or person that may be deemed to be an affiliate of ours. The potential government sanctions and reputational harm for engaging in a reportable activity may be significant. Any violation of these or other applicable laws or regulatory requirements, even if inadvertent or unintentional, could result in fees, penalties, restrictions on our ability to engage in certain business activities, reputational harm and other negative consequences.

Negative publicity, including as a result of protests, could damage our reputation and business. Reputation risk, or the risk to our business, earnings and capital from negative public opinion, is inherent in our business and has increased substantially because of the financial crisis and our size and profile in the financial services industry. The reputation of the financial services industry in general has been damaged as a result of the financial crisis and other matters affecting the financial services industry, and negative public opinion about the financial services industry generally or Wells Fargo specifically could adversely affect our ability to keep and attract customers. Negative public opinion could result from our actual or alleged conduct in any number of activities, including mortgage lending practices, servicing and foreclosure activities, corporate governance, regulatory compliance, mergers and acquisitions, and disclosure, sharing or inadequate protection of customer information, and from actions taken by government regulators and community or other organizations in response to that conduct. In addition, because we conduct most of our businesses under the "Wells Fargo" brand, negative public opinion about one business also could affect our other businesses. The proliferation of social media websites utilized by Wells Fargo and other third parties, as well as the personal use of social media by our team members and others, including personal blogs and social network profiles, also may increase the risk that negative, inappropriate or unauthorized information may be posted or released publicly that could harm our reputation or have other negative consequences, including as a result of our team members interacting with our customers in an unauthorized manner in various social media outlets.

As a result of the financial crisis, Wells Fargo and other financial institutions have been targeted from time to time by protests and demonstrations, which have included disrupting the operation of our retail banking stores and have resulted in negative public commentary about financial institutions, including the fees charged for various products and services. There can be no assurance that continued protests and negative publicity for the Company or large financial institutions generally will not harm our reputation and adversely affect our business and financial results.

Risks Relating to Legal Proceedings. Wells Fargo and some of its subsidiaries are involved in judicial, regulatory and arbitration proceedings or investigations concerning matters arising from our business activities. Although we believe we have a meritorious defense in all significant litigation pending against us, there can be no assurance as to the ultimate outcome. We establish reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. The ultimate resolution of a pending legal proceeding, depending on the remedy sought and granted, could materially adversely affect our results of operations and financial condition.

For more information, refer to Note 15 (Legal Actions) to Financial Statements in this Report.

RISKS RELATED TO OUR INDUSTRY'S COMPETITIVE OPERATING ENVIRONMENT

We face significant and increasing competition in the rapidly evolving financial services industry. We compete with other financial institutions in a highly competitive industry that is undergoing significant changes as a result of financial regulatory reform and increased public scrutiny stemming from the financial crisis and continued challenging economic conditions. Our success depends on our ability to develop and maintain deep and enduring relationships with our customers based on the quality of our customer service, the wide variety of products and services that we can offer our customers and the ability of those products and services to satisfy our customers' needs, the pricing of our products and services, the extensive distribution channels available for our customers, our innovation, and our reputation. Continued or increased competition in any one or all of these areas may negatively affect our customer relationships, market share and results of operations and/or cause us to increase our capital investment in our businesses in order to remain competitive. In addition, our ability to reposition or reprice our products and services from time to time may be limited and could be influenced significantly by the current economic, regulatory and political environment for large financial institutions as well as by the actions of our competitors. Furthermore, any changes in the types of products and services that we offer our customers and/or the pricing for those products and services could result in a loss of customer relationships and market share and could materially adversely affect our results of operations.

Continued technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions and other companies to provide electronic and internet-based financial solutions, including electronic payment solutions. We may not respond effectively to these and other competitive threats from existing and new competitors and may be forced to sell products at lower prices, increase our investment in our business to modify or adapt our existing products and services, and/or develop new products and services to respond to our customers' needs. To the extent we are not successful in developing and introducing new products and services or responding or adapting to the competitive landscape or to changes in customer preferences, we may lose customer relationships and our revenue growth and results of operations may be materially adversely affected.

Our ability to attract and retain qualified team members is critical to the success of our business and failure to do so could adversely affect our business performance, competitive position and future prospects. The success of Wells Fargo is heavily dependent on the talents and efforts of our team members, and in many areas of our business, including the commercial banking, brokerage, investment advisory, and capital markets businesses, the competition for highly qualified personnel is intense. In order to attract and retain highly qualified team members, we must provide competitive compensation. As a large financial institution we may be subject to limitations on compensation by our regulators that may adversely affect our ability to attract and retain these qualified team members. Some of our competitors may not be subject to these same compensation limitations, which may further negatively affect our ability to attract and retain highly qualified team members.

RISKS RELATED TO OUR FINANCIAL STATEMENTS

Changes in accounting policies or accounting standards, and changes in how accounting standards are interpreted or applied, could materially affect how we report our financial results and condition. Our accounting policies are fundamental to determining and understanding our financial results and condition. As described below, some of these policies require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Any changes in our accounting policies could materially affect our financial statements.

From time to time the FASB and the SEC change the financial accounting and reporting standards that govern the preparation of our external financial statements. For example, in Proposed Accounting Standards Update, *Financial Instruments-Credit Losses* (Subtopic 825-15), FASB has proposed replacing the current "incurred loss" model for the allowance for credit losses with an "expected loss" model referred to as the Current Expected Credit Loss model, or CECL. If adopted, CECL could materially affect how we determine our allowance and report our financial results and condition.

In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, SEC, banking regulators and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond our control, can be hard to predict and could materially affect how we report our financial results and condition. We may be required to apply a new or revised standard retroactively or apply an existing standard differently, also retroactively, in each case potentially resulting in our restating prior period financial statements in material amounts.

Our financial statements are based in part on assumptions and estimates which, if wrong, could cause unexpected losses in the future, and our financial statements depend on our internal controls over financial reporting. Pursuant to U.S. GAAP, we are required to use certain assumptions and estimates in preparing our financial statements, including in determining credit loss reserves, reserves for mortgage repurchases, reserves related to litigation and the fair value of certain assets and liabilities, among other items. Several of our accounting 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. For a description of these policies, refer to the "Critical Accounting Policies" section in this Report. If assumptions or estimates underlying our financial statements are incorrect, we may experience material losses.

Certain of our financial instruments, including trading assets and liabilities, investment securities, certain loans, MSRs, private equity investments, structured notes and certain repurchase and resale agreements, among other items, require a determination of their fair value in order to prepare our financial statements. Where quoted market prices are not available, we may make fair value determinations based on internally developed models or other means which ultimately rely to some degree on management judgment, and there is no assurance that our models will capture or appropriately reflect all relevant inputs required to accurately determine fair value. Some of these

and other assets and liabilities may have no direct observable price levels, making their valuation particularly subjective, being based on significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain loans and securities may make it more difficult to value certain balance sheet items, which may lead to the possibility that such valuations will be subject to further change or adjustment and could lead to declines in our earnings.

The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) requires our management to evaluate the Company's disclosure controls and procedures and its internal control over financial reporting and requires our auditors to issue a report on our internal control over financial reporting. We are required to disclose, in our annual report on Form 10-K, the existence of any "material weaknesses" in our internal controls. We cannot assure that we will not identify one or more material weaknesses as of the end of any given quarter or year, nor can we predict the effect on our stock price of disclosure of a material weakness. Sarbanes-Oxley also limits the types of non-audit services our outside auditors may provide to us in order to preserve their independence from us. If our auditors were found not to be "independent" of us under SEC rules, we could be required to engage new auditors and re-file financial statements and audit reports with the SEC. We could be out of compliance with SEC rules until new financial statements and audit reports were filed, limiting our ability to raise capital and resulting in other adverse consequences.

RISKS RELATED TO ACQUISITIONS

Acquisitions could reduce our stock price upon announcement and reduce our earnings if we overpay or have difficulty integrating them. We regularly explore opportunities to acquire companies or businesses in the financial services industry. We cannot predict the frequency, size or timing of our acquisitions, and we typically do not comment publicly on a possible acquisition until we have signed a definitive agreement. When we do announce an acquisition, our stock price may fall depending on the size of the acquisition, the type of business to be acquired, the purchase price, and the potential dilution to existing stockholders or our earnings per share if we issue common stock in connection with the acquisition.

We generally must receive federal regulatory approvals before we can acquire a bank, bank holding company or certain other financial services businesses depending on the size of the financial services business to be acquired. In deciding whether to approve a proposed acquisition, federal bank regulators will consider, among other factors, the effect of the acquisition on competition and the risk to the stability of the U.S. banking or financial system, our financial condition and future prospects including current and projected capital ratios and levels, the competence, experience, and integrity of management and record of compliance with laws and regulations, the convenience and needs of the communities to be served, including our record of compliance under the Community Reinvestment Act, and our effectiveness in combating money laundering. As a result of the Dodd-Frank Act and concerns regarding the large size of financial institutions such as Wells Fargo, the regulatory process for approving acquisitions has become more complex and regulatory approvals may be more difficult to obtain. We cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. We might be required to sell banks, branches and/or business units or assets or issue additional equity as a condition to receiving regulatory approval for an acquisition. In addition, federal law prohibits regulatory approval of any transaction that would create an institution holding more than 10% of total U.S. insured deposits, or of any transaction (whether or not subject to prior approval) that would create a financial company with more than 10% of the liabilities of all financial companies in the U.S. As of September 30, 2015, we believe we already held more than 10% of total U.S. deposits. As a result, our size may limit our bank acquisition opportunities in the future.

Difficulty in integrating an acquired company or business may cause us not to realize expected revenue increases, cost savings, increases in geographic or product presence, and other projected benefits from the acquisition. The integration could result in higher than expected deposit attrition, loss of key team members, disruption of our business or the acquired business, or otherwise harm our ability to retain customers and team members or achieve the anticipated benefits of the acquisition. Time and resources spent on integration may also impair our ability to grow our existing businesses. Also, the negative effect of any divestitures required by regulatory authorities in acquisitions or business combinations may be greater than expected. Many of the foregoing risks may be increased if the acquired company or business operates internationally or in a geographic location where we do not already have significant business operations and/or team members.

* * *

Any factor described in this Report or in any of our other SEC filings could by itself, or together with other factors, adversely affect our financial results and condition. Refer to our quarterly reports on Form 10-Q filed with the SEC in 2016 for material changes to the above discussion of risk factors. There are factors not discussed above or elsewhere in this Report that could adversely affect our financial results and condition.

Controls and Procedures

Disclosure Controls and Procedures

The Company's management evaluated the effectiveness, as of December 31, 2015, 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 December 31, 2015.

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 any quarter in 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management's report on internal control over financial reporting is set forth below and should be read with these limitations in mind.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework (2013)*. Based on this assessment, management concluded that as of December 31, 2015, the Company's internal control over financial reporting was effective.

KPMG LLP, the independent registered public accounting firm that audited the Company's financial statements included in this Annual Report, issued an audit report on the Company's internal control over financial reporting. KPMG's audit report appears on the following page.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Wells Fargo & Company:

We have audited Wells Fargo & Company and Subsidiaries' (the Company) internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) 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. Also, 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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated February 24, 2016, expressed an unqualified opinion on those consolidated financial statements.

San Francisco, California
February 24, 2016

Financial Statements

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Income

(in millions, except per share amounts)		Year ended December 31, 2015	2014	2013
Interest income				
Trading assets	$	**1,971**	1,685	1,376
Investment securities		**8,937**	8,438	8,116
Mortgages held for sale		**785**	767	1,290
Loans held for sale		**19**	78	13
Loans		**36,575**	35,652	35,571
Other interest income		**990**	932	723
Total interest income		**49,277**	47,552	47,089
Interest expense				
Deposits		**963**	1,096	1,337
Short-term borrowings		**64**	59	60
Long-term debt		**2,592**	2,488	2,585
Other interest expense		**357**	382	307
Total interest expense		**3,976**	4,025	4,289
Net interest income		**45,301**	43,527	42,800
Provision for credit losses		**2,442**	1,395	2,309
Net interest income after provision for credit losses		**42,859**	42,132	40,491
Noninterest income				
Service charges on deposit accounts		**5,168**	5,050	5,023
Trust and investment fees		**14,468**	14,280	13,430
Card fees		**3,720**	3,431	3,191
Other fees		**4,324**	4,349	4,340
Mortgage banking		**6,501**	6,381	8,774
Insurance		**1,694**	1,655	1,814
Net gains from trading activities		**614**	1,161	1,623
Net gains (losses) on debt securities (1)		**952**	593	(29)
Net gains from equity investments (2)		**2,230**	2,380	1,472
Lease income		**621**	526	663
Other		**464**	1,014	679
Total noninterest income		**40,756**	40,820	40,980
Noninterest expense				
Salaries		**15,883**	15,375	15,152
Commission and incentive compensation		**10,352**	9,970	9,951
Employee benefits		**4,446**	4,597	5,033
Equipment		**2,063**	1,973	1,984
Net occupancy		**2,886**	2,925	2,895
Core deposit and other intangibles		**1,246**	1,370	1,504
FDIC and other deposit assessments		**973**	928	961
Other		**12,125**	11,899	11,362
Total noninterest expense		**49,974**	49,037	48,842
Income before income tax expense		**33,641**	33,915	32,629
Income tax expense		**10,365**	10,307	10,405
Net income before noncontrolling interests		**23,276**	23,608	22,224
Less: Net income from noncontrolling interests		**382**	551	346
Wells Fargo net income	$	**22,894**	23,057	21,878
Less: Preferred stock dividends and other		**1,424**	1,236	989
Wells Fargo net income applicable to common stock	$	**21,470**	21,821	20,889
Per share information				
Earnings per common share	$	**4.18**	4.17	3.95
Diluted earnings per common share		**4.12**	4.10	3.89
Dividends declared per common share		**1.475**	1.350	1.150
Average common shares outstanding		**5,136.5**	5,237.2	5,287.3
Diluted average common shares outstanding		**5,209.8**	5,324.4	5,371.2

(1) Total other-than-temporary impairment (OTTI) losses were $136 million, $18 mill on and $39 million for the years ended December 31, 2015, 2014 and 2013, respectively. Of total OTTI, losses of $183 mill on, $49 million and $158 mill on were recognized in earnings, and reversal of losses of $(47) million, $(31) mill on and $(119) million were recognized as non-cred t-related OTTI in other comprehensive income for the years ended December 31, 2015, 2014 and 2013, respectively.

(2) Includes OTTI losses of $376 million, $273 million and $186 mill on for the years ended December 31, 2015, 2014 and 2013, respectively.

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Comprehensive Income

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Wells Fargo net income	**$ 22,894**	23,057	21,878
Other comprehensive income (loss), before tax:			
Investment securities:			
Net unrealized gains (losses) arising during the period	**(3,318)**	5,426	(7,661)
Reclassification of net gains to net income	**(1,530)**	(1,532)	(285)
Derivatives and hedging activities:			
Net unrealized gains (losses) arising during the period	**1,549**	952	(32)
Reclassification of net gains on cash flow hedges to net income	**(1,089)**	(545)	(296)
Defined benefit plans adjustments:			
Net actuarial gains (losses) arising during the period	**(512)**	(1,116)	1,533
Amortization of net actuarial loss, settlements and other to net income	**114**	74	276
Foreign currency translation adjustments:			
Net unrealized losses arising during the period	**(137)**	(60)	(44)
Reclassification of net (gains) losses to net income	**(5)**	6	(12)
Other comprehensive income (loss), before tax	**(4,928)**	3,205	(6,521)
Income tax (expense) benefit related to other comprehensive income	**1,774**	(1,300)	2,524
Other comprehensive income (loss), net of tax	**(3,154)**	1,905	(3,997)
Less: Other comprehensive income (loss) from noncontrolling interests	**67**	(227)	267
Wells Fargo other comprehensive income (loss), net of tax	**(3,221)**	2,132	(4,264)
Wells Fargo comprehensive income	**19,673**	25,189	17,614
Comprehensive income from noncontrolling interests	**449**	324	613
Total comprehensive income	**$ 20,122**	25,513	18,227

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Balance Sheet

(in millions, except shares)		Dec 31, 2015	Dec 31, 2014
Assets			
Cash and due from banks	$	**19,111**	19,571
Federal funds sold, securities purchased under resale agreements and other short-term investments		**270,130**	258,429
Trading assets		**77,202**	78,255
Investment securities:			
Available-for-sale, at fair value		**267,358**	257,442
Held-to-maturity, at cost (fair value $80,567 and $56,359)		**80,197**	55,483
Mortgages held for sale (includes $13,539 and $15,565 carried at fair value) (1)		**19,603**	19,536
Loans held for sale (includes $0 and $1 carried at fair value) (1)		**279**	722
Loans (includes $5,316 and $5,788 carried at fair value) (1)		**916,559**	862,551
Allowance for loan losses		**(11,545)**	(12,319)
Net loans		**905,014**	850,232
Mortgage servicing rights:			
Measured at fair value		**12,415**	12,738
Amortized		**1,308**	1,242
Premises and equipment, net		**8,704**	8,743
Goodwill		**25,529**	25,705
Other assets (includes $3,065 and $2,512 carried at fair value) (1)		**100,782**	99,057
Total assets (2)	$	**1,787,632**	1,687,155
Liabilities			
Noninterest-bearing deposits	$	**351,579**	321,963
Interest-bearing deposits		**871,733**	846,347
Total deposits		**1,223,312**	1,168,310
Short-term borrowings		**97,528**	63,518
Accrued expenses and other liabilities		**73,365**	86,122
Long-term debt		**199,536**	183,943
Total liabilities (3)		**1,593,741**	1,501,893
Equity			
Wells Fargo stockholders' equity:			
Preferred stock		**22,214**	19,213
Common stock – $1-2/3 par value, authorized 9,000,000,000 shares; issued 5,481,811,474 shares		**9,136**	9,136
Additional paid-in capital		**60,714**	60,537
Retained earnings		**120,866**	107,040
Cumulative other comprehensive income		**297**	3,518
Treasury stock – 389,682,664 shares and 311,462,276 shares		**(18,867)**	(13,690)
Unearned ESOP shares		**(1,362)**	(1,360)
Total Wells Fargo stockholders' equity		**192,998**	184,394
Noncontrolling interests		**893**	868
Total equity		**193,891**	185,262
Total liabilities and equity	$	**1,787,632**	1,687,155

(1) Parenthetical amounts represent assets and liabilities for which we have elected the fair value option.
(2) Our consolidated assets at December 31, 2015 and 2014, 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, $157 million and $117 million; Trading assets, $1 million and $0 million; Investment securities, $425 million and $875 million; Net loans, $4.8 billion and $4.5 billion; Other assets, $242 million and $316 million; and Total assets, $5.6 billion and $5.8 billion, respectively.
(3) Our consolidated liabilities at December 31, 2015 and 2014, include the following VIE liabilities for which the VIE creditors do not have recourse to Wells Fargo: Accrued expenses and other liabilities, $57 million and $49 million; Long-term debt, $1.3 billion and $1.6 billion; and Total liabilities, $1.4 billion and $1.7 billion, respectively.

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity

	Preferred stock		Common stock	
(in millions, except shares)	*Shares*	Amount	*Shares*	Amount
Balance December 31, 2012	*10,558,865*	$ 12,883	*5,266,314,176*	$ 9,136
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			*89,392,517*	
Common stock repurchased (1)			*(124,179,383)*	
Preferred stock issued to ESOP	*1,200,000*	1,200		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(1,005,270)*	(1,006)	*25,635,395*	
Common stock warrants repurchased/exercised				
Preferred stock issued	*127,600*	3,190		
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	*322,330*	3,384	*(9,151,471)*	—
Balance December 31, 2013	*10,881,195*	$ 16,267	*5,257,162,705*	$ 9,136
Balance January 1, 2014	*10,881,195*	16,267	*5,257,162,705*	9,136
Net income				
Other comprehensive income (loss), net of tax				
Noncontrolling interests				
Common stock issued			*75,340,898*	
Common stock repurchased (1)			*(183,146,803)*	
Preferred stock issued to ESOP	*1,217,000*	1,217		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(1,071,377)*	(1,071)	*20,992,398*	
Common stock warrants repurchased/exercised				
Preferred stock issued	*112,000*	2,800		
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	*257,623*	2,946	*(86,813,507)*	—
Balance December 31, 2014	*11,138,818*	$ 19,213	*5,170,349,198*	$ 9,136

(1) For the year ended December 31, 2013, includes $500 mill on related to a private forward repurchase transact on entered into in fourth quarter 2013 that settled in first quarter 2014 for 11.1 mill on shares of common stock. For the year ended December 31, 2014, includes $750 million related to a private forward repurchase transaction that settled in first quarter 2015 for 14.3 mill on shares of common stock. See Note 1 (Summary of Significant Accounting Policies) for additional informat on.

The accompanying notes are an integral part of these statements.

(continued on following pages)

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
59,802	77,679	5,650	(6,610)	(986)	157,554	1,357	158,911
59,802	77,679	5,650	(6,610)	(986)	157,554	1,357	158,911
	21,878				21,878	346	22,224
		(4,264)			(4,264)	267	(3,997)
28					28	(1,104)	(1,076)
(2)	(10)		2,745		2,733		2,733
(300)			(5,056)		(5,356)		(5,356)
108				(1,308)	—		—
(88)				1,094	1,006		1,006
191			815		—		—
					—		—
(45)					3,145		3,145
83	(6,169)				(6,086)		(6,086)
	(1,017)				(1,017)		(1,017)
269					269		269
725					725		725
(475)			2		(473)		(473)
494	14,682	(4,264)	(1,494)	(214)	12,588	(491)	12,097
60,296	92,361	1,386	(8,104)	(1,200)	170,142	866	171,008
60,296	92,361	1,386	(8,104)	(1,200)	170,142	866	171,008
	23,057				23,057	551	23,608
		2,132			2,132	(227)	1,905
(7)					(7)	(322)	(329)
(273)			2,756		2,483		2,483
(250)			(9,164)		(9,414)		(9,414)
108				(1,325)	—		—
(94)				1,165	1,071		1,071
251			820		—		—
(9)					(9)		(9)
(25)					2,775		2,775
76	(7,143)				(7,067)		(7,067)
	(1,235)				(1,235)		(1,235)
453					453		453
858					858		858
(847)			2		(845)		(845)
241	14,679	2,132	(5,586)	(160)	14,252	2	14,254
60,537	107,040	3,518	(13,690)	(1,360)	184,394	868	185,262

(continued from previous pages)

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity

	Preferred stock		Common stock	
(in millions, except shares)	*Shares*	Amount	*Shares*	Amount
Balance December 31, 2014	***11,138,818***	**$ 19,213**	***5,170,349,198***	**$ 9,136**
Balance January 1, 2015	***11,138,818***	**19,213**	***5,170,349,198***	**9,136**
Net income				
Other comprehensive income (loss), net of tax				
Noncontrolling interests				
Common stock issued			***69,876,577***	
Common stock repurchased (1)			***(163,400,892)***	
Preferred stock issued to ESOP	***826,598***	**826**		
Preferred stock released by ESOP				
Preferred stock converted to common shares	***(825,499)***	**(825)**	***15,303,927***	
Common stock warrants repurchased/exercised				
Preferred stock issued	***120,000***	**3,000**		
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	***121,099***	**3,001**	***(78,220,388)***	**—**
Balance December 31, 2015	***11,259,917***	**$ 22,214**	***5,092,128,810***	**$ 9,136**

(1) For the year ended December 31, 2015, includes $500 mill on related to a private forward repurchase transact on that settled in first quarter 2016 for 9.2 million shares of common stock. See Note 1 (Summary of Significant Accounting Policies) for addit onal information.

The accompanying notes are an integral part of these statements.

					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
60,537	**107,040**	**3,518**	**(13,690)**	**(1,360)**	**184,394**	**868**	**185,262**
60,537	**107,040**	**3,518**	**(13,690)**	**(1,360)**	**184,394**	**868**	**185,262**
	22,894				**22,894**	**382**	**23,276**
		(3,221)			**(3,221)**	**67**	**(3,154)**
2					**2**	**(424)**	**(422)**
(397)			**3,041**		**2,644**		**2,644**
250			**(8,947)**		**(8,697)**		**(8,697)**
74				**(900)**	**—**		**—**
(73)				**898**	**825**		**825**
107			**718**		**—**		**—**
(49)					**(49)**		**(49)**
(28)					**2,972**		**2,972**
62	**(7,642)**				**(7,580)**		**(7,580)**
	(1,426)				**(1,426)**		**(1,426)**
453					**453**		**453**
844					**844**		**844**
(1,068)			**11**		**(1,057)**		**(1,057)**
177	**13,826**	**(3,221)**	**(5,177)**	**(2)**	**8,604**	**25**	**8,629**
60,714	**120,866**	**297**	**(18,867)**	**(1,362)**	**192,998**	**893**	**193,891**

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Cash Flows

(in mill ons)		Year ended December 31, 2015	2014	2013
Cash flows from operating activities:				
Net income before noncontrolling interests	$	**23,276**	23,608	22,224
Adjustments to reconcile net income to net cash prov ded by operating activities:				
Provision for cred t losses		**2,442**	1,395	2,309
Changes in fair value of MSRs, MHFS and LHFS carried at fair value		**62**	1,820	(3,229)
Depreciation, amortizat on and accretion		**3,288**	2,515	3,293
Other net gains		**(6,496)**	(3,760)	(9,384)
Stock-based compensat on		**1,958**	1,912	1,920
Excess tax benef ts related to stock incentive compensation		**(453)**	(453)	(271)
Originations of MHFS		**(178,266)**	(144,812)	(317,054)
Proceeds from sales of and principal collected on mortgages originated for sale		**133,194**	117,097	311,431
Proceeds from sales of and principal collected on LHFS		**7**	207	575
Purchases of LHFS		**(28)**	(154)	(291)
Net change in:				
Trading assets		**47,244**	11,186	43,638
Deferred income taxes		**(2,265)**	2,354	4,977
Accrued interest receivable		**(623)**	(372)	(13)
Accrued interest payable		**160**	119	(32)
Other assets		**(1,764)**	(10,681)	4,693
Other accrued expenses and liabilities		**(6,964)**	15,548	(7,145)
Net cash prov ded by operating activ ties		**14,772**	17,529	57,641
Cash flows from investing activities:				
Net change in:				
Federal funds sold, securities purchased under resale agreements and other short-term investments		**(11,866)**	(41,778)	(78,184)
Available-for-sale secur ties:				
Sales proceeds		**25,431**	6,089	2,837
Prepayments and matur ties		**33,912**	37,257	50,737
Purchases		**(79,778)**	(44,807)	(89,474)
Held-to-maturity secur ties:				
Paydowns and matur ties		**5,290**	5,168	30
Purchases		**(25,424)**	(47,012)	(5,782)
Nonmarketable equity investments:				
Sales proceeds		**3,496**	3,161	2,577
Purchases		**(2,352)**	(3,087)	(3,273)
Loans:				
Loans originated by banking subsidiaries, net of principal collected		**(57,016)**	(65,162)	(43,744)
Proceeds from sales (including participations) of loans held for investment		**11,672**	21,564	7,694
Purchases (including participations) of loans		**(13,759)**	(6,424)	(11,563)
Principal collected on nonbank entities' loans		**10,023**	13,589	19,955
Loans originated by nonbank entities		**(12,441)**	(13,570)	(17,311)
Net cash paid for acquisit ons		**(3)**	(174)	—
Proceeds from sales of foreclosed assets and short sales		**7,803**	7,697	11,021
Net cash from purchases and sales of MSRs		**(135)**	(150)	407
Other, net		**(2,088)**	(741)	581
Net cash used by investing activities		**(107,235)**	(128,380)	(153,492)
Cash flows from financing activities:				
Net change in:				
Depos ts		**54,867**	89,133	76,342
Short-term borrowings		**34,010**	8,035	(3,390)
Long-term debt:				
Proceeds from issuance		**43,030**	42,154	53,227
Repayment		**(27,333)**	(15,829)	(25,423)
Preferred stock:				
Proceeds from issuance		**2,972**	2,775	3,145
Cash dividends pa d		**(1,426)**	(1,235)	(1,017)
Common stock:				
Proceeds from issuance		**1,726**	1,840	2,224
Repurchased		**(8,697)**	(9,414)	(5,356)
Cash dividends pa d		**(7,400)**	(6,908)	(5,953)
Excess tax benef ts related to stock incentive compensat on		**453**	453	271
Net change in noncontrolling interests		**(232)**	(552)	(296)
Other, net		**33**	51	136
Net cash provided by financing activities		**92,003**	110,503	93,910
Net change in cash and due from banks		**(460)**	(348)	(1,941)
Cash and due from banks at beginning of year		**19,571**	19,919	21,860
Cash and due from banks at end of year	$	**19,111**	19,571	19,919
Supplemental cash flow disclosures:				
Cash pa d for interest	$	**3,816**	3,906	4,321
Cash pa d for income taxes		**13,688**	8,808	7,132

The accompanying notes are an integral part of these statements. See Note 1 (Summary of Significant Accounting Policies) for noncash activities.

Notes to Financial Statements

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

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, 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 6 (Loans and Allowance for Credit Losses)), valuations of residential mortgage servicing rights (MSRs) (Note 8 (Securitizations and Variable Interest Entities) and Note 9 (Mortgage Banking Activities)) and financial instruments (Note 17 (Fair Values of Assets and Liabilities)) and income taxes (Note 21 (Income Taxes)). Actual results could differ from those estimates.

Accounting Standards Adopted in 2015

In 2015, we adopted the following new accounting guidance:

- Accounting Standards Update (ASU or Update) 2014-11, *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*;
- ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*; and
- ASU 2014-01, *Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*.

ASU 2014-11 requires repurchase-to-maturity transactions to be accounted for as secured borrowings versus sales. The guidance also requires separate accounting for transfers of financial assets that are executed contemporaneously with repurchase agreements. The Update also includes new disclosures for transfers accounted for as sales and for repurchase agreements and similar arrangements, such as classes of collateral pledged for gross obligations and the remaining contractual maturity of repurchase agreements. We adopted the accounting changes in first quarter 2015 with no impact to our consolidated financial statements or disclosures. We adopted the collateral and remaining contractual maturity disclosures for repurchase and similar agreements in second quarter 2015. For additional information, see Note 14 (Guarantees, Pledged Assets and Collateral).

ASU 2014-08 changes the definition and reporting requirements for discontinued operations. Under the new guidance, an entity's disposal of a component or group of components must be reported in discontinued operations if the disposal is a strategic shift that has or will have a significant effect on the entity's operations and financial results. We adopted these changes in first quarter 2015 with prospective application. This Update did not have a material impact on our consolidated financial statements.

ASU 2014-01 amends the accounting guidance for investments in affordable housing projects that qualify for the low-income housing tax credits. The Update requires incremental disclosures for all entities that invest in qualified affordable housing projects. Additionally companies may make an accounting election to amortize the cost of their investments in proportion to the tax benefits received if certain criteria are met and present the amortization as a component of income tax expense. We adopted the new disclosure requirements in first quarter 2015 (see Note 7 (Premises, Equipment, Lease Commitments and Other Assets)) and will continue our previous accounting for these investments rather than make the alternative election to amortize the initial cost of the investments in proportion to the tax benefits received.

Consolidation

Our consolidated financial statements include the accounts of the Parent and our subsidiaries in which we have a controlling interest.

We are also a variable interest holder in certain entities in which equity investors do not have the characteristics of a controlling financial interest or where the entity does not have enough equity at risk to finance its activities without additional subordinated financial support from other parties (referred to as variable interest entities (VIEs)). Our variable interest arises from contractual, ownership or other monetary interests in the entity, which change with fluctuations in the fair value of the entity's net assets. We consolidate a VIE if we are the primary beneficiary. We are the primary beneficiary if we have a controlling financial interest, which includes both the power to direct the activities that most significantly impact the VIE and a variable interest that potentially could be significant to the VIE. To determine whether or not a variable interest we hold could potentially be significant to the VIE, we consider both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIE. We assess whether or not we are the primary beneficiary of a VIE on an ongoing basis.

Significant intercompany accounts and transactions are eliminated in consolidation. When we have significant influence over operating and financing decisions for a company but do not own a majority of the voting equity interests, we account for the investment using the equity method of accounting, which requires us to recognize our proportionate share of the company's earnings. If we do not have significant influence, we recognize the equity investment at cost except for (1) marketable

equity securities, which we recognize at fair value with changes in fair value included in OCI, and (2) nonmarketable equity investments for which we have elected the fair value option. Investments accounted for under the equity or cost method are included in other assets.

Cash and Due From Banks

Cash and cash equivalents include cash on hand, cash items in transit, and amounts due from the Federal Reserve Bank and other depository institutions.

Trading Assets

Trading assets are predominantly securities, including corporate debt, U.S. government agency obligations and other securities that we acquire for short-term appreciation or other trading purposes, certain loans held for market-making purposes to support the buying and selling demands of our customers and derivatives primarily held for customer accommodation purposes or risk mitigation and hedging. Interest-only strips and other retained interests in securitizations that can be contractually prepaid or otherwise settled in a way that the holder would not recover substantially all of its recorded investment are classified as trading assets. Trading assets are carried at fair value, with changes in fair value recorded in earnings. For securities and loans in trading assets, interest and dividend income are recorded in interest income, and realized and unrealized gains and losses are recorded in noninterest income. For other trading assets, including derivatives, the entire change in fair value is recorded in noninterest income.

Investments

Our investments include various debt and marketable equity securities and nonmarketable equity investments. We classify debt and marketable equity securities as available-for-sale or held-to-maturity securities based on our intent to hold to maturity. Our nonmarketable equity investments are reported in other assets.

AVAILABLE-FOR-SALE SECURITIES Debt securities that we might not hold until maturity and marketable equity securities are classified as available-for-sale securities and reported at fair value. Unrealized gains and losses, after applicable income taxes, are reported in cumulative OCI.

We conduct other-than-temporary impairment (OTTI) analysis on a quarterly basis or more often if a potential loss-triggering event occurs. The initial indicator of OTTI for both debt and equity securities is a decline in fair value below the amount recorded for an investment and the severity and duration of the decline.

For a debt security for which there has been a decline in the fair value below amortized cost basis, we recognize OTTI if we (1) have the intent to sell the security, (2) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis, or (3) we do not expect to recover the entire amortized cost basis of the security.

Estimating recovery of the amortized cost basis of a debt security is based upon an assessment of the cash flows expected to be collected. If the present value of cash flows expected to be collected, discounted at the security's effective yield, is less than amortized cost, OTTI is considered to have occurred. In performing an assessment of the cash flows expected to be collected, we consider all relevant information including:

- the length of time and the extent to which the fair value has been less than the amortized cost basis;
- the historical and implied volatility of the fair value of the security;
- the cause of the price decline, such as the general level of interest rates or adverse conditions specifically related to the security, an industry or a geographic area;
- the issuer's financial condition, near-term prospects and ability to service the debt;
- the payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future;
- for asset-backed securities, the credit performance of the underlying collateral, including delinquency rates, level of non-performing assets, cumulative losses to date, collateral value and the remaining credit enhancement compared with expected credit losses;
- any change in rating agencies' credit ratings at evaluation date from acquisition date and any likely imminent action;
- independent analyst reports and forecasts, sector credit ratings and other independent market data; and
- recoveries or additional declines in fair value subsequent to the balance sheet date.

If we intend to sell the security, or if it is more likely than not we will be required to sell the security before recovery, an OTTI write-down is recognized in earnings equal to the entire difference between the amortized cost basis and fair value of the security. For debt securities that are considered other-than-temporarily impaired that we do not intend to sell or it is more likely than not that we will not be required to sell before recovery, the OTTI write-down is separated into an amount representing the credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in OCI. The measurement of the credit loss component is equal to the difference between the debt security's amortized cost basis and the present value of its expected future cash flows discounted at the security's effective yield. The remaining difference between the security's fair value and the present value of expected future cash flows is due to factors that are not credit-related and, therefore, is recognized in OCI. We believe that we will fully collect the carrying value of securities on which we have recorded a non-credit-related impairment in OCI.

We hold investments in perpetual preferred securities (PPS) that are structured in equity form but have many of the characteristics of debt instruments, including periodic cash flows in the form of dividends, call features, ratings that are similar to debt securities and pricing like long-term callable bonds.

Because of the hybrid nature of these securities, we evaluate PPS for OTTI using a model similar to the model we use for debt securities as described above. Among the factors we consider in our evaluation of PPS are whether there is any evidence of deterioration in the credit of the issuer as indicated by a decline in cash flows or a rating agency downgrade to below investment grade and the estimated recovery period. OTTI write-downs of PPS are recognized in earnings equal to the difference between the cost basis and fair value of the security. Based upon the factors considered in our OTTI evaluation, we believe our investments in PPS currently rated investment grade will be fully realized and, accordingly, have not recognized OTTI on such securities.

For marketable equity securities other than PPS, OTTI evaluations focus on whether evidence exists that supports recovery of the unrealized loss within a timeframe consistent with temporary impairment. This evaluation considers the severity of and length of time fair value is below cost, our intent and ability to hold the security until forecasted recovery of the

fair value of the security, and the investee's financial condition, capital strength, and near-term prospects.

We recognize realized gains and losses on the sale of investment securities in noninterest income using the specific identification method.

Unamortized premiums and discounts are recognized in interest income over the contractual life of the security using the interest method. As principal repayments are received on securities (i.e., primarily mortgage-backed securities (MBS)) a proportionate amount of the related premium or discount is recognized in income so that the effective interest rate on the remaining portion of the security continues unchanged.

HELD-TO-MATURITY SECURITIES Debt securities for which the Company has the positive intent and ability to hold to maturity are reported at historical cost adjusted for amortization of premiums and accretion of discounts. We recognize OTTI when there is a decline in fair value and we do not expect to recover the entire amortized cost basis of the debt security. The amortized cost is written-down to fair value with the credit loss component recorded to earnings and the remaining component recognized in OCI. The OTTI assessment related to whether we expect recovery of the amortized cost basis and determination of any credit loss component recognized in earnings for held-to-maturity securities is the same as described for available-for-sale securities. Security transfers to the held-to-maturity classification are recorded at fair value. Unrealized gains or losses from the transfer of available-for-sale securities continue to be reported in cumulative OCI and are amortized into earnings over the remaining life of the security using the effective interest method.

NONMARKETABLE EQUITY INVESTMENTS Nonmarketable equity investments include low income housing tax credit investments, equity securities that are not publicly traded and securities acquired for various purposes, such as to meet regulatory requirements (for example, Federal Reserve Bank and Federal Home Loan Bank (FHLB) stock). We have elected the fair value option for some of these investments with the remainder of these investments accounted for under the cost or equity method, which we review at least quarterly for possible OTTI. Our review typically includes an analysis of the facts and circumstances of each investment, the expectations for the investment's cash flows and capital needs, the viability of its business model and our exit strategy. We reduce the asset value when we consider declines in value to be other than temporary. We recognize the estimated loss as a loss from equity investments in noninterest income.

Securities Purchased and Sold Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are accounted for as collateralized financing transactions and are recorded at the acquisition or sale price plus accrued interest. We monitor the fair value of securities purchased and sold and obtain collateral from or return it to counterparties when appropriate. These financing transactions do not create material credit risk given the collateral provided and the related monitoring process.

Mortgages and Loans Held for Sale

Mortgages held for sale (MHFS) include commercial and residential mortgages originated for sale and securitization in the secondary market, which is our principal market, or for sale as whole loans. We have elected the fair value option for substantially all residential MHFS (see Note 17 (Fair Values of Assets and Liabilities)). The remaining residential MHFS are held at the lower of cost or fair value (LOCOM) and are valued on an aggregate portfolio basis. Commercial MHFS are held at LOCOM and are valued on an individual loan basis.

Loans held for sale (LHFS) are carried at LOCOM. Generally, consumer loans are valued on an aggregate portfolio basis, and commercial loans are valued on an individual loan basis.

Gains and losses on MHFS are recorded in mortgage banking noninterest income. Gains and losses on LHFS are recorded in other noninterest income. Direct loan origination costs and fees for MHFS and LHFS under the fair value option are recognized in income at origination. For MHFS and LHFS recorded at LOCOM, loan costs and fees are deferred at origination and are recognized in income at time of sale. Interest income on MHFS and LHFS is calculated based upon the note rate of the loan and is recorded to interest income.

Our lines of business are authorized to originate held-for-investment loans that meet or exceed established loan product profitability criteria, including minimum positive net interest margin spreads in excess of funding costs. When a determination is made at the time of commitment to originate loans as held for investment, it is our intent to hold these loans to maturity or for the “foreseeable future,” subject to periodic review under our management evaluation processes, including corporate asset/liability management. In determining the “foreseeable future” for loans, management considers (1) the current economic environment and market conditions, (2) our business strategy and current business plans, (3) the nature and type of the loan receivable, including its expected life, and (4) our current financial condition and liquidity demands. If subsequent changes, including changes in interest rates, significantly impact the ongoing profitability of certain loan products, we may subsequently change our intent to hold these loans, and we would take actions to sell such loans. Upon such management determination, we immediately transfer these loans to the MHFS or LHFS portfolio at LOCOM.

Loans

Loans are reported at their outstanding principal balances net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans and unamortized premiums or discounts on purchased loans. PCI loans are reported net of any remaining purchase accounting adjustments. See the “Purchased Credit-Impaired Loans” section in this Note for our accounting policy for PCI loans.

Unearned income, deferred fees and costs, and discounts and premiums are amortized to interest income over the contractual life of the loan using the interest method. Loan commitment fees are generally deferred and amortized into noninterest income on a straight-line basis over the commitment period.

We have certain private label and co-brand credit card loans through a program agreement that involves our active participation in the operating activity of the program with a third party. We share in the economic results of the loans subject to this agreement. We consider the program to be a collaborative arrangement and therefore report our share of revenue and losses on a net basis in interest income for loans, other noninterest income and provision for credit losses as applicable. Our net share of revenue from this activity represented less than 1% of our total revenues for 2015.

Loans also include direct financing leases that are recorded at the aggregate of minimum lease payments receivable plus the estimated residual value of the leased property, less unearned

income. Leveraged leases, which are a form of direct financing leases, are recorded net of related non-recourse debt. Leasing income is recognized as a constant percentage of outstanding lease financing balances over the lease terms in interest income.

NONACCRUAL AND PAST DUE LOANS We generally place loans on nonaccrual status when:

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

PCI loans are written down at acquisition to fair value using an estimate of cash flows deemed to be collectible. Accordingly, such loans are no longer classified as nonaccrual even though they may be contractually past due because we expect to fully collect the new carrying values of such loans (that is, the new cost basis arising out of purchase accounting).

When we place a loan on nonaccrual status, we reverse the accrued unpaid interest receivable against interest income and suspend amortization of any net deferred fees. If the ultimate collectability of the recorded loan balance is in doubt on a nonaccrual loan, the cost recovery method is used and cash collected is applied to first reduce the carrying value of the loan. Otherwise, interest income may be recognized to the extent cash is received. Generally, we return a loan to accrual status when all delinquent interest and principal become current under the terms of the loan agreement and collectability of remaining principal and interest is no longer doubtful.

For modified loans, we re-underwrite at the time of a restructuring to determine if there is sufficient evidence of sustained repayment capacity based on the borrower's financial strength, including documented income, debt to income ratios and other factors. 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. When a loan classified as a troubled debt restructuring (TDR) performs in accordance with its modified terms, the loan either continues to accrue interest (for performing loans) or will return to accrual status after the borrower demonstrates a sustained period of performance (generally six consecutive months of payments, or equivalent, inclusive of consecutive payments made prior to the modification). Loans will be placed on nonaccrual status and a corresponding charge-off is recorded if we believe it is probable that principal and interest contractually due under the modified terms of the agreement will not be collectible.

Our loans are considered past due when contractually required principal or interest payments have not been made on the due dates.

LOAN CHARGE-OFF POLICIES For commercial loans, we generally fully charge off or charge down to net realizable value (fair value of collateral, less estimated costs to sell) for loans secured by collateral when:

- management judges the loan to be uncollectible;
- repayment is deemed to be protracted beyond reasonable time frames;
- the loan has been classified as a loss by either our internal loan review process or our banking regulatory agencies;
- the customer has filed bankruptcy and the loss becomes evident owing to a lack of assets; or
- the loan is 180 days past due unless both well-secured and in the process of collection.

For consumer loans, we fully charge off or charge down to net realizable value when deemed uncollectible due to bankruptcy discharge or other factors, or no later than reaching a defined number of days past due, as follows:

- 1-4 family first and junior lien mortgages – We generally charge down to net realizable value when the loan is 180 days past due.
- Auto loans – We generally fully charge off when the loan is 120 days past due.
- Credit card loans – We generally fully charge off when the loan is 180 days past due.
- Unsecured loans (closed end) – We generally fully charge off when the loan is 120 days past due.
- Unsecured loans (open end) – We generally fully charge off when the loan is 180 days past due.
- Other secured loans – We generally fully or partially charge down to net realizable value when the loan is 120 days past due.

IMPAIRED LOANS We consider a loan to be impaired when, based on current information and events, we determine that we will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. This evaluation is generally based on delinquency information, an assessment of the borrower's financial condition and the adequacy of collateral, if any. Our impaired loans predominantly include loans on nonaccrual status for commercial and industrial, commercial real estate (CRE) and any loans modified in a TDR, on both accrual and nonaccrual status.

When we identify a loan as impaired, we generally measure the impairment, if any, based on the difference between the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount) and the present value of expected future cash flows, discounted at the loan's effective interest rate. When the value of an impaired loan is calculated by discounting expected cash flows, interest income is recognized using the loan's effective interest rate over the remaining life of the loan. When collateral is the sole source of repayment for the impaired loan, rather than the borrower's income or other sources of repayment, we charge down to net realizable value.

TROUBLED DEBT RESTRUCTURINGS In situations where, for economic or legal reasons related to a borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a TDR. These modified terms may include rate reductions, principal forgiveness, term extensions, payment forbearance and other actions intended to minimize our economic loss and to avoid foreclosure or repossession of the collateral. For modifications where we forgive principal, the entire amount of such principal forgiveness is immediately charged off. Loans classified as TDRs, including

loans in trial payment periods (trial modifications), are considered impaired loans. Other than resolutions such as foreclosures, sales and transfers to held-for-sale, we may remove loans held for investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

PURCHASED CREDIT-IMPAIRED 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. Some loans that otherwise meet the definition as credit-impaired are specifically excluded from the PCI loan portfolios, such as revolving loans where the borrower still has revolving privileges.

Evidence of credit quality deterioration as of the purchase date may include statistics such as past due and nonaccrual status, commercial risk ratings, recent borrower credit scores and recent loan-to-value percentages. Generally, acquired loans that meet our definition for nonaccrual status are considered to be credit-impaired.

PCI loans may be aggregated into pools based on common risk characteristics. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Generally, commercial PCI loans are accounted for as individual loans and consumer PCI loans are included in pools.

Accounting for PCI loans involves estimating fair value at acquisition using the principal and interest cash flows expected to be collected discounted at the prevailing market rate of interest. The excess of cash flows expected to be collected over the carrying value (estimated fair value at acquisition date) is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the loan, or pool of loans, in situations where there is a reasonable expectation about the timing and amount of cash flows to be collected. The difference between contractually required payments and the cash flows expected to be collected at acquisition, considering the impact of prepayments, is referred to as the nonaccretable difference.

Subsequent to acquisition, we regularly evaluate our estimates of cash flows expected to be collected. If we have probable decreases in cash flows expected to be collected (other than due to decreases in interest rate indices and changes in prepayment assumptions), we charge the provision for credit losses, resulting in an increase to the allowance for loan losses. If we have probable and significant increases in cash flows expected to be collected, we first reverse any previously established allowance for loan losses and then increase interest income as a prospective yield adjustment over the remaining life of the loan, or pool of loans. Estimates of cash flows are impacted by changes in interest rate indices for variable rate loans and prepayment assumptions, both of which are treated as prospective yield adjustments included in interest income.

Resolutions of loans may include sales of loans to third parties, receipt of payments in settlement with the borrower, or foreclosure of the collateral. For individual PCI loans, gains or losses on sales to third parties are included in noninterest income, and gains or losses as a result of a settlement with the borrower are included in interest income. Our policy is to remove an individual loan from a pool based on comparing the amount received from its resolution with its contractual amount. Any difference between these amounts is absorbed by the nonaccretable difference for the entire pool. This removal method assumes that the amount received from resolution approximates pool performance expectations. The remaining accretable yield balance is unaffected and any material change in remaining effective yield caused by this removal method is addressed by our quarterly cash flow evaluation process for each pool. For loans that are resolved by payment in full, there is no release of the nonaccretable difference for the pool because there is no difference between the amount received at resolution and the contractual amount of the loan. Modified PCI loans are not removed from a pool even if those loans would otherwise be deemed TDRs. Modified PCI loans that are accounted for individually are considered TDRs and removed from PCI accounting if there has been a concession granted in excess of the original nonaccretable difference. We include these TDRs in our impaired loans.

FORECLOSED ASSETS Foreclosed assets obtained through our lending activities primarily include real estate. Generally, loans have been written down to their net realizable value prior to foreclosure. Any further reduction to their net realizable value is recorded with a charge to the allowance for credit losses at foreclosure. We allow up to 90 days after foreclosure to finalize determination of net realizable value. Thereafter, changes in net realizable value are recorded to noninterest expense. The net realizable value of these assets is reviewed and updated periodically depending on the type of property. Certain government-guaranteed mortgage loans upon foreclosure are included in accounts receivable, not foreclosed assets. These receivables were loans predominantly insured by the FHA or guaranteed by the VA and are measured based on the balance expected to be recovered from the guarantor.

ALLOWANCE FOR CREDIT LOSSES (ACL) The allowance for credit losses is management's estimate of credit losses inherent in the loan portfolio, including unfunded credit commitments, at the balance sheet date. We have an established process to determine the appropriateness of the allowance for credit losses that assesses the losses inherent in our portfolio and related unfunded credit commitments. We develop and document our allowance methodology at the portfolio segment level – commercial loan portfolio and consumer loan portfolio. While we attribute portions of the allowance to our respective commercial and consumer portfolio segments, the entire allowance is available to absorb credit losses inherent in the total loan portfolio and unfunded credit commitments.

Our process involves procedures to appropriately consider the unique risk characteristics of our commercial and consumer loan portfolio segments. For each portfolio segment, losses are estimated collectively for groups of loans with similar characteristics, individually or pooled for impaired loans or, for PCI loans, based on the changes in cash flows expected to be collected.

Our allowance levels are influenced by loan volumes, loan grade migration or delinquency status, historic loss experience and other conditions influencing loss expectations, such as economic conditions.

COMMERCIAL PORTFOLIO SEGMENT ACL METHODOLOGY Generally, commercial loans are assessed for estimated losses by grading each loan using various risk factors as identified through periodic reviews. Our estimation approach for the commercial portfolio reflects the estimated probability of default in accordance with the borrower's financial strength and the severity of loss in the event of default, considering the quality of

any underlying collateral. Probability of default and severity at the time of default are statistically derived through historical observations of default and losses after default within each credit risk rating. These estimates are adjusted as appropriate based on additional analysis of long-term average loss experience compared to previously forecasted losses, external loss data or other risks identified from current economic conditions and credit quality trends. The estimated probability of default and severity at the time of default are applied to loan equivalent exposures to estimate losses for unfunded credit commitments.

The allowance also includes an amount for the estimated impairment on nonaccrual commercial loans and commercial loans modified in a TDR, whether on accrual or nonaccrual status.

CONSUMER PORTFOLIO SEGMENT ACL METHODOLOGY For consumer loans that are not identified as a TDR, we determine the allowance predominantly on a collective basis utilizing forecasted losses to represent our best estimate of inherent loss. We pool loans, generally by product types with similar risk characteristics, such as residential real estate mortgages and credit cards. As appropriate and to achieve greater accuracy, we may further stratify selected portfolios by sub-product, origination channel, vintage, loss type, geographic location and other predictive characteristics. Models designed for each pool are utilized to develop the loss estimates. We use assumptions for these pools in our forecast models, such as historic delinquency and default, loss severity, home price trends, unemployment trends, and other key economic variables that may influence the frequency and severity of losses in the pool.

In determining the appropriate allowance attributable to our residential mortgage portfolio, we take into consideration portfolios determined to be at elevated risk, such as junior lien mortgages behind delinquent first lien mortgages and junior lien lines of credit subject to near term significant payment increases. We incorporate the default rates and high severity of loss for these higher risk portfolios, including the impact of our established loan modification programs. Accordingly, the loss content associated with the effects of loan modifications and higher risk portfolios has been captured in our allowance methodology.

We separately estimate impairment for consumer loans that have been modified in a TDR (including trial modifications), whether on accrual or nonaccrual status.

OTHER ACL MATTERS The allowance for credit losses for both portfolio segments includes an amount for imprecision or uncertainty that may change from period to period. This amount represents management's judgment of risks inherent in the processes and assumptions used in establishing the allowance. This imprecision considers economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends and emerging risk assessments.

Securitizations and Beneficial Interests

In certain asset securitization transactions that meet the applicable criteria to be accounted for as a sale, assets are sold to an entity referred to as a Special Purpose Entity (SPE), which then issues beneficial interests in the form of senior and subordinated interests collateralized by the assets. In some cases, we may retain beneficial interests issued by the entity. Additionally, from time to time, we may also re-securitize certain assets in a new securitization transaction.

The assets and liabilities transferred to an SPE are excluded from our consolidated balance sheet if the transfer qualifies as a sale and we are not required to consolidate the SPE.

For transfers of financial assets recorded as sales, we recognize and initially measure at fair value all assets obtained (including beneficial interests) and liabilities incurred. We record a gain or loss in noninterest income for the difference between the carrying amount and the fair value of the assets sold. Fair values are based on quoted market prices, quoted market prices for similar assets, or if market prices are not available, then the fair value is estimated using discounted cash flow analyses with assumptions for credit losses, prepayments and discount rates that are corroborated by and verified against market observable data, where possible. Retained interests and liabilities incurred from securitizations with off-balance sheet entities, including SPEs and VIEs, where we are not the primary beneficiary, are classified as investment securities, trading account assets, loans, MSRs or other liabilities (including liabilities for mortgage repurchase losses) and are accounted for as described herein.

Mortgage Servicing Rights (MSRs)

We recognize the rights to service mortgage loans for others, or MSRs, as assets whether we purchase the MSRs or the MSRs result from a sale or securitization of loans we originate (asset transfers). We initially record all of our MSRs at fair value. Subsequently, residential loan MSRs are carried at fair value. All of our MSRs related to our commercial mortgage loans are subsequently measured at LOCOM. The valuation and sensitivity of MSRs is discussed further in Note 8 (Securitizations and Variable Interest Entities), Note 9 (Mortgage Banking Activities) and Note 17 (Fair Values of Assets and Liabilities).

For MSRs carried at fair value, changes in fair value are reported in noninterest income in the period in which the change occurs. MSRs subsequently measured at LOCOM are amortized in proportion to, and over the period of, estimated net servicing income. The amortization of MSRs is reported in noninterest income, analyzed monthly and adjusted to reflect changes in prepayment speeds, as well as other factors.

MSRs accounted for at LOCOM are periodically evaluated for impairment based on the fair value of those assets. For purposes of impairment evaluation and measurement, we stratify MSRs based on the predominant risk characteristics of the underlying loans, including investor and product type. If, by individual stratum, the carrying amount of these MSRs exceeds fair value, a valuation allowance is established. The valuation reserve is adjusted as the fair value changes.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Capital leases, where we are the lessee, are included in premises and equipment at the capitalized amount less accumulated amortization.

We primarily use the straight-line method of depreciation and amortization. Estimated useful lives range up to 40 years for buildings, up to 10 years for furniture and equipment, and the shorter of the estimated useful life (up to 8 years) or the lease term for leasehold improvements. We amortize capitalized leased assets on a straight-line basis over the lives of the respective leases.

Goodwill and Identifiable Intangible Assets

Goodwill is recorded in business combinations under the purchase method of accounting when the purchase price is

higher than the fair value of net assets, including identifiable intangible assets.

We assess goodwill for impairment at a reporting unit level on an annual basis or more frequently in certain circumstances. We have determined that our reporting units are one level below the operating segments. At the time we acquire a business, we allocate goodwill to applicable reporting units based on their relative fair value, and if we have a significant business reorganization, we may reallocate the goodwill. We have the option of performing a qualitative assessment of goodwill. We may also elect to bypass the qualitative test and proceed directly to a quantitative test.

If we perform a qualitative assessment of goodwill to test for impairment and conclude it is more likely than not that a reporting unit's fair value is greater than its carrying amount, quantitative tests are not required. However, if we determine it is more likely than not that a reporting unit's fair value is less than its carrying amount, then we complete a quantitative assessment to determine if there is goodwill impairment. We apply various quantitative valuation methodologies, including discounted cash flow and earnings multiple approaches, to determine the estimated fair value, which is compared to the carrying value of each reporting unit. If the fair value is less than the carrying amount, an additional test is required to measure the amount of impairment. We recognize impairment losses as a charge to noninterest expense (unless related to discontinued operations) and an adjustment to the carrying value of the goodwill asset. Subsequent reversals of goodwill impairment are prohibited.

We amortize core deposit and other customer relationship intangibles on an accelerated basis over useful lives not exceeding 10 years. We review such intangibles for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated if the sum of undiscounted estimated future net cash flows is less than the carrying value of the asset. Impairment is permanently recognized by writing down the asset to the extent that the carrying value exceeds the estimated fair value.

Operating Lease Assets

Operating lease rental income for leased assets is recognized in other income on a straight-line basis over the lease term. Related depreciation expense is recorded on a straight-line basis over the estimated useful life, considering the estimated residual value of the leased asset. The useful life may be adjusted to the term of the lease depending on our plans for the asset after the lease term. On a periodic basis, leased assets are reviewed for impairment. Impairment loss is recognized if the carrying amount of leased assets exceeds fair value and is not recoverable. The carrying amount of leased assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the lease payments and the estimated residual value upon the eventual disposition of the equipment.

Liability for Mortgage Loan Repurchase Losses

In connection with our sales and securitization of residential mortgage loans to various parties, we establish a mortgage repurchase liability, initially at fair value, related to various representations and warranties that reflect management's estimate of losses for loans for which we could have a repurchase obligation, whether or not we currently service those loans, based on a combination of factors. Such factors include default expectations, expected investor repurchase demands (influenced by current and expected mortgage loan file requests and mortgage insurance rescission notices, as well as estimated levels of origination defects) and appeals success rates (where the investor rescinds the demand based on a cure of the defect or acknowledges that the loan satisfies the investor's applicable representations and warranties), reimbursement by correspondent and other third-party originators, and projected loss severity. We continually update our mortgage repurchase liability estimate during the life of the loans.

The liability for mortgage loan repurchase losses is included in other liabilities. For additional information on our repurchase liability, see Note 9 (Mortgage Banking Activities).

Pension Accounting

We account for our defined benefit pension plans using an actuarial model. Two principal assumptions in determining net periodic pension cost are the discount rate and the expected long-term rate of return on plan assets.

A discount rate is used to estimate the present value of our future pension benefit obligations. We use a consistent methodology to determine the discount rate based upon the yields on multiple portfolios of bonds with maturity dates that closely match the estimated timing and amounts of the expected benefit payments for our plans. Such portfolios are derived from a broad-based universe of high quality corporate bonds as of the measurement date.

Our determination of the reasonableness of our expected long-term rate of return on plan assets is highly quantitative by nature. We evaluate the current asset allocations and expected returns under two sets of conditions: (1) projected returns using several forward-looking capital market assumptions, and (2) historical returns for the main asset classes dating back to 1970 or the earliest period for which historical data was readily available for the asset classes included. Using long-term historical data allows us to capture multiple economic environments, which we believe is relevant when using historical returns. We place greater emphasis on the forward-looking return and risk assumptions than on historical results. We use the resulting projections to derive a base line expected rate of return and risk level for the Cash Balance Plan's prescribed asset mix. We evaluate the portfolio based on: (1) the established target asset allocations over short term (one-year) and longer term (ten-year) investment horizons, and (2) the range of potential outcomes over these horizons within specific standard deviations. We perform the above analyses to assess the reasonableness of our expected long-term rate of return on plan assets. We consider the expected rate of return to be a long-term average view of expected returns. The use of an expected long-term rate of return on plan assets may cause us to recognize pension income returns that are greater or less than the actual returns of plan assets in any given year. Differences between expected and actual returns in each year, if any, are included in our net actuarial gain or loss amount, which is recognized in OCI. We generally amortize net actuarial gain or loss in excess of a 5% corridor from accumulated OCI into net periodic pension cost over the estimated average remaining participation period, which at December 31, 2015, is 20 years. See Note 20 (Employee Benefits and Other Expenses) for additional information on our pension accounting.

Income Taxes

We file consolidated and separate company federal income tax returns, foreign tax returns and various combined and separate company state tax returns.

We evaluate two components of income tax expense: current and deferred. Current income tax expense represents our estimated taxes to be paid or refunded for the current period and

includes income tax expense related to our uncertain tax positions. We determine deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities and recognizes enacted changes in tax rates and laws in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized subject to management's judgment that realization is "more likely than not." Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement. Tax benefits not meeting our realization criteria represent unrecognized tax benefits. Foreign taxes paid are generally applied as credits to reduce federal income taxes payable. We account for interest and penalties as a component of income tax expense.

Stock-Based Compensation

We have stock-based employee compensation plans as more fully discussed in Note 19 (Common Stock and Stock Plans). Our Long-Term Incentive Compensation Plan provides for awards of incentive and nonqualified stock options, stock appreciation rights, restricted shares, restricted share rights (RSRs), performance share awards (PSAs) and stock awards without restrictions. For most awards, we measure the cost of employee services received in exchange for an award of equity instruments, such as stock options, RSRs or PSAs, based on the fair value of the award on the grant date. The cost is normally recognized in our income statement over the vesting period of the award; awards with graded vesting are expensed on a straight-line method. Awards that continue to vest after retirement are expensed over the shorter of the period of time between the grant date and the final vesting period or between the grant date and when a team member becomes retirement eligible; awards to team members who are retirement eligible at the grant date are subject to immediate expensing upon grant.

Beginning in 2013, certain RSRs and all PSAs granted include discretionary performance-based vesting conditions and are subject to variable accounting. For these awards, the associated compensation expense fluctuates with changes in our stock price. For PSAs, compensation expense also fluctuates based on the estimated outcome of meeting the performance conditions.

Earnings Per Common Share

We compute earnings per common share by dividing net income (after deducting dividends on preferred stock) by the average number of common shares outstanding during the year. We compute diluted earnings per common share by dividing net income (after deducting dividends on preferred stock) by the average number of common shares outstanding during the year plus the effect of common stock equivalents (for example, stock options, restricted share rights, convertible debentures and warrants) that are dilutive.

Fair Value of Financial Instruments

We use fair value measurements in our fair value disclosures and to record certain assets and liabilities at fair value on a recurring basis, such as trading assets, or on a nonrecurring basis, such as measuring impairment on assets carried at amortized cost.

DETERMINATION OF FAIR VALUE We base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These fair value measurements are based on exit prices and determined by maximizing the use of observable inputs. However, for certain instruments we must utilize unobservable inputs in determining fair value due to the lack of observable inputs in the market, which requires greater judgment in measuring fair value.

In instances where there is limited or no observable market data, fair value measurements for assets and liabilities are based primarily upon our own estimates or combination of our own estimates and third-party vendor or broker pricing, and the measurements are often calculated based on current pricing for products we offer or issue, the economic and competitive environment, the characteristics of the asset or liability and other such factors. As with any valuation technique used to estimate fair value, changes in underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. Accordingly, these fair value estimates may not be realized in an actual sale or immediate settlement of the asset or liability.

We incorporate lack of liquidity into our fair value measurement based on the type of asset or liability measured and the valuation methodology used. For example, for certain residential MHFS and certain securities where the significant inputs have become unobservable due to illiquid markets and vendor or broker pricing is not used, we use a discounted cash flow technique to measure fair value. This technique incorporates forecasting of expected cash flows (adjusted for credit loss assumptions and estimated prepayment speeds) discounted at an appropriate market discount rate to reflect the lack of liquidity in the market that a market participant would consider. For other securities where vendor or broker pricing is used, we use either unadjusted broker quotes or vendor prices or vendor or broker prices adjusted by weighting them with internal discounted cash flow techniques to measure fair value. These unadjusted vendor or broker prices inherently reflect any lack of liquidity in the market, as the fair value measurement represents an exit price from a market participant viewpoint.

Where markets are inactive and transactions are not orderly, transaction or quoted prices for assets or liabilities in inactive markets may require adjustment due to the uncertainty of whether the underlying transactions are orderly. For items that use price quotes in inactive markets, we analyze the degree of market inactivity and distressed transactions to determine the appropriate adjustment to the price quotes.

We continually assess the level and volume of market activity in our investment security classes in determining adjustments, if any, to price quotes. Given market conditions can change over time, our determination of which securities markets are considered active or inactive can change. If we determine a market to be inactive, the degree to which price quotes require adjustment, can also change. See Note 17 (Fair Values of Assets and Liabilities) for discussion of the fair value hierarchy and valuation methodologies applied to financial instruments to determine fair value.

Derivatives and Hedging Activities

We recognize all derivatives on the balance sheet at fair value. On the date we enter into a derivative contract, we designate the derivative as (1) a hedge of the fair value of a recognized asset or liability, including hedges of foreign currency exposure ("fair value hedge"), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a

recognized asset or liability ("cash flow hedge"), or (3) held for trading, customer accommodation or asset/liability risk management purposes, including economic hedges not qualifying for hedge accounting. For a fair value hedge, we record changes in the fair value of the derivative and, to the extent that it is effective, changes in the fair value of the hedged asset or liability attributable to the hedged risk, in current period earnings in the same financial statement category as the hedged item. For a cash flow hedge, we record changes in the fair value of the derivative to the extent that it is effective in OCI, with any ineffectiveness recorded in current period earnings. We subsequently reclassify these changes in fair value to net income in the same period(s) that the hedged transaction affects net income in the same financial statement category as the hedged item. For derivatives not designated as a fair value or cash flow hedge, we report changes in the fair values in current period noninterest income.

For fair value and cash flow hedges qualifying for hedge accounting, we formally document at inception the relationship between hedging instruments and hedged items, our risk management objective, strategy and our evaluation of effectiveness for our hedge transactions. This process includes linking all derivatives designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific forecasted transactions. Periodically, as required, we also formally assess whether the derivative we designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair values or cash flows of the hedged item using the regression analysis method.

We discontinue hedge accounting prospectively when (1) a derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item, (2) a derivative expires or is sold, terminated or exercised, (3) we elect to discontinue the designation of a derivative as a hedge, or (4) in a cash flow hedge, a derivative is de-designated because it is not probable that a forecasted transaction will occur.

When we discontinue fair value hedge accounting, we no longer adjust the previously hedged asset or liability for changes in fair value, and cumulative adjustments to the hedged item are accounted for in the same manner as other components of the carrying amount of the asset or liability. If the derivative continues to be held after fair value hedge accounting ceases, we carry the derivative on the balance sheet at its fair value with changes in fair value included in earnings.

When we discontinue cash flow hedge accounting and it is probable that the forecasted transaction will occur, the accumulated amount reported in OCI at the de-designation date continues to be reported in OCI until the forecasted transaction affects earnings. If cash flow hedge accounting is discontinued and it is probable the forecasted transaction will not occur, the accumulated amount reported in OCI at the de-designation date is immediately recognized in earnings. If the derivative continues to be held after cash flow hedge accounting ceases, we carry the derivative on the balance sheet at its fair value with future changes in fair value included in earnings.

We may purchase or originate financial instruments that contain an embedded derivative. At inception of the financial instrument, we assess (1) if the economic characteristics of the embedded derivative are not clearly and closely related to the economic characteristics of the financial instrument (host contract), (2) if the financial instrument that embodies both the embedded derivative and the host contract is not measured at fair value with changes in fair value reported in earnings, and (3) if a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative. If the embedded derivative meets all of these conditions, we separate it from the host contract by recording the bifurcated derivative at fair value and the remaining host contract at the difference between the basis of the hybrid instrument and the fair value of the bifurcated derivative. The bifurcated derivative is carried at fair value with changes recorded in current period earnings.

By using derivatives, we are exposed to counterparty credit risk, which is the risk that counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to legally enforceable master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent derivatives subject to master netting arrangements meet the applicable requirements, including determining the legal enforceability of the arrangement, it is our policy to present derivative balances and related cash collateral amounts net on the balance sheet. Counterparty credit risk related to derivatives is considered in determining fair value and our assessment of hedge effectiveness.

Private Share Repurchases

During 2015 and 2014, we repurchased approximately 64 million shares and 66 million shares of our common stock, respectively, under private forward repurchase contracts. We enter into these transactions with unrelated third parties to complement our open-market common stock repurchase strategies, to allow us to manage our share repurchases in a manner consistent with our capital plans, currently submitted under the 2015 Comprehensive Capital Analysis and Review (CCAR), and to provide an economic benefit to the Company.

Our payments to the counterparties for these private share repurchase contracts are recorded in permanent equity in the quarter paid and are not subject to re-measurement. The classification of the up-front payments as permanent equity assures that we have appropriate repurchase timing consistent with our 2015 capital plan, which contemplated a fixed dollar amount available per quarter for share repurchases pursuant to Federal Reserve Board (FRB) supervisory guidance. In return, the counterparty agrees to deliver a variable number of shares based on a per share discount to the volume-weighted average stock price over the contract period. There are no scenarios where the contracts would not either physically settle in shares or allow us to choose the settlement method.

In fourth quarter 2015, we entered into a private forward repurchase contract and paid $500 million to an unrelated third party. This contract settled in first quarter 2016 for 9.2 million shares of common stock. At December 31, 2014, we had a $750 million private forward repurchase contract outstanding that settled in first quarter 2015 for 14.3 million shares of common stock. Our total number of outstanding shares of common stock is not reduced until settlement of the private share repurchase contract.

SUPPLEMENTAL CASH FLOW INFORMATION Noncash activities are presented in Table 1.1, including information on transfers affecting MHFS, LHFS, and MSRs.

Table 1.1: Supplemental Cash Flow Information

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Trading assets retained from securitizations of MHFS	**$ 46,291**	28,604	47,198
Capitalization of MSRs from sale of MHFS	**1,736**	1,302	3,616
Transfers from loans to MHFS	**9,205**	11,021	7,610
Transfers from loans to LHFS	**90**	9,849	274
Transfers from loans to foreclosed and other assets	**3,274**	4,094	4,470
Transfers from available-for-sale to held-to-maturity securities	**4,972**	1,810	6,042

SUBSEQUENT EVENTS We have evaluated the effects of events that have occurred subsequent to December 31, 2015, and there have been no material events that would require recognition in our 2015 consolidated financial statements or disclosure in the Notes to the consolidated financial statements, except for a business acquisition completed on January 1, 2016, as discussed in Note 2 (Business Combinations). Additionally, on February 1, 2016, and subsequent to the announcement of our 2015 financial results on January 15, 2016, we reached an agreement in principle with the Federal Government to pay $1.2 billion to resolve certain civil claims related to our Federal Housing Administration lending activities. This agreement was considered to be a recognizable subsequent event under GAAP and required adjustment to our December 31, 2015 consolidated financial statements. Accordingly, we provided for an additional legal accrual that increased operating losses within noninterest expense by $200 million and, as a result, reduced net income for the year ended December 31, 2015, by $134 million, or $0.03 per common share. See Note 15 (Legal Actions) for additional information.

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 14 (Guarantees, Pledged Assets and Collateral).

During 2015, we completed an acquisition of a small investment intermediary and purchased total assets of $3 million. We had two acquisitions pending as of December 31, 2015. The first acquisition, which closed on January 1, 2016, was the purchase of $4.0 billion of operating and capital leases associated with GE Railcar Services, which included 77,000 railcars and just over 1,000 locomotives. The second pending acquisition is the purchase of GE Capital's Commercial Distribution Finance and Vendor Finance businesses. The acquisition is expected to involve total assets of approximately $31 billion, and is expected to close in two phases. The North American portion, which represents approximately 90% of total assets to be acquired, is expected to close late in the first quarter of 2016. The international assets are expected to close in the second quarter of 2016. Approximately 2,900 full-time employees are expected to join Wells Fargo as a result of this transaction.

During 2014, we completed one acquisition of a railcar and locomotive leasing business with combined total assets of $422 million. Additionally, no business combinations were completed in 2013.

Note 3: Cash, Loan and Dividend Restrictions

Federal Reserve Board (FRB) regulations require that each of our subsidiary banks maintain reserve balances on deposit with the Federal Reserve Banks. The total daily average required reserve balance for all our subsidiary banks was $10.6 billion in 2015 and $12.9 billion in 2014.

Federal law restricts the amount and the terms of both credit and non-credit transactions between a bank and its nonbank affiliates. They may not exceed 10% of the bank's capital and surplus (which for this purpose represents Tier 1 and Tier 2 capital, as calculated under the risk-based capital (RBC) guidelines, plus the balance of the allowance for credit losses excluded from Tier 2 capital) with any single nonbank affiliate and 20% of the bank's capital and surplus with all its nonbank affiliates. Transactions that are extensions of credit may require collateral to be held to provide added security to the bank. For further discussion of RBC, see Note 26 (Regulatory and Agency Capital Requirements) in this Report.

Dividends paid by our subsidiary banks are subject to various federal and state regulatory limitations. Dividends that may be paid by a national bank without the express approval of the Office of the Comptroller of the Currency (OCC) are limited to that bank's retained net profits for the preceding two calendar years plus retained net profits up to the date of any dividend declaration in the current calendar year. Retained net profits, as defined by the OCC, consist of net income less dividends declared during the period.

We also have a state-chartered subsidiary bank that is subject to state regulations that limit dividends. Under these provisions and regulatory limitations, our national and state-chartered subsidiary banks could have declared additional dividends of $17.8 billion at December 31, 2015, without obtaining prior regulatory approval. We have elected to retain capital at our national and state-chartered subsidiary banks to meet internal capital policy minimums and regulatory requirements associated with the implementation of Basel III. Our nonbank subsidiaries are also limited by certain federal and state statutory provisions and regulations covering the amount of dividends that may be paid in any given year. Based on retained earnings at December 31, 2015, our nonbank subsidiaries could have declared additional dividends of $9.5 billion at December 31, 2015, without obtaining prior approval.

The FRB's Capital Plan Rule (codified at 12 CFR 225.8 of Regulation Y) establishes capital planning and prior notice and approval requirements for capital distributions including dividends by certain bank holding companies. The FRB has also published guidance regarding its supervisory expectations for capital planning, including capital policies regarding the process relating to common stock dividend and repurchase decisions in SR Letter 15-18. The effect of this guidance is to require the approval of the FRB (or specifically under the Capital Plan Rule, a notice of non-objection) for the Company to repurchase or redeem common or perpetual preferred stock as well as to raise the per share quarterly dividend from its current level of $0.375 per share as declared by the Company's Board of Directors on January 26, 2016, payable on March 1, 2016.

Note 4: Federal Funds Sold, Securities Purchased under Resale Agreements and Other Short-Term Investments

Table 4.1 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 December 31, 2015 and 2014, were held at the Federal Reserve.

Table 4.1: Fed Funds Sold and Other Short-Term Investments

(in millions)		Dec 31, 2015	Dec 31, 2014
Federal funds sold and securities purchased under resale agreements	$	**45,828**	36,856
Interest-earning deposits		**220,409**	219,220
Other short-term investments		**3,893**	2,353
Total	$	**270,130**	258,429

As part of maintaining our memberships in certain clearing organizations, we are required to stand ready to provide liquidity meant to sustain market clearing activity in the event unforeseen events occur or are deemed likely to occur. This includes commitments we have entered into to purchase securities under resale agreements from a central clearing organization that, at its option, require us to provide funding under such agreements. We do not have any outstanding amounts funded, and the amount of our unfunded contractual commitment was $2.2 billion and $2.6 billion as of December 31, 2015 and 2014, respectively.

We have classified securities purchased under long-term resale agreements (generally one year or more), which totaled $20.1 billion and $14.9 billion at December 31, 2015 and 2014, 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 14 (Guarantees, Pledged Assets and Collateral).

Note 5: Investment Securities

Table 5.1 provides the amortized cost and fair value by major categories of available-for-sale securities, which are carried at fair value, and held-to-maturity debt securities, which are carried at amortized cost. The net unrealized gains (losses) for available-for-sale securities are reported on an after-tax basis as a component of cumulative OCI.

Table 5.1: Amortized Cost and Fair Value

(in millions)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2015				
Available-for-sale securities:				
Securities of U.S. Treasury and federal agencies	**$ 36,374**	**24**	**(148)**	**36,250**
Securities of U.S. states and political subdivisions	**49,167**	**1,325**	**(502)**	**49,990**
Mortgage-backed securities:				
Federal agencies	**103,391**	**1,983**	**(828)**	**104,546**
Residential	**7,843**	**740**	**(25)**	**8,558**
Commercial	**13,943**	**230**	**(85)**	**14,088**
Total mortgage-backed securities	**125,177**	**2,953**	**(938)**	**127,192**
Corporate debt securities	**15,548**	**312**	**(449)**	**15,411**
Collateralized loan and other debt obligations (1)	**31,210**	**125**	**(368)**	**30,967**
Other (2)	**5,842**	**115**	**(46)**	**5,911**
Total debt securities	**263,318**	**4,854**	**(2,451)**	**265,721**
Marketable equity securities:				
Perpetual preferred securities	**819**	**112**	**(13)**	**918**
Other marketable equity securities	**239**	**482**	**(2)**	**719**
Total marketable equity securities	**1,058**	**594**	**(15)**	**1,637**
Total available-for-sale securities	**264,376**	**5,448**	**(2,466)**	**267,358**
Held-to-maturity securities:				
Securities of U.S. Treasury and federal agencies	**44,660**	**580**	**(73)**	**45,167**
Securities of U.S. states and political subdivisions	**2,185**	**65**	**—**	**2,250**
Federal agency mortgage-backed securities	**28,604**	**131**	**(314)**	**28,421**
Collateralized loans and other debt obligations (1)	**1,405**	**—**	**(24)**	**1,381**
Other (2)	**3,343**	**8**	**(3)**	**3,348**
Total held-to-maturity securities	**80,197**	**784**	**(414)**	**80,567**
Total (3)	**$ 344,573**	**6,232**	**(2,880)**	**347,925**
December 31, 2014				
Available-for-sale securities:				
Securities of U.S. Treasury and federal agencies	$ 25,898	44	(138)	25,804
Securities of U.S. states and political subdivisions	43,939	1,504	(499)	44,944
Mortgage-backed securities:				
Federal agencies	107,850	2,990	(751)	110,089
Residential	8,213	1,080	(24)	9,269
Commercial	16,248	803	(57)	16,994
Total mortgage-backed securities	132,311	4,873	(832)	136,352
Corporate debt securities	14,211	745	(170)	14,786
Collateralized loan and other debt obligations (1)	25,137	408	(184)	25,361
Other (2)	6,251	295	(27)	6,519
Total debt securities	247,747	7,869	(1,850)	253,766
Marketable equity securities:				
Perpetual preferred securities	1,622	148	(70)	1,700
Other marketable equity securities	284	1,694	(2)	1,976
Total marketable equity securities	1,906	1,842	(72)	3,676
Total available-for-sale-securities	249,653	9,711	(1,922)	257,442
Held-to-maturity securities:				
Securities of U.S. Treasury and federal agencies	40,886	670	(8)	41,548
Securities of U.S. states and political subdivisions	1,962	27	—	1,989
Federal agency mortgage-backed securities	5,476	165	—	5,641
Collateralized loans and other debt obligations (1)	1,404	—	(13)	1,391
Other (2)	5,755	35	—	5,790
Total held-to-maturity securities	55,483	897	(21)	56,359
Total (3)	$ 305,136	10,608	(1,943)	313,801

(1) The available-for-sale portfolio includes collateralized debt obligations (CDOs) with a cost basis and fair value of $247 million and $257 million, respectively, at December 31, 2015, and $364 million and $500 million, respectively, at December 31, 2014. The held-to-maturity portfolio only includes collateralized loan obligations.

(2) The "Other" category of available-for-sale securities predominantly includes asset-backed securities collateralized by credit cards, student loans, home equity loans and auto leases or loans and cash. Included in the "Other" category of held-to-maturity securities are asset-backed securities collateralized by auto leases or loans and cash with a cost basis and fair value of $1.9 billion each at December 31, 2015, and $3.8 billion each at December 31, 2014. Also included in the "Other" category of held-to-maturity securities are asset-backed securities collateralized by dealer floorplan loans with a cost basis and fair value of $1.4 billion each at December 31, 2015, and $1.9 billion and $2.0 billion, respectively, at December 31, 2014.

(3) At December 31, 2015 and 2014, we held no securities of any single issuer (excluding the U.S. Treasury and federal agencies and government-sponsored entities (GSEs)) with a book value that exceeded 10% of stockholders' equity.

Gross Unrealized Losses and Fair Value

Table 5.2 shows the gross unrealized losses and fair value of securities in the investment securities portfolio by length of time that individual securities in each category have 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.

Table 5.2: Gross Unrealized Losses and Fair Value

	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
December 31, 2015						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**$ (148)**	**24,795**	**—**	**—**	**(148)**	**24,795**
Securities of U.S. states and political subdivisions	**(26)**	**3,453**	**(476)**	**12,377**	**(502)**	**15,830**
Mortgage-backed securities:						
Federal agencies	**(522)**	**36,329**	**(306)**	**9,888**	**(828)**	**46,217**
Residential	**(20)**	**1,276**	**(5)**	**285**	**(25)**	**1,561**
Commercial	**(32)**	**4,476**	**(53)**	**2,363**	**(85)**	**6,839**
Total mortgage-backed securities	**(574)**	**42,081**	**(364)**	**12,536**	**(938)**	**54,617**
Corporate debt securities	**(244)**	**4,941**	**(205)**	**1,057**	**(449)**	**5,998**
Collateralized loan and other debt obligations	**(276)**	**22,214**	**(92)**	**4,844**	**(368)**	**27,058**
Other	**(33)**	**2,768**	**(13)**	**425**	**(46)**	**3,193**
Total debt securities	**(1,301)**	**100,252**	**(1,150)**	**31,239**	**(2,451)**	**131,491**
Marketable equity securities:						
Perpetual preferred securities	**(1)**	**24**	**(12)**	**109**	**(13)**	**133**
Other marketable equity securities	**(2)**	**40**	**—**	**—**	**(2)**	**40**
Total marketable equity securities	**(3)**	**64**	**(12)**	**109**	**(15)**	**173**
Total available-for-sale securities	**(1,304)**	**100,316**	**(1,162)**	**31,348**	**(2,466)**	**131,664**
Held-to-maturity securities:						
Securities of U.S. Treasury and federal agencies	**(73)**	**5,264**	**—**	**—**	**(73)**	**5,264**
Federal agency mortgage-backed securities	**(314)**	**23,115**	**—**	**—**	**(314)**	**23,115**
Collateralized loan and other debt obligations	**(20)**	**1,148**	**(4)**	**233**	**(24)**	**1,381**
Other	**(3)**	**1,096**	**—**	**—**	**(3)**	**1,096**
Total held-to-maturity securities	**(410)**	**30,623**	**(4)**	**233**	**(414)**	**30,856**
Total	**$ (1,714)**	**130,939**	**(1,166)**	**31,581**	**(2,880)**	**162,520**
December 31, 2014						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	$ (16)	7,138	(122)	5,719	(138)	12,857
Securities of U.S. states and political subdivisions	(198)	10,228	(301)	3,725	(499)	13,953
Mortgage-backed securities:						
Federal agencies	(16)	1,706	(735)	37,854	(751)	39,560
Residential	(18)	946	(6)	144	(24)	1,090
Commercial	(9)	2,202	(48)	1,532	(57)	3,734
Total mortgage-backed securities	(43)	4,854	(789)	39,530	(832)	44,384
Corporate debt securities	(102)	1,674	(68)	1,265	(170)	2,939
Collateralized loan and other debt obligations	(99)	12,755	(85)	3,958	(184)	16,713
Other	(23)	708	(4)	277	(27)	985
Total debt securities	(481)	37,357	(1,369)	54,474	(1,850)	91,831
Marketable equity securities:						
Perpetual preferred securities	(2)	92	(68)	633	(70)	725
Other marketable equity securities	(2)	41	—	—	(2)	41
Total marketable equity securities	(4)	133	(68)	633	(72)	766
Total available-for-sale securities	(485)	37,490	(1,437)	55,107	(1,922)	92,597
Held-to-maturity securities:						
Securities of U.S. Treasury and federal agencies	(8)	1,889	—	—	(8)	1,889
Collateralized loan and other debt obligations	(13)	1,391	—	—	(13)	1,391
Total held-to-maturity securities	(21)	3,280	—	—	(21)	3,280
Total	$ (506)	40,770	(1,437)	55,107	(1,943)	95,877

We have assessed each security with gross unrealized losses included in the previous table for credit impairment. As part of that assessment we evaluated and concluded that we do not intend to sell any of the securities and that it is more likely than not that we will not be required to sell prior to recovery of the amortized cost basis. 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 descriptions of the factors we consider when analyzing securities for impairment, see Note 1 (Summary of Significant Accounting Policies) and below.

SECURITIES OF U.S. TREASURY AND FEDERAL AGENCIES AND FEDERAL AGENCY MORTGAGE-BACKED SECURITIES (MBS) The unrealized losses associated with U.S. Treasury and federal agency securities and federal agency MBS are primarily driven by changes in interest rates and not due to credit losses given the explicit or implicit guarantees provided by the U.S. government.

SECURITIES OF U.S. STATES AND POLITICAL SUBDIVISIONS The unrealized losses associated with securities of U.S. states and political subdivisions are primarily driven by changes in the relationship between municipal and term funding credit curves rather than by changes to the credit quality of the underlying securities. Substantially all of these investments are investment grade. The securities were generally underwritten in accordance with our own investment standards prior to the decision to purchase. Some of these securities are guaranteed by a bond insurer, but we did not rely on this guarantee when making our investment decision. These investments will continue to be monitored as part of our ongoing impairment analysis but are expected to perform, even if the rating agencies reduce the credit rating of the bond insurers. As a result, we expect to recover the entire amortized cost basis of these securities.

RESIDENTIAL AND COMMERCIAL MBS The unrealized losses associated with private residential MBS and commercial MBS are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and/or prepayment rates. We estimate security losses by forecasting the underlying mortgage loans in each transaction. We use forecasted loan performance to project cash flows to the various tranches in the structure. We also consider cash flow forecasts and, as applicable, independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

CORPORATE DEBT SECURITIES The unrealized losses associated with corporate debt securities are primarily related to unsecured debt obligations issued by various corporations. We evaluate the financial performance of each issuer on a quarterly basis to determine if the issuer can make all contractual principal and interest payments. Based upon this assessment, we expect to recover the entire amortized cost basis of these securities.

COLLATERALIZED LOAN AND OTHER DEBT OBLIGATIONS The unrealized losses associated with collateralized loan and other debt obligations relate to securities primarily backed by commercial, residential or other consumer collateral. The unrealized losses are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and prepayment rates. We also consider cash flow forecasts and, as applicable, independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

OTHER DEBT SECURITIES The unrealized losses associated with other debt securities predominantly relate to other asset-backed securities. The losses are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and prepayment rates. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

MARKETABLE EQUITY SECURITIES Our marketable equity securities include investments in perpetual preferred securities, which provide attractive tax-equivalent yields. We evaluate these hybrid financial instruments with investment-grade ratings for impairment using an evaluation methodology similar to the approach used for debt securities. Perpetual preferred securities are not considered to be other-than-temporarily impaired if there is no evidence of credit deterioration or investment rating downgrades of any issuers to below investment grade, and we expect to continue to receive full contractual payments. We will continue to evaluate the prospects for these securities for recovery in their market value in accordance with our policy for estimating OTTI. We have recorded impairment write-downs on perpetual preferred securities where there was evidence of credit deterioration.

OTHER INVESTMENT SECURITIES MATTERS The fair values of our investment securities could decline in the future if the underlying performance of the collateral for the residential and commercial MBS or other securities deteriorate, and our credit enhancement levels do not provide sufficient protection to our contractual principal and interest. As a result, there is a risk that significant OTTI may occur in the future.

Table 5.3 shows the gross unrealized losses and fair value of debt and perpetual preferred investment securities 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 our 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 $17 million and $3.7 billion, respectively, at December 31, 2015, and $25 million and $1.6 billion, respectively, at December 31, 2014. If an internal credit grade was not assigned, we categorized the security as non-investment grade.

Table 5.3: Gross Unrealized Losses and Fair Value by Investment Grade

	Investment grade		Non-investment grade	
(in millions)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
December 31, 2015				
Available-for-sale securities:				
Securities of U.S. Treasury and federal agencies	**$ (148)**	**24,795**	**—**	**—**
Securities of U.S. states and political subdivisions	**(464)**	**15,470**	**(38)**	**360**
Mortgage-backed securities:				
Federal agencies	**(828)**	**46,217**	**—**	**—**
Residential	**(12)**	**795**	**(13)**	**766**
Commercial	**(59)**	**6,361**	**(26)**	**478**
Total mortgage-backed securities	**(899)**	**53,373**	**(39)**	**1,244**
Corporate debt securities	**(140)**	**4,167**	**(309)**	**1,831**
Collateralized loan and other debt obligations	**(368)**	**27,058**	**—**	**—**
Other	**(43)**	**2,915**	**(3)**	**278**
Total debt securities	**(2,062)**	**127,778**	**(389)**	**3,713**
Perpetual preferred securities	**(13)**	**133**	**—**	**—**
Total available-for-sale securities	**(2,075)**	**127,911**	**(389)**	**3,713**
Held-to-maturity securities:				
Securities of U.S. Treasury and federal agencies	**(73)**	**5,264**	**—**	**—**
Federal agency mortgage-backed securities	**(314)**	**23,115**	**—**	**—**
Collateralized loan and other debt obligations	**(24)**	**1,381**	**—**	**—**
Other	**(3)**	**1,096**	**—**	**—**
Total held-to-maturity securities	**(414)**	**30,856**	**—**	**—**
Total	**$ (2,489)**	**158,767**	**(389)**	**3,713**
December 31, 2014				
Available-for-sale securities:				
Securities of U.S. Treasury and federal agencies	$ (138)	12,857	—	—
Securities of U.S. states and political subdivisions	(459)	13,600	(40)	353
Mortgage-backed securities:				
Federal agencies	(751)	39,560	—	—
Residential	—	139	(24)	951
Commercial	(24)	3,366	(33)	368
Total mortgage-backed securities	(775)	43,065	(57)	1,319
Corporate debt securities	(39)	1,807	(131)	1,132
Collateralized loan and other debt obligations	(172)	16,609	(12)	104
Other	(23)	782	(4)	203
Total debt securities	(1,606)	88,720	(244)	3,111
Perpetual preferred securities	(70)	725	—	—
Total available-for-sale securities	(1,676)	89,445	(244)	3,111
Held-to-maturity securities:				
Securities of U.S. Treasury and federal agencies	(8)	1,889	—	—
Collateralized loan and other debt obligations	(13)	1,391	—	—
Total held-to-maturity securities	(21)	3,280	—	—
Total	$ (1,697)	92,725	(244)	3,111

Contractual Maturities

Table 5.4 shows the remaining contractual maturities and contractual weighted-average yields (taxable-equivalent basis) of available-for-sale debt securities. 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.

Table 5.4: Contractual Maturities

			Remaining contractual maturity							
	Total		Within one year		After one year through five years		After five years through ten years		After ten years	
(in millions)	amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
December 31, 2015										
Available-for-sale securities (1):										
Securities of U.S. Treasury and federal agencies	**$ 36,250**	**1.49%**	**$ 216**	**0.77%**	**$ 31,602**	**1.44%**	**$ 4,432**	**1.86%**	**$ —**	**—%**
Securities of U.S. states and political subdivisions	**49,990**	**5.82**	**1,969**	**2.09**	**7,709**	**2.02**	**3,010**	**5.25**	**37,302**	**6.85**
Mortgage-backed securities:										
Federal agencies	**104,546**	**3.29**	**3**	**6.55**	**373**	**1.58**	**1,735**	**3.84**	**102,435**	**3.29**
Residential	**8,558**	**4.17**	**—**	**—**	**34**	**5.11**	**34**	**6.03**	**8,490**	**4.16**
Commercial	**14,088**	**5.06**	**—**	**—**	**61**	**2.79**	**—**	**—**	**14,027**	**5.07**
Total mortgage-backed securities	**127,192**	**3.54**	**3**	**6.55**	**468**	**1.99**	**1,769**	**3.88**	**124,952**	**3.55**
Corporate debt securities	**15,411**	**4.57**	**1,960**	**3.84**	**6,731**	**4.47**	**5,459**	**4.76**	**1,261**	**5.47**
Collateralized loan and other debt obligations	**30,967**	**2.08**	**2**	**0.33**	**804**	**0.90**	**12,707**	**2.01**	**17,454**	**2.19**
Other	**5,911**	**2.05**	**68**	**2.47**	**1,228**	**2.57**	**953**	**1.94**	**3,662**	**1.89**
Total available-for-sale debt securities at fair value	**$ 265,721**	**3.55%**	**$ 4,218**	**2.84%**	**$ 48,542**	**1.98%**	**$ 28,330**	**2.98%**	**$184,631**	**4.07%**
December 31, 2014										
Available-for-sale securities (1):										
Securities of U.S. Treasury and federal agencies	$ 25,804	1.49 %	$ 181	1.47 %	$ 22,348	1.44 %	$ 3,275	1.83 %	$ —	— %
Securities of U.S. states and political subdivisions	44,944	5.66	3,568	1.71	7,050	2.19	3,235	5.13	31,091	6.96
Mortgage-backed securities:										
Federal agencies	110,089	3.27	—	—	276	2.86	1,011	3.38	108,802	3.27
Residential	9,269	4.50	—	—	9	4.81	83	5.63	9,177	4.49
Commercial	16,994	5.16	1	0.28	62	2.71	5	1.30	16,926	5.17
Total mortgage-backed securities	136,352	3.59	1	0.28	347	2.88	1,099	3.54	134,905	3.59
Corporate debt securities	14,786	4.90	600	4.32	7,634	4.54	5,209	5.30	1,343	5.70
Collateralized loan and other debt obligations	25,361	1.83	23	1.95	944	0.71	8,472	1.67	15,922	1.99
Other	6,519	1.79	274	1.55	1,452	2.56	1,020	1.32	3,773	1.64
Total available-for-sale debt securities at fair value	$ 253,766	3.60 %	$ 4,647	2.03 %	$ 39,775	2.20 %	$ 22,310	3.12 %	$ 187,034	3.99 %

(1) Weighted-average yields displayed by maturity bucket are weighted based on fair value and predominantly represent contractual coupon rates without effect for any related hedging derivatives.

Table 5.5 shows the amortized cost and weighted-average yields of held-to-maturity debt securities by contractual maturity.

Table 5.5: Amortized Cost by Contractual Maturity

			Remaining contractual maturity							
	Total		W thin one year		After one year through five years		After five years through ten years		After ten years	
(in mill ons)	amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
December 31, 2015										
Held-to-maturity securities (1):										
Amortized cost:										
Securities of U.S. Treasury and federal agencies	**$ 44,660**	**2.12%**	**$ —**	**—%**	**$ 1,276**	**1.75%**	**$ 43,384**	**2.13%**	**$ —**	**—%**
Securities of U.S. states and political subdivisions	**2,185**	**5.97**	**—**	**—**	**—**	**—**	**104**	**7.49**	**2,081**	**5.89**
Federal agency mortgage-backed securities	**28,604**	**3.47**	**—**	**—**	**—**	**—**	**—**	**—**	**28,604**	**3.47**
Collateralized loan and other debt obligations	**1,405**	**2.03**	**—**	**—**	**—**	**—**	**—**	**—**	**1,405**	**2.03**
Other	**3,343**	**1.68**	**—**	**—**	**2,351**	**1.74**	**992**	**1.53**	**—**	**—**
Total held-to-maturity debt securities at amortized cost	**$ 80,197**	**2.69%**	**$ —**	**—%**	**$ 3,627**	**1.74%**	**$ 44,480**	**2.13%**	**$ 32,090**	**3.57%**
December 31, 2014										
Held-to-maturity secur ties (1):										
Amortized cost:										
Secur ties of U.S. Treasury and federal agencies	$ 40,886	2.12 %	$ —	— %	$ —	— %	$ 40,886	2.12 %	$ —	— %
Secur ties of U.S. states and pol t cal subdivisions	1,962	5.60	—	—	—	—	9	6.60	1,953	5.59
Federal agency mortgage-backed securities	5,476	3.89	—	—	—	—	—	—	5,476	3.89
Collateralized loan and other debt obligations	1,404	1.96	—	—	—	—	—	—	1,404	1.96
Other	5,755	1.64	192	1.61	4,214	1.72	1,349	1.41	—	—
Total held-to-maturity debt secur ties at amortized cost	$ 55,483	2.37 %	$ 192	1.61 %	$ 4,214	1.72 %	$ 42,244	2.10 %	$ 8,833	3.96 %

(1) Weighted-average yields displayed by maturity bucket are weighted based on amortized cost and predominantly represent contractual coupon rates.

Table 5.6 shows the fair value of held-to-maturity debt securities by contractual maturity.

Table 5.6: Fair Value by Contractual Maturity

		Remaining contractual maturity			
	Total	Within one year	After one year through five years	After five years through ten years	After ten years
(in millions)	amount	Amount	Amount	Amount	Amount
December 31, 2015					
Held-to-maturity securities:					
Fair value:					
Securities of U.S. Treasury and federal agencies	**$ 45,167**	**—**	**1,298**	**43,869**	**—**
Securities of U.S. states and political subdivisions	**2,250**	**—**	**—**	**105**	**2,145**
Federal agency mortgage-backed securities	**28,421**	**—**	**—**	**—**	**28,421**
Collateralized loan and other debt obligations	**1,381**	**—**	**—**	**—**	**1,381**
Other	**3,348**	**—**	**2,353**	**995**	**—**
Total held-to-maturity debt securities at fair value	**$ 80,567**	**—**	**3,651**	**44,969**	**31,947**
December 31, 2014					
Held-to-maturity secur ties:					
Fair Value:					
Secur ties of U.S. Treasury and federal agencies	$ 41,548	—	—	41,548	—
Secur ties of U.S. states and pol t cal subdivisions	1,989	—	—	9	1,980
Federal agency mortgage-backed secur ties	5,641	—	—	—	5,641
Collateralized loan and other debt obligations	1,391	—	—	—	1,391
Other	5,790	193	4,239	1,358	—
Total held-to-maturity debt securities at fair value	$ 56,359	193	4,239	42,915	9,012

Realized Gains and Losses

Table 5.7 shows the gross realized gains and losses on sales and OTTI write-downs related to the available-for-sale securities portfolio, which includes marketable equity securities, as well as net realized gains and losses on nonmarketable equity investments (see Note 7 (Premises, Equipment, Lease Commitments and Other Assets)).

Table 5.7: Realized Gains and Losses

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Gross realized gains	**$ 1,775**	1,560	492
Gross realized losses	**(67)**	(14)	(24)
OTTI write-downs	**(185)**	(52)	(183)
Net realized gains from available-for-sale securities	**1,523**	1,494	285
Net realized gains from nonmarketable equity investments	**1,659**	1,479	1,158
Net realized gains from debt securities and equity investments	**$ 3,182**	2,973	1,443

Other-Than-Temporary Impairment

Table 5.8 shows the detail of total OTTI write-downs included in earnings for available-for-sale debt securities, marketable equity securities and nonmarketable equity investments. There were no OTTI write-downs on held-to-maturity securities during the years ended December 31, 2015, 2014 or 2013.

Table 5.8: OTTI Write-downs

	Year ended December 31,		
(in millions)	**2015**	2014	2013
OTTI write-downs included in earnings			
Debt securities:			
Securities of U.S. states and political subdivisions	**$ 18**	11	2
Mortgage-backed securities:			
Federal agencies	**—**	—	1
Residential	**54**	26	72
Commercial	**4**	9	53
Corporate debt securities (1)	**105**	1	4
Collateralized loan and other debt obligations	**—**	2	—
Other debt securities	**2**	—	26
Total debt securities	**183**	49	158
Equity securities:			
Marketable equity securities:			
Other marketable equity securities	**2**	3	25
Total marketable equity securities	**2**	3	25
Total investment securities	**185**	52	183
Nonmarketable equity investments (1)	**374**	270	161
Total OTTI write-downs included in earnings (1)	**$ 559**	322	344

(1) December 31, 2015, includes $287 mill on in OTTI wr te-downs of energy investments, of wh ch $104 million related to corporate debt securities and $183 mill on related to nonmarketable equ ty investments.

Other-Than-Temporarily Impaired Debt Securities

Table 5.9 shows the detail of OTTI write-downs on available-for-sale debt securities included in earnings and the related changes in OCI for the same securities.

Table 5.9: OTTI Write-downs Included in Earnings

	Year ended December 31,		
(in millions)	**2015**	2014	2013
OTTI on debt securities			
Recorded as part of gross realized losses:			
Credit-related OTTI	**$ 169**	40	107
Intent-to-sell OTTI	**14**	9	51
Total recorded as part of gross realized losses	**183**	49	158
Changes to OCI for losses (reversal of losses) in non-credit-related OTTI (1):			
Securities of U.S. states and political subdivisions	**(1)**	—	(2)
Residential mortgage-backed securities	**(42)**	(10)	(27)
Commercial mortgage-backed securities	**(16)**	(21)	(90)
Corporate debt securities	**12**	—	—
Collateralized loan and other debt obligations	**—**	—	(1)
Other debt securities	**—**	—	1
Total changes to OCI for non-credit-related OTTI	**(47)**	(31)	(119)
Total OTTI losses recorded on debt securities	**$ 136**	18	39

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

Table 5.10 presents a rollforward of the OTTI credit loss that has been recognized in earnings as a write-down of available-for-sale debt securities we still own (referred to as "credit-impaired" debt securities) and do not intend to sell. Recognized credit loss represents the difference between the present value of expected future cash flows discounted using the security's current effective interest rate and the amortized cost basis of the security prior to considering credit loss.

Table 5.10: Rollforward of OTTI Credit Loss

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Credit loss recognized, beginning of year	**$ 1,025**	1,171	1,289
Additions:			
For securities with initial credit impairments	**102**	5	21
For securities with previous credit impairments	**67**	35	86
Total additions	**169**	40	107
Reductions:			
For securities sold, matured, or intended/required to be sold	**(93)**	(169)	(194)
For recoveries of previous credit impairments (1)	**(9)**	(17)	(31)
Total reductions	**(102)**	(186)	(225)
Credit loss recognized, end of year	**$ 1,092**	1,025	1,171

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

Note 6: Loans and Allowance for Credit Losses

Table 6.1 presents total loans outstanding by portfolio segment and class of financing receivable. Outstanding balances include a total net reduction of $3.8 billion and $4.5 billion at December 31, 2015 and 2014, respectively, for unearned income, net deferred loan fees, and unamortized discounts and premiums.

Table 6.1: Loans Outstanding

					December 31,
(in millions)	**2015**	2014	2013	2012	2011
Commercial:					
Commercial and industrial	**$ 299,892**	271,795	235,358	223,703	205,824
Real estate mortgage	**122,160**	111,996	112,427	106,392	106,028
Real estate construction	**22,164**	18,728	16,934	16,983	19,470
Lease financing	**12,367**	12,307	12,371	12,736	13,387
Total commercial	**456,583**	414,826	377,090	359,814	344,709
Consumer:					
Real estate 1-4 family first mortgage	**273,869**	265,386	258,507	249,912	229,408
Real estate 1-4 family junior lien mortgage	**53,004**	59,717	65,950	75,503	86,041
Credit card	**34,039**	31,119	26,882	24,651	22,905
Automobile	**59,966**	55,740	50,808	45,998	43,508
Other revolving credit and installment	**39,098**	35,763	43,049	42,473	43,060
Total consumer	**459,976**	447,725	445,196	438,537	424,922
Total loans	**$ 916,559**	862,551	822,286	798,351	769,631

Our foreign loans are reported by respective class of financing receivable in the table above. Substantially all of our foreign loan portfolio is commercial loans. Loans are classified as foreign primarily based on whether the borrower's primary address is outside of the United States. Table 6.2 presents total commercial foreign loans outstanding by class of financing receivable.

Table 6.2: Commercial Foreign Loans Outstanding

					December 31,
(in millions)	**2015**	2014	2013	2012	2011
Commercial foreign loans:					
Commercial and industrial	**$ 49,049**	44,707	41,547	37,148	38,609
Real estate mortgage	**8,350**	4,776	5,328	52	53
Real estate construction	**444**	218	187	79	88
Lease financing	**274**	336	338	312	269
Total commercial foreign loans	**$ 58,117**	50,037	47,400	37,591	39,019

Loan Concentrations

Loan concentrations may exist when there are amounts loaned to borrowers engaged in similar activities or similar types of loans extended to a diverse group of borrowers that would cause them to be similarly impacted by economic or other conditions. At December 31, 2015 and 2014, we did not have concentrations representing 10% or more of our total loan portfolio in domestic commercial and industrial loans and lease financing by industry or CRE loans (real estate mortgage and real estate construction) by state or property type. Our real estate 1-4 family mortgage loans to borrowers in the state of California represented approximately 13% of total loans at both December 31, 2015 and 2014, of which 2% were PCI loans in both years. These California loans are generally diversified among the larger metropolitan areas in California, with no single area consisting of more than 5% of total loans. We continuously 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.

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 9% of total loans at December 31, 2015, and 12% at December 31, 2014. Substantially all of these interest-only loans at origination were considered to be prime or near prime. We do not offer option adjustable-rate mortgage (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. We acquired an option payment loan portfolio (Pick-a-Pay) from Wachovia at December 31, 2008. A majority of the portfolio was identified as PCI loans. Since the acquisition, we have reduced our exposure to the option payment portion of the portfolio through our modification efforts and loss mitigation actions. At December 31, 2015, approximately 2% of total loans remained with the payment option feature compared with 10% at December 31, 2008.

Our first and junior lien lines of credit products generally have a draw period of 10 years (with some up to 15 or 20 years) with variable interest rate and payment options during the draw period of (1) interest only or (2) 1.5% of total outstanding balance plus accrued interest. During the draw period, the borrower has the option of converting all or a portion of the line from a variable interest rate to a fixed rate with terms including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment schedule with repayment terms of up to 30 years based on the balance at time of conversion. At December 31, 2015, our lines of credit portfolio had an outstanding balance of $63.6 billion, of which $9.6 billion, or 15%, is in its amortization period, another $11.3 billion, or 18%, of our total outstanding balance, will reach their end of draw period during 2016 through 2017, $6.8 billion, or 11%, during 2018 through 2020, and $35.9 billion, or 56%, will convert in subsequent years. This portfolio had unfunded credit commitments of $67.7 billion at December 31, 2015. The lines that enter their amortization period may experience higher delinquencies and higher loss rates than the ones in their draw period. At December 31, 2015, $506 million, or 5%, of outstanding lines of credit that are in their amortization period were 30 or more days past due, compared with $937 million, or 2%, for lines in their draw period. We have considered this increased inherent risk in our allowance for credit loss estimate. In anticipation of our borrowers reaching the end of their contractual commitment, we have created a program to inform, educate and help these borrowers transition from interest-only to fully-amortizing payments or full repayment. We monitor the performance of the borrowers moving through the program in an effort to refine our ongoing program strategy.

Loan Purchases, Sales, and Transfers

Table 6.3 summarizes the proceeds paid or received for purchases and sales of loans and transfers from loans held for investment to mortgages/loans held for sale at lower of cost or fair value. This loan activity primarily includes loans purchased and sales of whole loan or participating interests, whereby we receive or transfer a portion of a loan after origination. The table excludes PCI loans and loans recorded at fair value, including loans originated for sale because their loan activity normally does not impact the allowance for credit losses.

Table 6.3: Loan Purchases, Sales, and Transfers

	Year ended December 31,					
	2015			2014		
(in millions)	**Commercial**	**Consumer**	**Total**	Commercial	Consumer	Total
Purchases (1)	**$ 13,674**	**340**	**14,014**	4,952	1,365	6,317
Sales (1)	**(1,214)**	**(160)**	**(1,374)**	(1,706)	(152)	(1,858)
Transfers to MHFS/LHFS (1)	**(91)**	**(16)**	**(107)**	(99)	(9,778)	(9,877)

(1) All categories exclude activ ty in government insured/guaranteed real estate 1-4 family first mortgage loans. As servicer, we are able to buy delinquent insured/guaranteed loans out of the Government National Mortgage Associat on (GNMA) pools, and manage and/or resell them in accordance w th applicable requirements. These loans are predominantly insured by the Federal Housing Administrat on (FHA) or guaranteed by the Department of Veterans Affairs (VA). Accordingly, these loans have limited impact on the allowance for loan losses.

Commitments to Lend

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

We may, as a representative for other lenders, advance funds or provide for the issuance of letters of credit under syndicated loan or letter of credit agreements. Any advances are generally repaid in less than a week and would normally require default of both the customer and another lender to expose us to loss. These temporary advance arrangements totaled

approximately $75 billion at December 31, 2015 and $87 billion at December 31, 2014.

We issue commercial letters of credit to assist customers in purchasing goods or services, typically for international trade. At December 31, 2015 and 2014, we had $1.1 billion and $1.2 billion, respectively, of outstanding issued commercial letters of credit. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility for different purposes in one of several forms, including a standby letter of credit. See Note 14 (Guarantees, Pledged Assets and Collateral) for additional information on standby letters of credit.

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

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

The contractual amount of our unfunded credit commitments, including unissued standby and commercial letters of credit, is summarized by portfolio segment and class of financing receivable in Table 6.4. The table excludes the standby and commercial letters of credit and temporary advance arrangements described above.

Table 6.4: Unfunded Credit Commitments

(in millions)	**Dec 31, 2015**	Dec 31, 2014
Commercial:		
Commercial and industrial	**$296,710**	278,093
Real estate mortgage	**7,378**	6,134
Real estate construction	**18,047**	15,587
Lease financing	**—**	3
Total commercial	**322,135**	299,817
Consumer:		
Real estate 1-4 family first mortgage	**34,621**	32,055
Real estate 1-4 family junior lien mortgage	**43,309**	45,492
Credit card	**98,904**	95,062
Other revolving credit and installment	**27,899**	24,816
Total consumer	**204,733**	197,425
Total unfunded credit commitments	**$526,868**	497,242

Allowance for Credit Losses

Table 6.5 presents the allowance for credit losses, which consists of the allowance for loan losses and the allowance for unfunded credit commitments.

Table 6.5: Allowance for Credit Losses

		Year ended December 31,			
(in millions)	**2015**	2014	2013	2012	2011
Balance, beginning of year	**$ 13,169**	14,971	17,477	19,668	23,463
Provision for credit losses	**2,442**	1,395	2,309	7,217	7,899
Interest income on certain impaired loans (1)	**(198)**	(211)	(264)	(315)	(332)
Loan charge-offs:					
Commercial:					
Commercial and industrial	**(734)**	(627)	(739)	(1,404)	(1,681)
Real estate mortgage	**(59)**	(66)	(190)	(382)	(636)
Real estate construction	**(4)**	(9)	(28)	(191)	(351)
Lease financing	**(14)**	(15)	(34)	(24)	(41)
Total commercial	**(811)**	(717)	(991)	(2,001)	(2,709)
Consumer:					
Real estate 1-4 family first mortgage	**(507)**	(721)	(1,439)	(3,020)	(3,896)
Real estate 1-4 family junior lien mortgage	**(635)**	(864)	(1,579)	(3,437)	(3,765)
Credit card	**(1,116)**	(1,025)	(1,022)	(1,105)	(1,458)
Automobile	**(742)**	(729)	(625)	(651)	(797)
Other revolving credit and installment	**(643)**	(668)	(754)	(759)	(990)
Total consumer	**(3,643)**	(4,007)	(5,419)	(8,972)	(10,906)
Total loan charge-offs	**(4,454)**	(4,724)	(6,410)	(10,973)	(13,615)
Loan recoveries:					
Commercial:					
Commercial and industrial	**252**	369	396	472	426
Real estate mortgage	**127**	160	226	163	143
Real estate construction	**37**	136	137	124	146
Lease financing	**8**	8	17	20	25
Total commercial	**424**	673	776	779	740
Consumer:					
Real estate 1-4 family first mortgage	**245**	212	246	157	405
Real estate 1-4 family junior lien mortgage	**259**	238	269	260	218
Credit card	**175**	161	127	188	257
Automobile	**325**	349	322	364	449
Other revolving credit and installment	**134**	146	161	191	247
Total consumer	**1,138**	1,106	1,125	1,160	1,576
Total loan recoveries	**1,562**	1,779	1,901	1,939	2,316
Net loan charge-offs (2)	**(2,892)**	(2,945)	(4,509)	(9,034)	(11,299)
Other	**(9)**	(41)	(42)	(59)	(63)
Balance, end of year	**$ 12,512**	13,169	14,971	17,477	19,668
Components:					
Allowance for loan losses	**$ 11,545**	12,319	14,502	17,060	19,372
Allowance for unfunded credit commitments	**967**	850	469	417	296
Allowance for credit losses (3)	**$ 12,512**	13,169	14,971	17,477	19,668
Net loan charge-offs as a percentage of average total loans (2)	**0.33%**	0.35	0.56	1.17	1.49
Allowance for loan losses as a percentage of total loans (3)	**1.26**	1.43	1.76	2.13	2.52
Allowance for credit losses as a percentage of total loans (3)	**1.37**	1.53	1.82	2.19	2.56

(1) Certain impaired loans w th an allowance calculated by discounting expected cash flows using the loan's effective interest rate over the remaining life of the loan recognize reduct ons in the allowance as interest income.
(2) For PCI loans, charge-offs are only recorded to the extent that losses exceed the purchase accounting estimates.
(3) The allowance for credit losses includes $1 million, $11 mill on, $30 million, $117 million and $231 mill on at December 31, 2015, 2014, 2013, 2012, and 2011, respectively, related to PCI loans acquired from Wachovia. Loans acquired from Wachovia are included in total loans net of related purchase accounting net write-downs.

Table 6.6 summarizes the activity in the allowance for credit losses by our commercial and consumer portfolio segments.

Table 6.6: Allowance Activity by Portfolio Segment

	Year ended December 31,					
			2015			2014
(in millions)	Commercial	Consumer	Total	Commercial	Consumer	Total
Balance, beginning of year	**$ 6,377**	**6,792**	**13,169**	6,103	8,868	14,971
Provision for credit losses	**908**	**1,534**	**2,442**	342	1,053	1,395
Interest income on certain impaired loans	**(17)**	**(181)**	**(198)**	(20)	(191)	(211)
Loan charge-offs	**(811)**	**(3,643)**	**(4,454)**	(717)	(4,007)	(4,724)
Loan recoveries	**424**	**1,138**	**1,562**	673	1,106	1,779
Net loan charge-offs	**(387)**	**(2,505)**	**(2,892)**	(44)	(2,901)	(2,945)
Other	**(9)**	**—**	**(9)**	(4)	(37)	(41)
Balance, end of year	**$ 6,872**	**5,640**	**12,512**	6,377	6,792	13,169

Table 6.7 disaggregates our allowance for credit losses and recorded investment in loans by impairment methodology.

Table 6.7: Allowance by Impairment Methodology

	Allowance for credit losses			Recorded investment in loans		
(in millions)	Commercial	Consumer	Total	Commercial	Consumer	Total
December 31, 2015						
Collectively evaluated (1)	**$ 5,999**	**3,436**	**9,435**	**452,063**	**420,705**	**872,768**
Individually evaluated (2)	**872**	**2,204**	**3,076**	**3,808**	**20,012**	**23,820**
PCI (3)	**1**	**—**	**1**	**712**	**19,259**	**19,971**
Total	**$ 6,872**	**5,640**	**12,512**	**456,583**	**459,976**	**916,559**
December 31, 2014						
Collectively evaluated (1)	$ 5,482	3,706	9,188	409,560	404,263	813,823
Individually evaluated (2)	884	3,086	3,970	3,759	21,649	25,408
PCI (3)	11	—	11	1,507	21,813	23,320
Total	$ 6,377	6,792	13,169	414,826	447,725	862,551

(1) Represents loans collectively evaluated for impairment in accordance w th Accounting Standards Codif cat on (ASC) 450-20, *Loss Contingencies* (formerly FAS 5), and pursuant to amendments by ASU 2010-20 regarding allowance for non-impaired loans.
(2) Represents loans indiv dually evaluated for impairment in accordance w th ASC 310-10, *Receivables* (formerly FAS 114), and pursuant to amendments by ASU 2010-20 regarding allowance for impaired loans.
(3) Represents the allowance and related loan carrying value determined in accordance w th ASC 310-30, *Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality* (formerly SOP 3-3) and pursuant to amendments by ASU 2010-20 regarding allowance for PCI loans.

Credit Quality

We monitor credit quality by evaluating various attributes and utilize such information in our evaluation of the appropriateness of the allowance for credit losses. The following sections provide the credit quality indicators we most closely monitor. The credit quality indicators are generally based on information as of our financial statement date, with the exception of updated Fair Isaac Corporation (FICO) scores and updated loan-to-value (LTV)/combined LTV (CLTV), which are obtained at least quarterly. Generally, these indicators are updated in the second month of each quarter, with updates no older than September 30, 2015. See the "Purchased Credit-Impaired Loans" section of this Note for credit quality information on our PCI portfolio.

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

Table 6.8 provides a breakdown of outstanding commercial loans by risk category. Of the $7.1 billion in criticized commercial real estate (CRE) loans at December 31, 2015, $1.0 billion has been placed on nonaccrual status and written down to net realizable collateral value. CRE loans have a high level of monitoring in place to manage these assets and mitigate loss exposure.

Table 6.8: Commercial Loans by Risk Category

(in millions)		Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Total
December 31, 2015						
By risk category:						
Pass	**$**	**281,356**	**115,025**	**21,546**	**11,772**	**429,699**
Criticized		**18,458**	**6,593**	**526**	**595**	**26,172**
Total commercial loans (excluding PCI)		**299,814**	**121,618**	**22,072**	**12,367**	**455,871**
Total commercial PCI loans (carrying value)		**78**	**542**	**92**	**—**	**712**
Total commercial loans	**$**	**299,892**	**122,160**	**22,164**	**12,367**	**456,583**
December 31, 2014						
By risk category:						
Pass	$	255,611	103,319	17,661	11,723	388,314
Criticized		16,109	7,416	896	584	25,005
Total commercial loans (excluding PCI)		271,720	110,735	18,557	12,307	413,319
Total commercial PCI loans (carrying value)		75	1,261	171	—	1,507
Total commercial loans	$	271,795	111,996	18,728	12,307	414,826

Table 6.9 provides past due information for commercial loans, which we monitor as part of our credit risk management practices.

Table 6.9: Commercial Loans by Delinquency Status

(in millions)		Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Total
December 31, 2015						
By delinquency status:						
Current-29 DPD and still accruing	**$**	**297,847**	**120,415**	**21,920**	**12,313**	**452,495**
30-89 DPD and still accruing		**507**	**221**	**82**	**28**	**838**
90+ DPD and still accruing		**97**	**13**	**4**	**—**	**114**
Nonaccrual loans		**1,363**	**969**	**66**	**26**	**2,424**
Total commercial loans (excluding PCI)		**299,814**	**121,618**	**22,072**	**12,367**	**455,871**
Total commercial PCI loans (carrying value)		**78**	**542**	**92**	**—**	**712**
Total commercial loans	**$**	**299,892**	**122,160**	**22,164**	**12,367**	**456,583**
December 31, 2014						
By delinquency status:						
Current-29 DPD and still accruing	$	270,624	109,032	18,345	12,251	410,252
30-89 DPD and still accruing		527	197	25	32	781
90+ DPD and still accruing		31	16	—	—	47
Nonaccrual loans		538	1,490	187	24	2,239
Total commercial loans (excluding PCI)		271,720	110,735	18,557	12,307	413,319
Total commercial PCI loans (carrying value)		75	1,261	171	—	1,507
Total commercial loans	$	271,795	111,996	18,728	12,307	414,826

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

Many of our loss estimation techniques used for the allowance for credit losses rely on delinquency-based models; therefore, delinquency is an important indicator of credit quality and the establishment of our allowance for credit losses. Table 6.10 provides the outstanding balances of our consumer portfolio by delinquency status.

Table 6.10: Consumer Loans by Delinquency Status

(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
December 31, 2015						
By delinquency status:						
Current-29 DPD	**$ 225,195**	**51,778**	**33,208**	**58,503**	**38,690**	**407,374**
30-59 DPD	**2,072**	**325**	**257**	**1,121**	**175**	**3,950**
60-89 DPD	**821**	**184**	**177**	**253**	**107**	**1,542**
90-119 DPD	**402**	**110**	**150**	**84**	**86**	**832**
120-179 DPD	**460**	**145**	**246**	**4**	**21**	**876**
180+ DPD	**3,376**	**393**	**1**	**1**	**19**	**3,790**
Government insured/guaranteed loans (1)	**22,353**	**—**	**—**	**—**	**—**	**22,353**
Total consumer loans (excluding PCI)	**254,679**	**52,935**	**34,039**	**59,966**	**39,098**	**440,717**
Total consumer PCI loans (carrying value)	**19,190**	**69**	**—**	**—**	**—**	**19,259**
Total consumer loans	**$ 273,869**	**53,004**	**34,039**	**59,966**	**39,098**	**459,976**
December 31, 2014						
By delinquency status:						
Current-29 DPD	$ 208,642	58,182	30,356	54,365	35,356	386,901
30-59 DPD	2,415	398	239	1,056	180	4,288
60-89 DPD	993	220	160	235	111	1,719
90-119 DPD	488	158	136	78	82	942
120-179 DPD	610	194	227	5	21	1,057
180+ DPD	4,258	464	1	1	13	4,737
Government insured/guaranteed loans (1)	26,268	—	—	—	—	26,268
Total consumer loans (excluding PCI)	243,674	59,616	31,119	55,740	35,763	425,912
Total consumer PCI loans (carrying value)	21,712	101	—	—	—	21,813
Total consumer loans	$ 265,386	59,717	31,119	55,740	35,763	447,725

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA. Loans insured/guaranteed by the FHA/VA and 90+ DPD totaled $12.4 billion at December 31, 2015, compared w th $16.2 billion at December 31, 2014.

Of the $5.5 billion of consumer loans not government insured/guaranteed that are 90 days or more past due at December 31, 2015, $867 million was accruing, compared with $6.7 billion past due and $873 million accruing at December 31, 2014.

Real estate 1-4 family first mortgage loans 180 days or more past due totaled $3.4 billion, or 1.3% of total first mortgages (excluding PCI), at December 31, 2015, compared with $4.3 billion, or 1.7%, at December 31, 2014.

Table 6.11 provides a breakdown of our consumer portfolio by updated FICO. We obtain FICO scores at loan origination and the scores are updated at least quarterly. The majority of our portfolio is underwritten with a FICO score of 680 and above. FICO is not available for certain loan types and may not be obtained if we deem it unnecessary due to strong collateral and other borrower attributes, primarily security-based loans of $7.0 billion at December 31, 2015, and $5.9 billion at December 31, 2014.

Table 6.11: Consumer Loans by FICO

(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
December 31, 2015						
By updated FICO:						
< 600	**$ 8,716**	**3,025**	**2,927**	**9,260**	**965**	**24,893**
600-639	**6,961**	**2,367**	**2,875**	**6,619**	**1,086**	**19,908**
640-679	**13,006**	**4,613**	**5,354**	**10,014**	**2,416**	**35,403**
680-719	**24,460**	**7,863**	**6,857**	**10,947**	**4,388**	**54,515**
720-759	**38,309**	**10,966**	**7,017**	**8,279**	**6,010**	**70,581**
760-799	**92,975**	**16,369**	**5,693**	**7,761**	**8,351**	**131,149**
800+	**44,452**	**6,895**	**3,090**	**6,654**	**6,510**	**67,601**
No FICO available	**3,447**	**837**	**226**	**432**	**2,395**	**7,337**
FICO not required	**—**	**—**	**—**	**—**	**6,977**	**6,977**
Government insured/guaranteed loans (1)	**22,353**	**—**	**—**	**—**	**—**	**22,353**
Total consumer loans (excluding PCI)	**254,679**	**52,935**	**34,039**	**59,966**	**39,098**	**440,717**
Total consumer PCI loans (carrying value)	**19,190**	**69**	**—**	**—**	**—**	**19,259**
Total consumer loans	**$ 273,869**	**53,004**	**34,039**	**59,966**	**39,098**	**459,976**
December 31, 2014						
By updated FICO:						
< 600	$ 11,166	4,001	2,639	8,825	894	27,525
600-639	7,866	2,794	2,588	6,236	1,058	20,542
640-679	13,894	5,324	4,931	9,352	2,366	35,867
680-719	24,412	8,970	6,285	9,994	4,389	54,050
720-759	35,490	12,171	6,407	7,475	5,896	67,439
760-799	82,123	17,897	5,234	7,315	7,673	120,242
800+	39,219	7,581	2,758	6,184	5,819	61,561
No FICO available	3,236	878	277	359	1,814	6,564
FICO not required	—	—	—	—	5,854	5,854
Government insured/guaranteed loans (1)	26,268	—	—	—	—	26,268
Total consumer loans (excluding PCI)	243,674	59,616	31,119	55,740	35,763	425,912
Total consumer PCI loans (carrying value)	21,712	101	—	—	—	21,813
Total consumer loans	$ 265,386	59,717	31,119	55,740	35,763	447,725

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.

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

Table 6.12 shows the most updated LTV and CLTV distribution of the real estate 1-4 family first and junior lien mortgage loan portfolios. We consider the trends in residential real estate markets as we monitor credit risk and establish our allowance for credit losses. In the event of a default, any loss should be limited to the portion of the loan amount in excess of the net realizable value of the underlying real estate collateral value. Certain loans do not have an LTV or CLTV primarily due to industry data availability and portfolios acquired from or serviced by other institutions.

Table 6.12: Consumer Loans by LTV/CLTV

(in millions)	December 31, 2015 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total	December 31, 2014 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	**$ 109,558**	**15,805**	**125,363**	95,719	15,603	111,322
60.01-80%	**92,005**	**16,579**	**108,584**	86,112	17,651	103,763
80.01-100%	**22,765**	**11,385**	**34,150**	25,170	14,004	39,174
100.01-120% (1)	**4,480**	**5,545**	**10,025**	6,133	7,254	13,387
> 120% (1)	**2,065**	**3,051**	**5,116**	2,856	4,058	6,914
No LTV/CLTV available	**1,453**	**570**	**2,023**	1,416	1,046	2,462
Government insured/guaranteed loans (2)	**22,353**	**—**	**22,353**	26,268	—	26,268
Total consumer loans (excluding PCI)	**254,679**	**52,935**	**307,614**	243,674	59,616	303,290
Total consumer PCI loans (carrying value)	**19,190**	**69**	**19,259**	21,712	101	21,813
Total consumer loans	**$ 273,869**	**53,004**	**326,873**	265,386	59,717	325,103

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

NONACCRUAL LOANS Table 6.13 provides loans on nonaccrual status. PCI loans are excluded from this table because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

Table 6.13: Nonaccrual Loans

(in millions)	December 31, 2015	2014
Commercial:		
Commercial and industrial	**$ 1,363**	538
Real estate mortgage	**969**	1,490
Real estate construction	**66**	187
Lease financing	**26**	24
Total commercial (1)	**2,424**	2,239
Consumer:		
Real estate 1-4 family first mortgage (2)	**7,293**	8,583
Real estate 1-4 family junior lien mortgage	**1,495**	1,848
Automobile	**121**	137
Other revolving credit and installment	**49**	41
Total consumer	**8,958**	10,609
Total nonaccrual loans (excluding PCI)	**$ 11,382**	12,848

(1) Includes LHFS of $0 mill on and $1 million at December 31, 2015 and 2014, respectively.
(2) Includes MHFS of $177 mill on and $177 million at December 31, 2015 and 2014, respectively.

LOANS IN PROCESS OF FORECLOSURE Our recorded investment in consumer mortgage loans collateralized by residential real estate property that are in process of foreclosure was $11.0 billion and $12.7 billion at December 31, 2015 and 2014, respectively, which included $6.2 billion and $6.6 billion, respectively, of loans that are government insured/guaranteed. We commence the foreclosure process on consumer real estate loans when a borrower becomes 120 days delinquent in accordance with Consumer Finance Protection Bureau Guidelines. Foreclosure procedures and timelines vary depending on whether the property address resides in a judicial or non-judicial state. Judicial states require the foreclosure to be processed through the state's courts while non-judicial states are processed without court intervention. Foreclosure timelines vary according to state law.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING

Certain loans 90 days or more past due as to interest or principal are still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans of $2.9 billion at December 31, 2015, and $3.7 billion at December 31, 2014, are not included in these past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

Table 6.14 shows non-PCI loans 90 days or more past due and still accruing by class for loans not government insured/guaranteed.

Table 6.14: Loans 90 Days or More Past Due and Still Accruing

(in millions)		Dec 31, 2015	Dec 31, 2014
Loans 90 days or more past due and still accruing:			
Total (excluding PCI):	$	**14,380**	17,810
Less: FHA insured/guaranteed by the VA (1)(2)		**13,373**	16,827
Less: Student loans guaranteed under the FFELP (3)		**26**	63
Total, not government insured/guaranteed	$	**981**	920
By segment and class, not government insured/guaranteed:			
Commercial:			
Commercial and industrial	$	**97**	31
Real estate mortgage		**13**	16
Real estate construction		**4**	—
Total commercial		**114**	47
Consumer:			
Real estate 1-4 family first mortgage (2)		**224**	260
Real estate 1-4 family junior lien mortgage (2)		**65**	83
Credit card		**397**	364
Automobile		**79**	73
Other revolving credit and installment		**102**	93
Total consumer		**867**	873
Total, not government insured/guaranteed	$	**981**	920

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

IMPAIRED LOANS Table 6.15 summarizes key information for impaired loans. Our impaired loans predominantly include loans on nonaccrual status in the commercial portfolio segment and loans modified in a TDR, whether on accrual or nonaccrual status. These impaired loans generally have estimated losses which are included in the allowance for credit losses. We have impaired loans with no allowance for credit losses when loss content has been previously recognized through charge-offs and we do not anticipate additional charge-offs or losses, or certain loans are currently performing in accordance with their terms and for which no loss has been estimated. Impaired loans exclude PCI loans. Table 6.15 includes trial modifications that totaled $402 million at December 31, 2015, and $452 million at December 31, 2014.

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

Table 6.15: Impaired Loans Summary

(in millions)	Unpaid principal balance (1)	Recorded investment		Related allowance for credit losses
		Impaired loans	Impaired loans with related allowance for credit losses	
December 31, 2015				
Commercial:				
Commercial and industrial	**$ 2,746**	**1,835**	**1,648**	**435**
Real estate mortgage	**2,369**	**1,815**	**1,773**	**405**
Real estate construction	**262**	**131**	**112**	**23**
Lease financing	**38**	**27**	**27**	**9**
Total commercial	**5,415**	**3,808**	**3,560**	**872**
Consumer:				
Real estate 1-4 family first mortgage	**19,626**	**17,121**	**11,057**	**1,643**
Real estate 1-4 family junior lien mortgage	**2,704**	**2,408**	**1,859**	**447**
Credit card	**299**	**299**	**299**	**94**
Automobile	**173**	**105**	**41**	**5**
Other revolving credit and installment	**86**	**79**	**71**	**15**
Total consumer (2)	**22,888**	**20,012**	**13,327**	**2,204**
Total impaired loans (excluding PCI)	**$ 28,303**	**23,820**	**16,887**	**3,076**
December 31, 2014				
Commercial:				
Commercial and industrial	$ 1,524	926	757	240
Real estate mortgage	3,190	2,483	2,405	591
Real estate construction	491	331	308	45
Lease financing	33	19	19	8
Total commercial	5,238	3,759	3,489	884
Consumer:				
Real estate 1-4 family first mortgage	21,324	18,600	12,433	2,322
Real estate 1-4 family junior lien mortgage	3,094	2,534	2,009	653
Credit card	338	338	338	98
Automobile	190	127	55	8
Other revolving credit and installment	60	50	42	5
Total consumer (2)	25,006	21,649	14,877	3,086
Total impaired loans (excluding PCI)	$ 30,244	25,408	18,366	3,970

(1) Excludes the unpa d principal balance for loans that have been fully charged off or otherwise have zero recorded investment.
(2) Years ended December 31, 2015 and 2014, include the recorded investment of $1.8 bill on and $2.1 bill on, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and generally do not have an allowance. Impaired loans may also have limited, if any, allowance when the recorded investment of the loan approximates estimated net realizable value as a result of charge-offs pr or to a TDR modif cation.

Commitments to lend additional funds on loans whose terms have been modified in a TDR amounted to $363 million and $341 million at December 31, 2015 and 2014, respectively.

Table 6.16 provides the average recorded investment in impaired loans and the amount of interest income recognized on impaired loans by portfolio segment and class.

Table 6.16: Average Recorded Investment in Impaired Loans

	Year ended December 31,					
	2015		2014		2013	
(in millions)	**Average recorded investment**	**Recognized interest income**	Average recorded investment	Recognized interest income	Average recorded investment	Recognized interest income
Commercial:						
Commercial and industrial	**$ 1,240**	**80**	1,089	77	1,508	94
Real estate mortgage	**2,128**	**140**	2,924	150	3,842	141
Real estate construction	**246**	**25**	457	39	966	35
Lease financing	**26**	**—**	28	—	38	1
Total commercial	**3,640**	**245**	4,498	266	6,354	271
Consumer:						
Real estate 1-4 family first mortgage	**17,924**	**921**	19,086	934	19,419	973
Real estate 1-4 family junior lien mortgage	**2,480**	**137**	2,547	142	2,498	143
Credit card	**317**	**39**	381	46	480	57
Automobile	**115**	**13**	154	18	232	29
Other revolving credit and installment	**61**	**5**	39	4	30	3
Total consumer	**20,897**	**1,115**	22,207	1,144	22,659	1,205
Total impaired loans (excluding PCI)	**$ 24,537**	**1,360**	26,705	1,410	29,013	1,476
Interest income:						
Cash basis of accounting		**$ 412**		435		426
Other (1)		**948**		975		1,050
Total interest income		**$ 1,360**		1,410		1,476

(1) Includes interest recognized on accruing TDRs, interest recognized related to certain impaired loans which have an allowance calculated using discounting, and amortization of purchase accounting adjustments related to certain impaired loans.

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

We may require some consumer borrowers experiencing financial difficulty to make trial payments generally for a period of three to four months, according to the terms of a planned permanent modification, to determine if they can perform according to those terms. These arrangements represent trial modifications, which we classify and account for as TDRs. While loans are in trial payment programs, their original terms are not considered modified and they continue to advance through delinquency status and accrue interest according to their original terms. The planned modifications for these arrangements predominantly involve interest rate reductions or other interest rate concessions; however, the exact concession type and resulting financial effect are usually not finalized and do not take effect until the loan is permanently modified. The trial period terms are developed in accordance with our proprietary programs or the U.S. Treasury's Making Home Affordable programs for real estate 1-4 family first lien (i.e. Home Affordable Modification Program – HAMP) and junior lien (i.e. Second Lien Modification Program – 2MP) mortgage loans.

At December 31, 2015, the loans in trial modification period were $130 million under HAMP, $32 million under 2MP and $240 million under proprietary programs, compared with $149 million, $34 million and $269 million at December 31, 2014, respectively. Trial modifications with a recorded investment of $136 million at December 31, 2015, and $167 million at December 31, 2014, were accruing loans and $266 million and $285 million, respectively, were nonaccruing loans. Our experience is that substantially all of the mortgages that enter a trial payment period program are successful in completing the program requirements and are then permanently modified at the end of the trial period. Our allowance process considers the impact of those modifications that are probable to occur.

Table 6.17 summarizes our TDR modifications for the periods presented by primary modification type and includes the financial effects of these modifications. For those loans that modify more than once, the table reflects each modification that occurred during the period. Loans that both modify and pay off within the period, as well as changes in recorded investment during the period for loans modified in prior periods, are not included in the table.

Table 6.17: TDR Modifications

(in mill ons)	Principal (2)	Interest rate reduction	Other concessions (3)	Total	Charge- offs (4)	Weighted average interest rate reduction	Recorded investment related to interest rate reduct on (5)
	Primary modificat on type (1)					Financial effects of modif cat ons	
Year ended December 31, 2015							
Commercial:							
Commercial and industrial	**$ 10**	**33**	**1,806**	**1,849**	**62**	**1.11 %**	**$ 33**
Real estate mortgage	**14**	**133**	**904**	**1,051**	**1**	**1.47**	**133**
Real estate construction	**11**	**15**	**72**	**98**	**—**	**0.95**	**15**
Total commercial	**35**	**181**	**2,782**	**2,998**	**63**	**1.36**	**181**
Consumer:							
Real estate 1-4 family first mortgage	**400**	**339**	**1,892**	**2,631**	**53**	**2.50**	**656**
Real estate 1-4 family junior lien mortgage	**34**	**99**	**172**	**305**	**43**	**3.09**	**127**
Credit card	**—**	**166**	**—**	**166**	**—**	**11.44**	**166**
Automobile	**1**	**5**	**87**	**93**	**38**	**8.28**	**5**
Other revolving credit and installment	**—**	**27**	**8**	**35**	**1**	**5.94**	**27**
Trial modifications (6)	**—**	**—**	**44**	**44**	**—**	**—**	**—**
Total consumer	**435**	**636**	**2,203**	**3,274**	**135**	**4.21**	**981**
Total	**$ 470**	**817**	**4,985**	**6,272**	**198**	**3.77 %**	**$ 1,162**
Year ended December 31, 2014							
Commercial:							
Commercial and industrial	$ 4	51	914	969	36	1.53 %	$ 51
Real estate mortgage	7	182	929	1,118	—	1.21	182
Real estate construct on	—	10	270	280	—	2.12	10
Total commercial	11	243	2,113	2,367	36	1.32	243
Consumer:							
Real estate 1-4 family first mortgage	571	401	2,690	3,662	92	2.50	833
Real estate 1-4 family jun or lien mortgage	50	114	246	410	64	3.27	157
Credit card	—	155	—	155	—	11.40	155
Automobile	2	5	85	92	36	8.56	5
Other revolving credit and installment	—	12	16	28	—	5.26	12
Trial modifications (6)	—	—	(74)	(74)	—	—	—
Total consumer	623	687	2,963	4,273	192	3.84	1,162
Total	$ 634	930	5,076	6,640	228	3.41 %	$ 1,405
Year ended December 31, 2013							
Commercial:							
Commercial and industrial	$ 19	177	1,081	1,277	17	4.71 %	$ 177
Real estate mortgage	33	307	1,391	1,731	8	1.66	308
Real estate construct on	—	12	381	393	4	1.07	12
Total commercial	52	496	2,853	3,401	29	2.72	497
Consumer:							
Real estate 1-4 family first mortgage	1,143	1,170	3,681	5,994	233	2.64	2,019
Real estate 1-4 family jun or lien mortgage	103	181	472	756	42	3.33	276
Credit card	—	182	—	182	—	10.38	182
Automobile	3	12	97	112	34	7.66	12
Other revolving credit and installment	—	10	12	22	—	4.87	10
Trial modifications (6)	—	—	50	50	—	—	—
Total consumer	1,249	1,555	4,312	7,116	309	3.31	2,499
Total	$ 1,301	2,051	7,165	10,517	338	3.21 %	$ 2,996

(1) Amounts represent the recorded investment in loans after recognizing the effects of the TDR, if any. TDRs may have multiple types of concess ons, but are presented only once in the first modification type based on the order presented in the table above. The reported amounts include loans remodified of $2.1 bill on, $2.1 billion and $3.1 bill on, for the years ended December 31, 2015, 2014, and 2013, respectively.

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

(3) Other concess ons include loan renewals, term extens ons and other interest and noninterest adjustments, but exclude modifications that also forgive principal and/or reduce the contractual interest rate.

(4) Charge-offs include wr te-downs of the investment in the loan in the period it is contractually modified. The amount of charge-off will differ from the modification terms if the loan has been charged down prior to the modificat on based on our pol cies. In addition, there may be cases where we have a charge-off/down w th no legal principal modif cat on. Modif cat ons resulted in legally forgiving principal (actual, contingent or deferred) of $100 million, $149 million and $393 mill on for the years ended December 31, 2015, 2014, and 2013, respectively.

(5) Reflects the effect of reduced interest rates on loans with an interest rate concess on as one of their concession types, wh ch includes loans reported as a principal primary modif cat on type that also have an interest rate concession.

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

Table 6.18 summarizes permanent modification TDRs that have defaulted in the current period within 12 months of their permanent modification date. We are reporting these defaulted TDRs based on a payment default definition of 90 days past due for the commercial portfolio segment and 60 days past due for the consumer portfolio segment.

Table 6.18: Defaulted TDRs

	Recorded investment of defaults		
	Year ended December 31,		
(in millions)	**2015**	2014	2013
Commercial:			
Commercial and industrial	**$ 66**	62	235
Real estate mortgage	**104**	117	303
Real estate construction	**4**	4	70
Total commercial	**174**	183	608
Consumer:			
Real estate 1-4 family first mortgage	**187**	334	370
Real estate 1-4 family junior lien mortgage	**17**	29	34
Credit card	**52**	51	59
Automobile	**13**	14	18
Other revolving credit and installment	**3**	2	1
Total consumer	**272**	430	482
Total	**$ 446**	613	1,090

Purchased Credit-Impaired Loans

Substantially all of our PCI loans were acquired from Wachovia on December 31, 2008, at which time we acquired commercial and consumer loans with a carrying value of $18.7 billion and $40.1 billion, respectively. The unpaid principal balance on December 31, 2008 was $98.2 billion for the total of commercial and consumer PCI loans. Table 6.19 presents PCI loans net of any remaining purchase accounting adjustments. Real estate 1-4 family first mortgage PCI loans are predominantly Pick-a-Pay loans.

Table 6.19: PCI Loans

(in millions)	**Dec 31, 2015**	Dec 31, 2014
Commercial:		
Commercial and industrial	**$ 78**	75
Real estate mortgage	**542**	1,261
Real estate construction	**92**	171
Total commercial	**712**	1,507
Consumer:		
Real estate 1-4 family first mortgage	**19,190**	21,712
Real estate 1-4 family junior lien mortgage	**69**	101
Total consumer	**19,259**	21,813
Total PCI loans (carrying value)	**$ 19,971**	23,320
Total PCI loans (unpaid principal balance)	**$ 28,278**	32,924

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

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

The change in the accretable yield related to PCI loans since the merger with Wachovia is presented in Table 6.20.

Table 6.20: Change in Accretable Yield

(in millions)		2015	2014	2013	2009-2012
Total, beginning of period	$	**17,790**	17,392	18,548	10,447
Addition of accretable yield due to acquisitions		**—**	—	1	131
Accretion into interest income (1)		**(1,429)**	(1,599)	(1,833)	(9,351)
Accretion into noninterest income due to sales (2)		**(28)**	(37)	(151)	(242)
Reclassification from nonaccretable difference for loans with improving credit-related cash flows		**1,166**	2,243	971	5,354
Changes in expected cash flows that do not affect nonaccretable difference (3)		**(1,198)**	(209)	(144)	12,209
Total, end of period	$	**16,301**	17,790	17,392	18,548

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

COMMERCIAL PCI CREDIT QUALITY INDICATORS Table 6.21 provides a breakdown of commercial PCI loans by risk category.

Table 6.21: Commercial PCI Loans by Risk Category

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Total
December 31, 2015				
By risk category:				
Pass	**$ 35**	**298**	**68**	**401**
Criticized	**43**	**244**	**24**	**311**
Total commercial PCI loans	**$ 78**	**542**	**92**	**712**
December 31, 2014				
By risk category:				
Pass	$ 21	783	118	922
Criticized	54	478	53	585
Total commercial PCI loans	$ 75	1,261	171	1,507

Table 6.22 provides past due information for commercial PCI loans.

Table 6.22: Commercial PCI Loans by Delinquency Status

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Total
December 31, 2015				
By delinquency status:				
Current-29 DPD and still accruing	**$ 78**	**510**	**90**	**678**
30-89 DPD and still accruing	**—**	**2**	**—**	**2**
90+ DPD and still accruing	**—**	**30**	**2**	**32**
Total commercial PCI loans	**$ 78**	**542**	**92**	**712**
December 31, 2014				
By delinquency status:				
Current-29 DPD and still accruing	$ 75	1,135	161	1,371
30-89 DPD and still accruing	—	48	5	53
90+ DPD and still accruing	—	78	5	83
Total commercial PCI loans	$ 75	1,261	171	1,507

CONSUMER PCI CREDIT QUALITY INDICATORS Our consumer PCI loans were aggregated into several pools of loans at acquisition. Below, we have provided credit quality indicators based on the unpaid principal balance (adjusted for write-downs) of the individual loans included in the pool, but we have not allocated the remaining purchase accounting adjustments, which were established at a pool level. Table 6.23 provides the delinquency status of consumer PCI loans.

Table 6.23: Consumer PCI Loans by Delinquency Status

	December 31, 2015			December 31, 2014		
(in millions)	**Real estate 1-4 family first mortgage**	**Real estate 1-4 family junior lien mortgage**	**Total**	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By delinquency status:						
Current-29 DPD and still accruing	**$ 18,086**	**202**	**18,288**	19,236	168	19,404
30-59 DPD and still accruing	**1,686**	**7**	**1,693**	1,987	7	1,994
60-89 DPD and still accruing	**716**	**3**	**719**	1,051	3	1,054
90-119 DPD and still accruing	**293**	**2**	**295**	402	2	404
120-179 DPD and still accruing	**319**	**3**	**322**	440	3	443
180+ DPD and still accruing	**3,035**	**12**	**3,047**	3,654	83	3,737
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 24,135**	**229**	**24,364**	26,770	266	27,036
Total consumer PCI loans (carrying value)	**$ 19,190**	**69**	**19,259**	21,712	101	21,813

Table 6.24 provides FICO scores for consumer PCI loans.

Table 6.24: Consumer PCI Loans by FICO

(in millions)	December 31, 2015 Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total	December 31, 2014 Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By FICO:						
< 600	$ **5,737**	**52**	**5,789**	7,708	75	7,783
600-639	**4,754**	**38**	**4,792**	5,416	53	5,469
640-679	**6,208**	**48**	**6,256**	6,718	69	6,787
680-719	**4,283**	**43**	**4,326**	4,008	39	4,047
720-759	**1,914**	**24**	**1,938**	1,728	13	1,741
760-799	**910**	**13**	**923**	875	6	881
800+	**241**	**3**	**244**	220	1	221
No FICO available	**88**	**8**	**96**	97	10	107
Total consumer PCI loans (adjusted unpaid principal balance)	$ **24,135**	**229**	**24,364**	26,770	266	27,036
Total consumer PCI loans (carrying value)	$ **19,190**	**69**	**19,259**	21,712	101	21,813

Table 6.25 shows the distribution of consumer PCI loans by LTV for real estate 1-4 family first mortgages and by CLTV for real estate 1-4 family junior lien mortgages.

Table 6.25: Consumer PCI Loans by LTV/CLTV

(in millions)	December 31, 2015 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total	December 31, 2014 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	$ **5,437**	**32**	**5,469**	4,309	34	4,343
60.01-80%	**10,036**	**65**	**10,101**	11,264	71	11,335
80.01-100%	**6,299**	**80**	**6,379**	7,751	92	7,843
100.01-120% (1)	**1,779**	**36**	**1,815**	2,437	44	2,481
> 120% (1)	**579**	**15**	**594**	1,000	24	1,024
No LTV/CLTV available	**5**	**1**	**6**	9	1	10
Total consumer PCI loans (adjusted unpaid principal balance)	$ **24,135**	**229**	**24,364**	26,770	266	27,036
Total consumer PCI loans (carrying value)	$ **19,190**	**69**	**19,259**	21,712	101	21,813

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

Note 7: Premises, Equipment, Lease Commitments and Other Assets

Table 7.1: Premises and Equipment

(in millions)	Dec 31, 2015	Dec 31, 2014
Land	$ **1,743**	1,748
Buildings	**8,479**	8,155
Furniture and equipment	**7,289**	7,215
Leasehold improvements	**2,131**	2,009
Premises and equipment leased under capital leases	**79**	79
Total premises and equipment	**19,721**	19,206
Less: Accumulated depreciation and amortization	**11,017**	10,463
Net book value, premises and equipment	$ **8,704**	8,743

Depreciation and amortization expense for premises and equipment was $1.2 billion in 2015, 2014 and 2013, respectively.

Dispositions of premises and equipment, included in noninterest expense, resulted in a net gain of $75 million in 2015, a net gain of $28 million in 2014 and a net loss of $15 million in 2013.

We have obligations under a number of noncancelable operating leases for premises and equipment. The leases predominantly expire over the next fifteen years, with the longest expiring in 2105, and many provide for periodic adjustment of rentals based on changes in various economic indicators. Some leases also include a renewal option. Table 7.2 provides the future minimum payments under capital leases and noncancelable operating leases, net of sublease rentals, with terms greater than one year as of December 31, 2015.

Table 7.2: Minimum Lease Payments

(in millions)	Operating leases	Capital leases
Year ended December 31,		
2016	$ 1,131	2
2017	1,026	2
2018	902	3
2019	781	3
2020	628	3
Thereafter	2,234	6
Total minimum lease payments	$ 6,702	19
Executory costs		$ (7)
Amounts representing interest		(4)
Present value of net minimum lease payments		$ 8

Operating lease rental expense (predominantly for premises), net of rental income, was $1.3 billion, in 2015, 2014 and 2013, respectively.

Table 7.3 presents the components of other assets.

Table 7.3: Other Assets

(in millions)	Dec 31, 2015	Dec 31, 2014
Nonmarketable equity investments:		
Cost method:		
Federal bank stock	$ **4,814**	4,733
Private equity	**1,626**	2,300
Auction rate securities (1)	**595**	—
Total cost method	**7,035**	7,033
Equity method:		
LIHTC (2)	**8,314**	7,278
Private equity	**3,300**	3,043
Tax-advantaged renewable energy	**1,625**	1,710
New market tax credit and other	**408**	379
Total equity method	**13,647**	12,410
Fair value (3)	**3,065**	2,512
Total nonmarketable equity investments	**23,747**	21,955
Corporate/bank-owned life insurance	**19,199**	18,982
Accounts receivable (4)	**26,251**	27,151
Interest receivable	**5,065**	4,871
Core deposit intangibles	**2,539**	3,561
Customer relationship and other amortized intangibles	**614**	857
Foreclosed assets:		
Residential real estate:		
Government insured/guaranteed (4)	**446**	982
Non-government insured/guaranteed	**414**	671
Non-residential real estate	**565**	956
Operating lease assets	**3,782**	2,714
Due from customers on acceptances	**273**	201
Other (5)	**17,887**	16,156
Total other assets	$ **100,782**	99,057

(1) Reflects auction rate perpetual preferred equ ty securities that were reclassified during 2015 w th a cost basis of $689 million (fair value of $640 mill on) from available-for-sale securities because they do not trade on a qualified exchange.
(2) Represents low income housing tax cred t investments.
(3) Represents nonmarketable equ ty investments for which we have elected the fair value opt on. See Note 17 (Fair Values of Assets and Liabilities) for additional informat on.
(4) Certain government-guaranteed residential real estate mortgage loans upon foreclosure are included in Accounts receivable. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA.
(5) Includes derivatives designated as hedging instruments, derivatives not designated as hedging instruments, and derivative loan commitments, which are carried at fair value. See Note 16 (Derivatives) for add t onal information.

Table 7.4 presents income (expense) related to nonmarketable equity investments.

Table 7.4: Nonmarketable Equity Investments

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Net realized gains from nonmarketable equity investments	**$ 1,659**	1,479	1,158
All other	**(743)**	(741)	(287)
Total	**$ 916**	738	871

Low Income Housing Tax Credit Investments We invest in affordable housing projects that qualify for the low income housing tax credit, which is designed to promote private development of low income housing. These investments generate a return primarily through realization of federal tax credits.

Total low income housing tax credit (LIHTC) investments were $8.3 billion and $7.3 billion at December 31, 2015 and 2014, respectively. In 2015, we recognized pre-tax losses of $708 million related to our LIHTC investments. We also recognized a total tax benefit of $1.1 billion in 2015, which included a tax credit of $829 million recorded in income taxes. We are periodically required to provide additional financial support during the investment period. Our liability for these unfunded commitments was $3.0 billion at December 31, 2015, of which predominantly all is expected to be paid over the next three years. This liability is included in long-term debt.

Note 8: Securitizations and Variable Interest Entities

Involvement with SPEs

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

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

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

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

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

Table 8.1 provides the classifications of assets and liabilities in our balance sheet for our transactions with VIEs.

Table 8.1: Balance Sheet Transactions with VIEs

(in millions)	VIEs that we do not consolidate	VIEs that we consolidate	Transfers that we account for as secured borrowings	Total
December 31, 2015				
Cash	**$ —**	**157**	**—**	**157**
Trading assets	**1,340**	**1**	**203**	**1,544**
Investment securities (1)	**12,388**	**425**	**2,171**	**14,984**
Loans	**9,661**	**4,811**	**4,887**	**19,359**
Mortgage servicing rights	**12,518**	**—**	**—**	**12,518**
Other assets	**8,938**	**242**	**26**	**9,206**
Total assets	**44,845**	**5,636**	**7,287**	**57,768**
Short-term borrowings	**—**	**—**	**1,799**	**1,799**
Accrued expenses and other liabilities	**629**	**57** (2)	**1**	**687**
Long-term debt	**3,021**	**1,301** (2)	**4,844**	**9,166**
Total liabilities	**3,650**	**1,358**	**6,644**	**11,652**
Noncontrolling interests	**—**	**93**	**—**	**93**
Net assets	**$ 41,195**	**4,185**	**643**	**46,023**
December 31, 2014				
Cash	$ —	117	4	121
Trading assets	2,165	—	204	2,369
Investment securities (1)	18,271	875	4,592	23,738
Loans	13,195	4,509	5,280	22,984
Mortgage servicing rights	12,562	—	—	12,562
Other assets	7,456	316	52	7,824
Total assets	53,649	5,817	10,132	69,598
Short-term borrowings	—	—	3,141	3,141
Accrued expenses and other liabilities	848	49 (2)	1	898
Long-term debt	2,585	1,628 (2)	4,990	9,203
Total liabilities	3,433	1,677	8,132	13,242
Noncontrolling interests	—	103	—	103
Net assets	$ 50,216	4,037	2,000	56,253

(1) Excludes certain debt securities related to loans serviced for the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and GNMA.
(2) There were no VIE liabilities with recourse to the general credit of Wells Fargo for the periods presented.

Transactions with Unconsolidated VIEs

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

Table 8.2 provides a summary of unconsolidated VIEs with which we have significant continuing involvement, but we are not the primary beneficiary. We do not consider our continuing involvement in an unconsolidated VIE to be significant when it relates to third-party sponsored VIEs for which we were not the transferor (unless we are servicer and have other significant forms of involvement) or if we were the sponsor only or sponsor and servicer but do not have any other forms of significant involvement.

Significant continuing involvement includes transactions where we were the sponsor or transferor and have other significant forms of involvement. Sponsorship includes transactions with unconsolidated VIEs where we solely or materially participated in the initial design or structuring of the entity or marketing of the transaction to investors. When we transfer assets to a VIE and account for the transfer as a sale, we are considered the transferor. We consider investments in securities (other than those held temporarily in trading), loans, guarantees, liquidity agreements, written options and servicing of collateral to be other forms of involvement that may be significant. We have excluded certain transactions with unconsolidated VIEs from the balances presented in the following table where we have determined that our continuing involvement is not significant due to the temporary nature and size of our variable interests, because we were not the transferor or because we were not involved in the design of the unconsolidated VIEs. We also exclude from the table secured

borrowing transactions with unconsolidated VIEs (for information on these transactions, see the Transactions with Consolidated VIEs and Secured Borrowings section in this Note).

Table 8.2: Unconsolidated VIEs

		Carrying value – asset (liability)				
(in millions)	Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2015						
Residential mortgage loan securitizations:						
Conforming (2)	$ 1,199,225	2,458	11,665	—	(386)	13,737
Other/nonconforming	24,809	1,228	141	—	(1)	1,368
Commercial mortgage securitizations	184,959	6,323	712	203	(26)	7,212
Collateralized debt obligations:						
Debt securities	3,247	—	—	64	(57)	7
Loans (3)	3,314	3,207	—	—	—	3,207
Asset-based finance structures	13,063	8,956	—	(66)	—	8,890
Tax credit structures	26,099	9,094	—	—	(3,047)	6,047
Collateralized loan obligations	898	213	—	—	—	213
Investment funds	1,131	47	—	—	—	47
Other (4)	12,690	511	—	(44)	—	467
Total	$ 1,469,435	32,037	12,518	157	(3,517)	41,195

	Maximum exposure to loss				
	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Total exposure
Residential mortgage loan securitizations:					
Conforming	$ 2,458	11,665	—	1,452	15,575
Other/nonconforming	1,228	141	—	1	1,370
Commercial mortgage securitizations	6,323	712	203	7,152	14,390
Collateralized debt obligations:					
Debt securities	—	—	64	57	121
Loans (3)	3,207	—	—	—	3,207
Asset-based finance structures	8,956	—	76	444	9,476
Tax credit structures	9,094	—	—	866	9,960
Collateralized loan obligations	213	—	—	—	213
Investment funds	47	—	—	—	47
Other (4)	511	—	117	150	778
Total	$ 32,037	12,518	460	10,122	55,137

(continued on following page)

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(in millions)	Total VIE assets	Carrying value - asset (liability) Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2014						
Residential mortgage loan securitizations:						
Conforming (2)	$ 1,268,200	2,846	11,684	—	(581)	13,949
Other/nonconforming	32,213	1,644	209	—	(8)	1,845
Commercial mortgage securitizations	196,510	8,756	650	251	(32)	9,625
Collateralized debt obligations:						
Debt securities	5,039	11	—	163	(105)	69
Loans (3)	5,347	5,221	—	—	—	5,221
Asset-based finance structures	18,954	13,044	—	(71)	—	12,973
Tax credit structures	22,859	7,809	—	—	(2,585)	5,224
Collateralized loan obligations	1,251	518	—	—	—	518
Investment funds	2,764	49	—	—	—	49
Other (4)	12,912	747	19	(18)	(5)	743
Total	$ 1,566,049	40,645	12,562	325	(3,316)	50,216

	Maximum exposure to loss Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Total exposure
Residential mortgage loan securitizations:					
Conforming	$ 2,846	11,684	—	2,507	17,037
Other/nonconforming	1,644	209	—	345	2,198
Commercial mortgage securitizations	8,756	650	251	5,715	15,372
Collateralized debt obligations:					
Debt securities	11	—	163	105	279
Loans (3)	5,221	—	—	—	5,221
Asset-based finance structures	13,044	—	89	656	13,789
Tax credit structures	7,809	—	—	725	8,534
Collateralized loan obligations	518	—	—	38	556
Investment funds	49	—	—	—	49
Other (4)	747	19	150	156	1,072
Total	$ 40,645	12,562	653	10,247	64,107

(1) Includes total equ ty interests of $8.9 bill on and $8.1 bill on at December 31, 2015 and 2014, respectively. Also includes debt interests in the form of both loans and securities. Excludes certain debt secur ties held related to loans serv ced for FNMA, FHLMC and GNMA.
(2) Excludes assets and related liabil ties with a recorded carrying value on our balance sheet of $1.3 bill on and $1.7 bill on at December 31, 2015 and 2014, respectively, for certain delinquent loans that are eligible for repurchase primarily from GNMA loan secur tizations. The recorded carrying value represents the amount that would be payable if the Company was to exercise the repurchase opt on. The carrying amounts are excluded from the table because the loans eligible for repurchase do not represent interests in the VIEs.
(3) Represents senior loans to trusts that are collateralized by asset-backed securities. The trusts invest primarily in sen or tranches from a diversified pool of primarily U.S. asset secur tizat ons, of wh ch all are current and 70% were rated as investment grade by the primary rating agencies at both December 31, 2015 and 2014. These sen or loans are accounted for at amortized cost and are subject to the Company's allowance and credit charge-off pol cies.
(4) Includes structured financing and credit-linked note structures. Also contains investments in auction rate secur ties (ARS) issued by VIEs that we do not sponsor and, accordingly, are unable to obtain the total assets of the entity.

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

RESIDENTIAL MORTGAGE LOANS Residential mortgage loan securitizations are financed through the issuance of fixed-rate or floating-rate asset-backed securities, which are collateralized by the loans transferred to a VIE. We typically transfer loans we originated to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial interests issued by the VIEs. We also may be exposed to limited liability related to recourse agreements and repurchase

agreements we make to our issuers and purchasers, which are included in other commitments and guarantees. In certain instances, we may service residential mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. Our residential mortgage loan securitizations consist of conforming and nonconforming securitizations.

Conforming residential mortgage loan securitizations are those that are guaranteed by the GSEs, including GNMA. Because of the power of the GSEs over the VIEs that hold the assets from these conforming residential mortgage loan securitizations, we do not consolidate them.

The loans sold to the VIEs in nonconforming residential mortgage loan securitizations are those that do not qualify for a GSE guarantee. We may hold variable interests issued by the VIEs, including senior securities. We do not consolidate the nonconforming residential mortgage loan securitizations included in the table because we either do not hold any variable interests, hold variable interests that we do not consider potentially significant or are not the primary servicer for a majority of the VIE assets.

Other commitments and guarantees include amounts related to loans sold that we may be required to repurchase, or otherwise indemnify or reimburse the investor or insurer for losses incurred, due to material breach of contractual representations and warranties as well as other retained recourse arrangements. The maximum exposure to loss for material breach of contractual representations and warranties represents a stressed case estimate we utilize for determining stressed case regulatory capital needs and is considered to be a remote scenario.

COMMERCIAL MORTGAGE LOAN SECURITIZATIONS
Commercial mortgage loan securitizations are financed through the issuance of fixed or floating-rate asset-backed securities, which are collateralized by the loans transferred to the VIE. In a typical securitization, we may transfer loans we originate to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial interests issued by the VIEs. In certain instances, we may service commercial mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. We typically serve as primary or master servicer of these VIEs. The primary or master servicer in a commercial mortgage loan securitization typically cannot make the most significant decisions impacting the performance of the VIE and therefore does not have power over the VIE. We do not consolidate the commercial mortgage loan securitizations included in the disclosure because we either do not have power or do not have a variable interest that could potentially be significant to the VIE.

COLLATERALIZED DEBT OBLIGATIONS (CDOs) A CDO is a securitization where a VIE purchases a pool of assets consisting of asset-backed securities and issues multiple tranches of equity or notes to investors. In some CDOs, a portion of the assets are obtained synthetically through the use of derivatives such as credit default swaps or total return swaps.

In addition to our role as arranger we may have other forms of involvement with these CDOs. Such involvement may include acting as liquidity provider, derivative counterparty, secondary market maker or investor. For certain CDOs, we may also act as the collateral manager or servicer. We receive fees in connection with our role as collateral manager or servicer.

We assess whether we are the primary beneficiary of CDOs based on our role in them in combination with the variable interests we hold. Subsequently, we monitor our ongoing involvement to determine if the nature of our involvement has changed. We are not the primary beneficiary of these CDOs in most cases because we do not act as the collateral manager or servicer, which generally denotes power. In cases where we are the collateral manager or servicer, we are not the primary beneficiary because we do not hold interests that could potentially be significant to the VIE.

COLLATERALIZED LOAN OBLIGATIONS (CLOs) A CLO is a securitization where an SPE purchases a pool of assets consisting of loans and issues multiple tranches of equity or notes to investors. Generally, CLOs are structured on behalf of a third party asset manager that typically selects and manages the assets for the term of the CLO. Typically, the asset manager has the power over the significant decisions of the VIE through its discretion to manage the assets of the CLO. We assess whether we are the primary beneficiary of CLOs based on our role in them and the variable interests we hold. In most cases, we are not the primary beneficiary because we do not have the power to manage the collateral in the VIE.

In addition to our role as arranger, we may have other forms of involvement with these CLOs. Such involvement may include acting as underwriter, derivative counterparty, secondary market maker or investor. For certain CLOs, we may also act as the servicer, for which we receive fees in connection with that role. We also earn fees for arranging these CLOs and distributing the securities.

ASSET-BASED FINANCE STRUCTURES We engage in various forms of structured finance arrangements with VIEs that are collateralized by various asset classes including energy contracts, auto and other transportation loans and leases, intellectual property, equipment and general corporate credit. We typically provide senior financing, and may act as an interest rate swap or commodity derivative counterparty when necessary. In most cases, we are not the primary beneficiary of these structures because we do not have power over the significant activities of the VIEs involved in them.

In fourth quarter 2014, we sold $8.3 billion of government guaranteed student loans, including the rights to service the loans, to a third party, resulting in a $217 million gain. In connection with the sale, we provided $6.5 billion in floating-rate loan financing to an asset backed financing entity (VIE) formed by the third party purchaser. Our financing, which is fully collateralized by government guaranteed student loans, is measured at amortized cost and classified in loans on the balance sheet. The collateral supporting our loan includes a portion of the student loans we sold. We are not the primary beneficiary of the VIE and, therefore, are not required to consolidate the entity as we do not have power over the significant activities of the entity. For information on the estimated fair value of the loan and related sensitivity analysis, see the Retained Interests from Unconsolidated VIEs section in this Note.

In addition, we also have investments in asset-backed securities that are collateralized by auto leases or loans and cash. These fixed-rate and variable-rate securities have been structured as single-tranche, fully amortizing, unrated bonds that are equivalent to investment-grade securities due to their significant overcollateralization. The securities are issued by VIEs that have been formed by third party auto financing institutions primarily because they require a source of liquidity to fund ongoing vehicle sales operations. The third party auto financing institutions manage the collateral in the VIEs, which is

indicative of power in them and we therefore do not consolidate these VIEs.

TAX CREDIT STRUCTURES We co-sponsor and make investments in affordable housing and sustainable energy projects that are designed to generate a return primarily through the realization of federal tax credits. In some instances, our investments in these structures may require that we fund future capital commitments at the discretion of the project sponsors. While the size of our investment in a single entity may at times exceed 50% of the outstanding equity interests, we do not consolidate these structures due to the project sponsor's ability to manage the projects, which is indicative of power in them.

INVESTMENT FUNDS We do not consolidate the investment funds because we do not absorb the majority of the expected future variability associated with the funds' assets, including variability associated with credit, interest rate and liquidity risks.

OTHER TRANSACTIONS WITH VIEs Other VIEs include entities that issue auction rate securities (ARS) which are debt instruments with long-term maturities that re-price more frequently, and preferred equities with no maturity. At December 31, 2015, we held $502 million of ARS issued by VIEs compared with $567 million at December 31, 2014. We acquired the ARS pursuant to agreements entered into in 2008 and 2009.

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

TRUST PREFERRED SECURITIES VIEs that we wholly own issue debt securities or preferred equity to third party investors. All of the proceeds of the issuance are invested in debt securities or preferred equity that we issue to the VIEs. The VIEs' operations and cash flows relate only to the issuance, administration and repayment of the securities held by third parties. We do not consolidate these VIEs because the sole assets of the VIEs are receivables from us, even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs and may have the right to redeem the third party securities under certain circumstances. In our consolidated balance sheet at December 31, 2015 and 2014, we reported the debt securities issued to the VIEs as long-term junior subordinated debt with a carrying value of $2.2 billion and $2.1 billion, respectively, and the preferred equity securities issued to the VIEs as preferred stock with a carrying value of $2.5 billion at both dates. These amounts are in addition to the involvements in these VIEs included in the preceding table.

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

Loan Sales and Securitization Activity

We periodically transfer consumer and CRE loans and other types of financial assets in securitization and whole loan sale transactions. We typically retain the servicing rights from these sales and may continue to hold other beneficial interests in the transferred financial assets. We may also provide liquidity to investors in the beneficial interests and credit enhancements in the form of standby letters of credit. Through these transfers we may be exposed to liability under limited amounts of recourse as well as standard representations and warranties we make to purchasers and issuers. Table 8.3 presents the cash flows for our transfers accounted for as sales.

Table 8.3: Cash Flows From Sales and Securitization Activity

	Year ended December 31,					
	2015		2014		2013	
(in millions)	**Mortgage loans**	**Other financial assets**	Mortgage loans	Other financial assets	Mortgage loans	Other financial assets
Proceeds from securitizations and whole loan sales	**$ 202,335**	**531**	164,331	—	357,807	—
Fees from servicing rights retained	**3,675**	**5**	4,062	8	4,240	10
Cash flows from other interests held (1)	**1,297**	**38**	1,417	75	2,284	93
Repurchases of assets/loss reimbursements (2):						
Non-agency securitizations and whole loan transactions	**14**	**—**	6	—	18	—
Agency securitizations (3)	**300**	**—**	316	—	1,079	—
Servicing advances, net of repayments	**(764)**	**—**	(170)	—	(34)	—

(1) Cash flows from other interests held include principal and interest payments received on retained bonds and excess cash flows received on interest-only strips.
(2) Consists of cash paid to repurchase loans from investors and cash pa d to investors to reimburse them for losses on individual loans that are already l qu dated. In addition, during 2015, we paid $19 million to third-party investors to settle repurchase liabil ties on pools of loans, compared to $78 mill on and $1.3 bill on in 2014 and 2013, respectively.
(3) Represent loans repurchased from GNMA, FNMA, and FHLMC under representat on and warranty provisions included in our loan sales contracts. Excludes $11.3 billion in delinquent insured/guaranteed loans that we serv ce and have exercised our opt on to purchase out of GNMA pools in 2015, compared with $13.8 billion and $15.8 bill on in 2014 and 2013, respectively. These loans are predominantly insured by the FHA or guaranteed by the VA.

In 2015, 2014, and 2013, we recognized net gains of $506 million, $288 million and $149 million, respectively, from transfers accounted for as sales of financial assets. These net gains primarily relate to commercial mortgage securitizations and residential mortgage securitizations where the loans were not already carried at fair value.

Sales with continuing involvement during 2015, 2014 and 2013 predominantly related to securitizations of residential mortgages that are sold to the government-sponsored entities (GSEs), including FNMA, FHLMC and GNMA (conforming residential mortgage securitizations). During 2015, 2014 and 2013 we transferred $186.6 billion, $155.8 billion and $343.9 billion, respectively, in fair value of residential mortgages to unconsolidated VIEs and third-party investors and recorded the transfers as sales. Substantially all of these transfers did not result in a gain or loss because the loans were already carried at fair value. In connection with all of these transfers, in 2015 we recorded a $1.6 billion servicing asset, measured at fair value using a Level 3 measurement technique, securities of $1.9 billion, classified as Level 2, and a $43 million liability for repurchase losses which reflects management's estimate of probable losses related to various representations and

warranties for the loans transferred, initially measured at fair value. In 2014, we recorded a $1.2 billion servicing asset, securities of $751 million and a $44 million liability. In 2013, we recorded a $3.5 billion servicing asset and a $143 million liability.

Table 8.4 presents the key weighted-average assumptions we used to measure residential mortgage servicing rights at the date of securitization.

Table 8.4: Residential Mortgage Servicing Rights

	Residential mortgage servicing rights		
	2015	2014	2013
Year ended December 31,			
Prepayment speed (1)	**12.1%**	12.4	11.2
Discount rate	**7.3**	7.6	7.3
Cost to service ($ per loan) (2)	**$ 223**	259	184

(1) The prepayment speed assumption for residential mortgage servicing rights includes a blend of prepayment speeds and default rates. Prepayment speed assumpt ons are influenced by mortgage interest rate inputs as well as our estimation of drivers of borrower behav or.
(2) Includes costs to serv ce and unreimbursed foreclosure costs, which can vary period to per od depending on the mix of modified government-guaranteed loans sold to GNMA.

During 2015, 2014 and 2013, we transferred $17.3 billion, $10.3 billion and $5.6 billion, respectively, in carrying value of commercial mortgages to unconsolidated VIEs and third-party investors and recorded the transfers as sales. These transfers resulted in gains of $338 million in 2015, $198 million in 2014 and $152 million in 2013, respectively, because the loans were carried at lower of cost or market value (LOCOM). In connection with these transfers, in 2015 we recorded a servicing asset of $180 million, initially measured at fair value using a Level 3 measurement technique, and securities of $241 million, classified as Level 2. In 2014, we recorded a servicing asset of $99 million and securities of $100 million. In 2013, we recorded a servicing asset of $20 million and securities of $54 million.

Retained Interests from Unconsolidated VIEs

Table 8.5 provides key economic assumptions and the sensitivity of the current fair value of residential mortgage servicing rights and other interests held to immediate adverse changes in those assumptions. “Other interests held” relate predominantly to residential and commercial mortgage loan securitizations. Residential mortgage-backed securities retained in securitizations issued through GSEs, such as FNMA, FHLMC and GNMA, are excluded from the table because these securities have a remote risk of credit loss due to the GSE guarantee. These securities also have economic characteristics similar to GSE mortgage-backed securities that we purchase, which are not included in the table. Subordinated interests include only those bonds whose credit rating was below AAA by a major rating agency at issuance. Senior interests include only those bonds whose credit rating was AAA by a major rating agency at issuance. The information presented excludes trading positions held in inventory.

Table 8.5: Retained Interests from Unconsolidated VIEs

($ in millions, except cost to service amounts)	Residential mortgage servicing rights (1)	Other interests held			
			Consumer	Commercial (2)	
		Interest-only strips	Subordinated bonds	Subordinated bonds	Senior bonds
Fair value of interests held at December 31, 2015	**$ 12,415**	**34**	**1**	**342**	**673**
Expected weighted-average life (in years)	**6.0**	**3.6**	**11.6**	**1.9**	**5.8**
Key economic assumptions:					
Prepayment speed assumption (3)	**11.4%**	**19.0**	**15.1**		
Decrease in fair value from:					
10% adverse change	**$ 616**	**1**	**—**		
25% adverse change	**1,463**	**3**	**—**		
Discount rate assumption	**7.3%**	**13.8**	**10.5**	**5.3**	**3.0**
Decrease in fair value from:					
100 basis point increase	**$ 605**	**1**	**—**	**6**	**33**
200 basis point increase	**1,154**	**1**	**—**	**11**	**63**
Cost to service assumption ($ per loan)	**168**				
Decrease in fair value from:					
10% adverse change	**567**				
25% adverse change	**1,417**				
Credit loss assumption			**1.1%**	**2.8**	**—**
Decrease in fair value from:					
10% higher losses			**$ —**	**—**	**—**
25% higher losses			**—**	**2**	**—**
Fair value of interests held at December 31, 2014	$ 12,738	117	36	294	546
Expected weighted-average life (in years)	5.7	3.9	5.5	2.9	6.2
Key economic assumptions:					
Prepayment speed assumption (3)	12.5%	11.4	7.1		
Decrease in fair value from:					
10% adverse change	$ 738	2	—		
25% adverse change	1,754	6	—		
Discount rate assumption	7.6%	18.7	3.9	4.7	2.8
Decrease in fair value from:					
100 basis point increase	$ 617	2	2	8	29
200 basis point increase	1,178	4	3	15	55
Cost to service assumption ($ per loan)	179				
Decrease in fair value from:					
10% adverse change	579				
25% adverse change	1,433				
Credit loss assumption			0.4%	4.1	—
Decrease in fair value from:					
10% higher losses			$ —	3	—
25% higher losses			—	10	—

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

In addition to residential mortgage servicing rights (MSRs) included in the previous table, we have a small portfolio of commercial MSRs with a fair value of $1.7 billion and $1.6 billion at December 31, 2015 and 2014, respectively. The nature of our commercial MSRs, which are carried at LOCOM, is different from our residential MSRs. Prepayment activity on serviced loans does not significantly impact the value of commercial MSRs because, unlike residential mortgages, commercial mortgages experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower's ability to prepay the mortgage. Additionally, for our commercial MSR portfolio, we are typically master/primary servicer, but not the special servicer, who is separately responsible for the servicing and workout of delinquent and foreclosed loans. It is the special servicer, similar to our role as servicer of residential mortgage loans, who is affected by higher servicing and foreclosure costs due to an increase in delinquent and foreclosed loans. Accordingly, prepayment speeds and costs to service are not key assumptions for commercial MSRs as they do not significantly impact the valuation. The primary economic driver impacting the fair value of our commercial MSRs is forward interest rates, which are derived from market observable yield curves used to price capital markets instruments. Market interest rates most significantly affect interest earned on custodial deposit balances. The sensitivity of the current fair value to an immediate adverse 25% change in the assumption about interest earned on deposit balances at December 31, 2015, and 2014, results in a decrease in fair value of $150 million and $185 million, respectively. See Note 9 (Mortgage Banking Activities) for further information on our commercial MSRs.

We also have a loan to an unconsolidated third party VIE that we extended in fourth quarter 2014 in conjunction with our sale of government guaranteed student loans. The loan is carried at amortized cost and approximates fair value at December 31, 2015 and 2014. The carrying amount of the loan at December 31, 2015 and 2014, was $4.9 billion and $6.5 billion, respectively. The estimated fair value of the loan is considered a Level 3 measurement that is determined using discounted cash flows that are based on changes in the discount rate due to changes in the risk premium component (credit spreads). The primary economic assumption impacting the fair value of our loan is the discount rate. Changes in the credit loss assumption are not expected to affect the estimated fair value of the loan due to the government guarantee of the underlying collateral. The sensitivity of the current fair value to an immediate adverse increase of 200 basis points in the risk premium component of the discount rate assumption is a decrease in fair value of $82 million and $130 million at December 31, 2015 and 2014, respectively. For more information on the student loan sale, see the discussion on Asset-Based Finance Structures earlier in this Note.

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

Off-Balance Sheet Loans

Table 8.6 presents information about the principal balances of off-balance sheet loans that were sold or securitized, including residential mortgage loans sold to FNMA, FHLMC, GNMA and other investors, for which we have some form of continuing involvement (primarily servicer). Delinquent loans include loans 90 days or more past due and loans in bankruptcy, regardless of delinquency status. For loans sold or securitized where servicing is our only form of continuing involvement, we would only experience a loss if we were required to repurchase a delinquent loan or foreclosed asset due to a breach in representations and warranties associated with our loan sale or servicing contracts.

Table 8.6: Off-Balance Sheet Loans Sold or Securitized

					Net charge-offs	
	Total loans		Delinquent loans and foreclosed assets (1)		Year ended	
	December 31,		December 31,		December 31,	
(in millions)	**2015**	2014	**2015**	2014	**2015**	2014
Commercial:						
Real estate mortgage	**$ 110,815**	114,081	**6,670**	7,949	**383**	621
Total commercial	**110,815**	114,081	**6,670**	7,949	**383**	621
Consumer:						
Real estate 1-4 family first mortgage	**1,235,662**	1,322,136	**20,904**	28,639	**814**	1,209
Real estate 1-4 family junior lien mortgage	**—**	1	**—**	—	**—**	—
Other revolving credit and installment	**—**	1,599	**—**	75	**—**	1
Total consumer	**1,235,662**	1,323,736	**20,904**	28,714	**814**	1,210
Total off-balance sheet sold or securitized loans (2)	**$ 1,346,477**	1,437,817	**27,574**	36,663	**1,197**	1,831

(1) Includes $5.0 bill on and $3.3 bill on of commercial foreclosed assets and $2.2 billion and $2.7 billion of consumer foreclosed assets at December 31, 2015 and 2014, respectively.

(2) At December 31, 2015 and 2014, the table includes total loans of $1.2 trillion and $1.3 trillion, delinquent loans of $12.1 bill on and $16.5 billion, and foreclosed assets of $1.7 bill on and $2.4 bill on, respectively, for FNMA, FHLMC and GNMA. Net charge-offs exclude loans sold to FNMA, FHLMC and GNMA as we do not serv ce or manage the underlying real estate upon foreclosure and, as such, do not have access to net charge-off informat on.

Transactions with Consolidated VIEs and Secured Borrowings

Table 8.7 presents a summary of financial assets and liabilities for asset transfers accounted for as secured borrowings and involvements with consolidated VIEs. "Assets" are presented using GAAP measurement methods, which may include fair value, credit impairment or other adjustments, and therefore in some instances will differ from "Total VIE assets." For VIEs that obtain exposure synthetically through derivative instruments, the remaining notional amount of the derivative is included in "Total VIE assets." On the consolidated balance sheet, we separately disclose the consolidated assets of certain VIEs that can only be used to settle the liabilities of those VIEs.

Table 8.7: Transactions with Consolidated VIEs and Secured Borrowings

			Carrying value		
(in millions)	Total VIE assets	Assets	Liabilities	Noncontrolling interests	Net assets
December 31, 2015					
Secured borrowings:					
Municipal tender option bond securitizations	**$ 2,818**	**2,400**	**(1,800)**	**—**	**600**
Commercial real estate loans	**—**	**—**	**—**	**—**	**—**
Residential mortgage securitizations	**4,738**	**4,887**	**(4,844)**	**—**	**43**
Total secured borrowings	**7,556**	**7,287**	**(6,644)**	**—**	**643**
Consolidated VIEs:					
Nonconforming residential mortgage loan securitizations	**4,134**	**3,654**	**(1,239)**	**—**	**2,415**
Commercial real estate loans	**1,185**	**1,185**	**—**	**—**	**1,185**
Structured asset finance	**54**	**20**	**(18)**	**—**	**2**
Investment funds	**482**	**482**	**—**	**—**	**482**
Other	**305**	**295**	**(101)**	**(93)**	**101**
Total consolidated VIEs	**6,160**	**5,636**	**(1,358)**	**(93)**	**4,185**
Total secured borrowings and consolidated VIEs	**$ 13,716**	**12,923**	**(8,002)**	**(93)**	**4,828**
December 31, 2014					
Secured borrowings:					
Municipal tender option bond securitizations	$ 5,422	4,837	(3,143)	—	1,694
Commercial real estate loans	250	250	(63)	—	187
Residential mortgage securitizations	4,804	5,045	(4,926)	—	119
Total secured borrowings	10,476	10,132	(8,132)	—	2,000
Consolidated VIEs:					
Nonconforming residential mortgage loan securitizations	5,041	4,491	(1,509)	—	2,982
Structured asset finance	47	47	(23)	—	24
Investment funds	904	904	(2)	—	902
Other	431	375	(143)	(103)	129
Total consolidated VIEs	6,423	5,817	(1,677)	(103)	4,037
Total secured borrowings and consolidated VIEs	$ 16,899	$ 15,949	$ (9,809)	$ (103)	$ 6,037

In addition to the structure types included in the previous table, at both December 31, 2015 and 2014, we had approximately $6.0 billion of private placement debt financing issued through a consolidated VIE. The issuance is classified as long-term debt in our consolidated financial statements. At December 31, 2015, we pledged approximately $529 million in loans (principal and interest eligible to be capitalized), and $5.9 billion in available-for-sale securities to collateralize the VIE's borrowings, compared with $637 million and $5.7 billion, respectively, at December 31, 2014. These assets were not transferred to the VIE, and accordingly we have excluded the VIE from the previous table.

We have raised financing through the securitization of certain financial assets in transactions with VIEs accounted for as secured borrowings. We also consolidate VIEs where we are the primary beneficiary. In certain transactions we provide contractual support in the form of limited recourse and liquidity to facilitate the remarketing of short-term securities issued to third party investors. Other than this limited contractual support, the assets of the VIEs are the sole source of repayment of the securities held by third parties.

MUNICIPAL TENDER OPTION BOND SECURITIZATIONS As part of our normal investment portfolio activities, we consolidate municipal bond trusts that hold highly rated, long-term, fixed-rate municipal bonds, the majority of which are rated AA or better. Our residual interests in these trusts generally allow us to capture the economics of owning the securities outright, and constructively make decisions that significantly impact the economic performance of the municipal bond vehicle, primarily by directing the sale of the municipal bonds owned by the vehicle. In addition, the residual interest owners have the right to receive benefits and bear losses that are proportional to owning the underlying municipal bonds in the trusts. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third-party investors. Under certain conditions, if we elect to terminate the trusts and withdraw the underlying assets, the third party investors are entitled to a small portion of any unrealized gain on the

underlying assets. We may serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates, often with as little as seven days' notice. Should we be unable to remarket the tendered certificates, we are generally obligated to purchase them at par under standby liquidity facilities unless the bond's credit rating has declined below investment grade or there has been an event of default or bankruptcy of the issuer and insurer.

NONCONFORMING RESIDENTIAL MORTGAGE LOAN SECURITIZATIONS We have consolidated certain of our nonconforming residential mortgage loan securitizations in accordance with consolidation accounting guidance. We have determined we are the primary beneficiary of these securitizations because we have the power to direct the most significant activities of the entity through our role as primary servicer and also hold variable interests that we have determined to be significant. The nature of our variable interests in these entities may include beneficial interests issued by the VIE, mortgage servicing rights and recourse or repurchase reserve liabilities. The beneficial interests issued by the VIE that we hold include either subordinate or senior securities held in an amount that we consider potentially significant.

INVESTMENT FUNDS We have consolidated certain of our investment funds where we manage the assets of the fund and our interests absorb a majority of the funds' variability. We consolidate these VIEs because we have discretion over the management of the assets and are the sole investor in these funds.

Note 9: Mortgage Banking Activities

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

We apply the amortization method to commercial MSRs and apply the fair value method to residential MSRs. Table 9.1 presents the changes in MSRs measured using the fair value method.

Table 9.1: Analysis of Changes in Fair Value MSRs

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Fair value, beginning of year	**$ 12,738**	15,580	11,538
Servicing from securitizations or asset transfers	**1,556**	1,196	3,469
Sales and other (1)	**(9)**	(7)	(583)
Net additions	**1,547**	1,189	2,886
Changes in fair value:			
Due to changes in valuation model inputs or assumptions:			
Mortgage interest rates (2)	**247**	(2,150)	4,362
Servicing and foreclosure costs (3)	**(83)**	(20)	(228)
Discount rates (4)	**—**	(55)	—
Prepayment estimates and other (5)	**50**	103	(736)
Net changes in valuation model inputs or assumptions	**214**	(2,122)	3,398
Other changes in fair value (6)	**(2,084)**	(1,909)	(2,242)
Total changes in fair value	**(1,870)**	(4,031)	1,156
Fair value, end of year	**$ 12,415**	12,738	15,580

(1) Includes sales and transfers of MSRs, wh ch can result in an increase of total reported MSRs if the sales or transfers are related to nonperforming loan portfol os.
(2) Includes prepayment speed changes as well as other valuat on changes due to changes in mortgage interest rates (such as changes in estimated interest earned on custodial depos t balances).
(3) Includes costs to serv ce and unreimbursed foreclosure costs.
(4) Reflects discount rate assumption change, excluding portion attributable to changes in mortgage interest rates.
(5) Represents changes driven by other valuation model inputs or assumpt ons including prepayment speed estimation changes and other assumpt on updates. Prepayment speed estimat on changes are influenced by observed changes in borrower behavior and other external factors that occur independent of interest rate changes.
(6) Represents changes due to collect on/realizat on of expected cash flows over time.

Table 9.2 presents the changes in amortized MSRs.

Table 9.2: Analysis of Changes in Amortized MSRs

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Balance, beginning of year	**$ 1,242**	1,229	1,160
Purchases	**144**	157	176
Servicing from securitizations or asset transfers	**180**	110	147
Amortization	**(258)**	(254)	(254)
Balance, end of year (1)	**$ 1,308**	1,242	1,229
Fair value of amortized MSRs:			
Beginning of year	**$ 1,637**	1,575	1,400
End of year	**1,680**	1,637	1,575

(1) Commercial amortized MSRs are evaluated for impairment purposes by the following risk strata: agency (GSEs) and non-agency. There was no valuat on allowance recorded for the periods presented on the commercial amortized MSRs.

Note 9: Mortgage Banking Activities *(continued)*

We present the components of our managed servicing portfolio in Table 9.3 at unpaid principal balance for loans serviced and subserviced for others and at book value for owned loans serviced.

Table 9.3: Managed Servicing Portfolio

(in billions)	Dec 31, 2015	Dec 31, 2014
Residential mortgage servicing:		
Serviced for others	$ 1,300	1,405
Owned loans serviced	345	342
Subserviced for others	4	5
Total residential servicing	1,649	1,752
Commercial mortgage servicing:		
Serviced for others	478	456
Owned loans serviced	122	112
Subserviced for others	7	7
Total commercial servicing	607	575
Total managed servicing portfolio	$ 2,256	2,327
Total serviced for others	$ 1,778	1,861
Ratio of MSRs to related loans serviced for others	0.77%	0.75

Table 9.4 presents the components of mortgage banking noninterest income.

Table 9.4: Mortgage Banking Noninterest Income

		Year ended December 31,		
(in millions)		2015	2014	2013
Servicing income, net:				
Servicing fees:				
Contractually specified servicing fees		$ 4,037	4,285	4,442
Late charges		198	203	216
Ancillary fees		288	319	343
Unreimbursed direct servicing costs (1)		(625)	(694)	(1,074)
Net servicing fees		3,898	4,113	3,927
Changes in fair value of MSRs carried at fair value:				
Due to changes in valuation model inputs or assumptions (2)	(A)	214	(2,122)	3,398
Other changes in fair value (3)		(2,084)	(1,909)	(2,242)
Total changes in fair value of MSRs carried at fair value		(1,870)	(4,031)	1,156
Amortization		(258)	(254)	(254)
Net derivative gains (losses) from economic hedges (4)	(B)	671	3,509	(2,909)
Total servicing income, net		2,441	3,337	1,920
Net gains on mortgage loan origination/sales activities		4,060	3,044	6,854
Total mortgage banking noninterest income		$ 6,501	6,381	8,774
Market-related valuation changes to MSRs, net of hedge results (2)(4)	(A)+(B)	$ 885	1,387	489

(1) Primarily associated with foreclosure expenses and unreimbursed interest advances to investors.
(2) Refer to the changes in fair value of MSRs table in this Note for more detail.
(3) Represents changes due to collect on/realizat on of expected cash flows over time.
(4) Represents results from econom c hedges used to hedge the risk of changes in fair value of MSRs. See Note 16 (Derivatives Not Designated as Hedging Instruments) for additional discuss on and detail.

Table 9.5 summarizes the changes in our liability for mortgage loan repurchase losses. This liability is in “Accrued expenses and other liabilities” in our consolidated balance sheet and the provision for repurchase losses reduces net gains on mortgage loan origination/sales activities in "Mortgage banking" in our consolidated income statement. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. We maintain regular contact with the GSEs, the Federal Housing Finance Agency (FHFA), and other significant investors to monitor their repurchase demand practices and issues as part of our process to update our repurchase liability estimate as new information becomes available. The Company reached settlements with both FHLMC and FNMA in 2013, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009 and loans sold to FNMA that were originated prior to January 1, 2009.

Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that is reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of assumptions that are subject to change. The high end of this range of reasonably possible losses exceeded our recorded liability by $293 million at December 31, 2015, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) used in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions. Our estimate of reasonably possible losses decreased in 2015 as court rulings during the year provided a better understanding of our exposure to repurchase risk.

Table 9.5: Analysis of Changes in Liability for Mortgage Loan Repurchase Losses

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Balance, beginning of year	**$ 615**	899	2,206
Provision for repurchase losses:			
Loan sales	**43**	44	143
Change in estimate (1)	**(202)**	(184)	285
Net additions (reductions)	**(159)**	(140)	428
Losses (2)	**(78)**	(144)	(1,735)
Balance, end of year	**$ 378**	615	899

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

(2) Year ended December 31, 2013, reflects $746 million and $508 mill on as a result of the settlements reached w th FHLMC and FNMA, respectively, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009 and loans sold to FNMA that were originated pr or to January 1, 2009.

Note 10: Intangible Assets

Table 10.1 presents the gross carrying value of intangible assets and accumulated amortization.

Table 10.1: Intangible Assets

	December 31, 2015			December 31, 2014		
(in millions)	**Gross carrying value**	**Accumulated amortization**	**Net carrying value**	Gross carrying value	Accumulated amortization	Net carrying value
Amortized intangible assets (1):						
MSRs (2)	**$ 3,228**	**(1,920)**	**1,308**	2,906	(1,664)	1,242
Core deposit intangibles	**12,834**	**(10,295)**	**2,539**	12,834	(9,273)	3,561
Customer relationship and other intangibles	**3,163**	**(2,549)**	**614**	3,179	(2,322)	857
Total amortized intangible assets	**$ 19,225**	**(14,764)**	**4,461**	18,919	(13,259)	5,660
Unamortized intangible assets:						
MSRs (carried at fair value) (2)	**$ 12,415**			12,738		
Goodwill	**25,529**			25,705		
Trademark	**14**			14		

(1) Excludes fully amortized intangible assets.
(2) See Note 9 (Mortgage Banking Activities) for add tional informat on on MSRs.

Table 10.2 provides the current year and estimated future amortization expense for amortized intangible assets. We based our projections of amortization expense shown below on existing asset balances at December 31, 2015. Future amortization expense may vary from these projections.

Table 10.2: Amortization Expense for Intangible Assets

(in millions)	Amortized MSRs	Core deposit intangibles	Customer relationship and other intangibles	Total
Year ended December 31, 2015 (actual)	**$ 258**	**1,022**	**227**	**1,507**
Estimate for year ended December 31,				
2016	$ 259	919	208	1,386
2017	206	851	193	1,250
2018	170	769	185	1,124
2019	148	—	10	158
2020	135	—	6	141

For our goodwill impairment analysis, we allocate all of the goodwill to the individual operating segments. We identify reporting units that are one level below an operating segment (referred to as a component), and distinguish these reporting units based on how the segments and components are managed, taking into consideration the economic characteristics, nature of the products and customers of the components. At the time we acquire a business, we allocate goodwill to applicable reporting units based on their relative fair value, and if we have a significant business reorganization, we may reallocate the goodwill. See Note 24 (Operating Segments) for further information on management reporting.

Table 10.3 shows the allocation of goodwill to our reportable operating segments for purposes of goodwill impairment testing.

Table 10.3: Goodwill

(in millions)		Community Banking	Wholesale Banking	Wealth and Investment Management	Consolidated Company
December 31, 2013 (1)	$	16,878	7,557	1,202	25,637
Reduction in goodwill related to divested businesses and other		(8)	(11)	—	(19)
Goodwill from business combinations		—	87	—	87
December 31, 2014	**$**	**16,870**	**7,633**	**1,202**	**25,705**
Reduction in goodwill related to divested businesses and other		**(21)**	**(158)**	**—**	**(179)**
Goodwill from business combinations		**—**	**—**	**3**	**3**
December 31, 2015	**$**	**16,849**	**7,475**	**1,205**	**25,529**

(1) December 31, 2013 has been revised to reflect realignment of our operating segments. See Note 24 (Operating Segments) for additional informat on.

Note 11: Deposits

Table 11.1 presents a summary of the time certificates of deposit (CDs) and other time deposits issued by domestic and foreign offices.

Table 11.1: Time Certificates of Deposit

		December 31,	
(in billions)		**2015**	2014
Total domestic and foreign	**$**	**98.5**	124.9
Domestic:			
$100,000 or more		**48.9**	14.7
$250,000 or more		**43.0**	6.9
Foreign:			
$100,000 or more		**9.5**	16.4
$250,000 or more		**9.5**	16.4

Substantially all CDs and other time deposits issued by domestic and foreign offices were interest bearing. The contractual maturities of these deposits are presented in Table 11.2.

Table 11.2: Contractual Maturities of CDs and Other Time Deposits

(in millions)		December 31, 2015
2016	$	81,846
2017		5,549
2018		3,643
2019		2,200
2020		1,121
Thereafter		4,155
Total	$	98,514

The contractual maturities of the domestic time deposits with a denomination of $100,000 or more are presented in Table 11.3.

Table 11.3: Contractual Maturities of Domestic Time Deposits

(in millions)		2015
Three months or less	$	36,683
After three months through six months		6,010
After six months through twelve months		2,143
After twelve months		4,091
Total	$	48,927

Demand deposit overdrafts of $523 million and $581 million were included as loan balances at December 31, 2015 and 2014, respectively.

Note 12: Short-Term Borrowings

Table 12.1 shows selected information for short-term borrowings, which generally mature in less than 30 days. We pledge certain financial instruments that we own to collateralize repurchase agreements and other securities financings. For additional information, see the "Pledged Assets" section of Note 14 (Guarantees, Pledged Assets and Collateral).

Table 12.1: Short-Term Borrowings

	2015		2014		2013	
(in millions)	**Amount**	**Rate**	Amount	Rate	Amount	Rate
As of December 31,						
Federal funds purchased and securities sold under agreements to repurchase	**$ 82,948**	**0.21%**	$ 51,052	0.07%	$ 36,263	0.05%
Commercial paper	**334**	**0.81**	2,456	0.34	5,162	0.18
Other short-term borrowings (1)	**14,246**	**(0.10)**	10,010	0.07	12,458	0.31
Total	**$ 97,528**	**0.17**	$ 63,518	0.08	$ 53,883	0.12
Year ended December 31,						
Average daily balance						
Federal funds purchased and securities sold under agreements to repurchase	**$ 75,021**	**0.09**	$ 44,680	0.08	$ 36,227	0.08
Commercial paper	**1,583**	**0.36**	4,751	0.17	4,702	0.25
Other short-term borrowings (1)	**10,861**	**(0.08)**	10,680	0.18	13,787	0.22
Total	**$ 87,465**	**0.07**	$ 60,111	0.10	$ 54,716	0.13
Maximum month-end balance						
Federal funds purchased and securities sold under agreements to repurchase (2)	**$ 89,800**	**N/A**	$ 51,052	N/A	$ 39,451	N/A
Commercial paper (3)	**3,552**	**N/A**	6,070	N/A	5,700	N/A
Other short-term borrowings (4)	**14,246**	**N/A**	12,209	N/A	16,564	N/A

N/A- Not appl cable

(1) Negative other short-term borrowings rate in 2015 is a result of increased customer demand for certain securities in stock loan transact ons combined with the impact of low interest rates.

(2) Highest month-end balance in each of the last three years was October 2015, December 2014 and May 2013.

(3) Highest month-end balance in each of the last three years was March 2015, March 2014 and March 2013.

(4) Highest month-end balance in each of the last three years was December 2015, June 2014 and March 2013.

Note 13: Long-Term Debt

We issue long-term debt denominated in multiple currencies, predominantly in U.S. dollars. Our issuances have both fixed and floating interest rates. As a part of our overall interest rate risk management strategy, we often use derivatives to manage our exposure to interest rate risk. We also use derivatives to manage our exposure to foreign currency risk. As a result, a major portion of the long-term debt presented below is hedged in a fair value or cash flow hedge relationship. See Note 16 (Derivatives) for further information on qualifying hedge contracts.

Table 13.1 presents a summary of our long-term debt carrying values, reflecting unamortized debt discounts and premiums, and purchase accounting adjustments, where applicable. The interest rates displayed represent the range of contractual rates in effect at December 31, 2015. These interest rates do not include the effects of any associated derivatives designated in a hedge accounting relationship.

Table 13.1: Long-Term Debt

			December 31,	
			2015	2014
(in millions)	Maturity date(s)	Stated interest rate(s)		
Wells Fargo & Company (Parent only)				
Senior				
Fixed-rate notes	2016-2045	0.375-6.75%	**$ 68,604**	54,441
Floating-rate notes	2016-2048	0.070-3.152	**15,942**	15,317
Structured notes (1)	2016-2053	0.00-3.890	**5,672**	4,825
Total senior debt - Parent			**90,218**	74,583
Subordinated				
Fixed-rate notes (2)	2016-2045	3.45-7.574%	**25,119**	19,688
Floating-rate notes	2016	0.691	**639**	1,215
Total subordinated debt - Parent			**25,758**	20,903
Junior subordinated				
Fixed-rate notes - hybrid trust securities	2029-2036	5.95-7.95%	**1,398**	1,378
Floating-rate notes	2027	0.821-1.321	**280**	272
Total junior subordinated debt - Parent (3)			**1,678**	1,650
Total long-term debt - Parent (2)			**117,654**	97,136
Wells Fargo Bank, N.A. and other bank entities (Bank)				
Senior				
Fixed-rate notes			**—**	500
Floating-rate notes	2016-2053	0.084-0.806%	**6,694**	4,969
Floating-rate extendible notes (4)	2016-2017	0.407-0.766	**6,315**	11,048
Fixed-rate advances - Federal Home Loan Bank (FHLB) (5)	2016-2031	3.83-7.50	**102**	125
Floating-rate advances - FHLB (5)	2017-2020	0.32-0.87	**37,000**	34,000
Structured notes (1)	2016-2025	2.45-7.15	**1**	4
Capital leases (Note 7)	2016-2025	7.045-17.775	**8**	9
Total senior debt - Bank			**50,120**	50,655
Subordinated				
Fixed-rate notes	2016-2038	5.25-7.74%	**7,927**	10,310
Floating-rate notes	2016-2017	0.572-2.64	**989**	994
Total subordinated debt - Bank			**8,916**	11,304
Junior subordinated				
Floating-rate notes	2027	0.932-0.971%	**322**	313
Total junior subordinated debt - Bank (3)			**322**	313
Long-term debt issued by VIE - Fixed rate (6)	2020-2047	0.00-7.00%	**456**	609
Long-term debt issued by VIE - Floating rate (6)	2016-2047	0.00-18.78	**845**	996
Mortgage notes and other debt (7)	2016-2065	0.37-9.20	**16,365**	16,239
Total long-term debt - Bank			**77,024**	80,116

(continued on following page)

Note 13: Long-Term Debt *(continued)*

(continued from previous page)

			December 31,	
			2015	2014
(in millions)	Maturity date(s)	Stated interest rate(s)		
Other consolidated subsidiaries				
Senior				
Fixed-rate notes	2016-2023	2.774-3.70%	**4,628**	6,317
FixFloat notes			**—**	20
Structured notes (1)	2021	0.427%	**1**	1
Total senior debt - Other consolidated subsidiaries			**4,629**	6,338
Junior subordinated				
Floating-rate notes	2027	0.822%	**155**	155
Total junior subordinated debt - Other consolidated subsidiaries (3)			**155**	155
Long-term debt issued by VIE - Fixed rate (6)			**—**	23
Mortgage notes and other (7)	2017-2018	1.625-5.125%	**74**	175
Total long-term debt - Other consolidated subsidiaries			**4,858**	6,691
Total long-term debt			**$ 199,536**	183,943

(1) Largely consists of long-term notes where the performance of the note is linked to an embedded equity, commodity, or currency index, or basket of indices accounted for separately from the note as a free-standing derivative. For informat on on embedded derivatives, see the "Derivatives Not Designated as Hedging Instruments" sect on in Note 16 (Derivatives). In addition, a major portion consists of zero coupon callable notes where interest is paid as part of the final redempt on amount.
(2) Includes fixed-rate subordinated notes issued by the Parent at a discount of $137 million and $139 mill on in 2015 and 2014, respectively, to effect a modif cation of Wells Fargo Bank, NA notes. These notes are carried at their par amount on the balance sheet of the Parent presented in Note 25 (Parent-Only Financial Statements).
(3) Represents junior subordinated debentures held by unconsolidated wholly-owned trusts formed for the sole purpose of issuing trust preferred securities. See Note 8 (Secur tizations and Variable Interest Entities) for additional informat on on our trust preferred secur ty structures.
(4) Represents floating-rate extendible notes where holders of the notes may elect to extend the contractual matur ty of all or a portion of the principal amount on a per odic basis.
(5) At December 31, 2015, FHLB advances were secured by residential loan collateral. Outstanding advances at December 31, 2014, were secured by investment securities and residential loan collateral.
(6) For addit onal information on VIEs, see Note 8 (Securitizat ons and Variable Interest Entities).
(7) Predominantly related to securitizations and secured borrowings, see Note 8 (Secur tizat ons and Variable Interest Entities).

The aggregate carrying value of long-term debt that matures (based on contractual payment dates) as of December 31, 2015, in each of the following five years and thereafter is presented in Table 13.2.

Table 13.2: Maturity of Long-Term Debt

(in millions)	Parent	Company
2016	$ 14,713	31,904
2017	13,259	21,953
2018	8,189	22,961
2019	6,384	21,402
2020	12,998	20,236
Thereafter	62,111	81,080
Total	$ 117,654	199,536

As part of our long-term and short-term borrowing arrangements, we are subject to various financial and operational covenants. Some of the agreements under which debt has been issued have provisions that may limit the merger or sale of certain subsidiary banks and the issuance of capital stock or convertible securities by certain subsidiary banks. At December 31, 2015, we were in compliance with all the covenants.

Note 14: Guarantees, Pledged Assets and Collateral

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, written put options, recourse obligations, and other types of arrangements. Table 14.1 shows carrying value, maximum exposure to loss on our guarantees and the related non-investment grade amounts.

Table 14.1: Guarantees – Carrying Value and Maximum Exposure to Loss

			December 31, 2015					
			Maximum exposure to loss					
(in millions)		Carrying value	Expires in one year or less	Expires after one year through three years	Expires after three years through five years	Expires after five years	Total	Non-investment grade
Standby letters of credit (1)	**$**	**38**	**16,360**	**9,618**	**4,116**	**642**	**30,736**	**8,981**
Securities lending and other indemnifications		**—**	**—**	**—**	**—**	**1,841**	**1,841**	**—**
Written put options (2)		**371**	**7,387**	**6,463**	**4,505**	**1,440**	**19,795**	**9,583**
Loans and MHFS sold with recourse		**62**	**112**	**723**	**690**	**6,434**	**7,959**	**4,864**
Factoring guarantees		**—**	**1,598**	**—**	**—**	**—**	**1,598**	**1,598**
Other guarantees		**28**	**62**	**17**	**17**	**2,482**	**2,578**	**53**
Total guarantees	**$**	**499**	**25,519**	**16,821**	**9,328**	**12,839**	**64,507**	**25,079**

			December 31, 2014					
			Maximum exposure to loss					
(in millions)		Carrying value	Expires in one year or less	Expires after one year through three years	Expires after three years through five years	Expires after five years	Total	Non-investment grade
Standby letters of credit (1)	$	41	16,271	10,269	6,295	645	33,480	8,447
Securities lending and other indemnifications		—	—	2	2	5,948	5,952	—
Written put options (2)		469	7,644	5,256	2,822	2,409	18,131	7,902
Loans and MHFS sold with recourse		72	131	486	822	5,386	6,825	3,945
Factoring guarantees		—	3,460	—	—	—	3,460	3,460
Other guarantees		24	9	85	22	2,158	2,274	69
Total guarantees	$	606	27,515	16,098	9,963	16,546	70,122	23,823

(1) Total maximum exposure to loss includes direct pay letters of cred t (DPLCs) of $11.8 billion and $15.0 billion at December 31, 2015 and 2014, respectively. We issue DPLCs to prov de credit enhancements for certain bond issuances. Beneficiaries (bond trustees) may draw upon these instruments to make scheduled principal and interest payments, redeem all outstanding bonds because a default event has occurred, or for other reasons as permitted by the agreement. We also originate multipurpose lending commitments under which borrowers have the opt on to draw on the facility in one of several forms, including as a standby letter of cred t. Total maximum exposure to loss includes the port on of these facilities for which we have issued standby letters of cred t under the commitments.

(2) Wr tten put options, wh ch are in the form of derivatives, are also included in the derivative disclosure in Note 16 (Derivatives).

"Maximum exposure to loss" and "Non-investment grade" are required disclosures under GAAP. Non-investment grade represents those guarantees on which we have a higher risk of being required to perform under the terms of the guarantee. If the underlying assets under the guarantee are non-investment grade (that is, an external rating that is below investment grade or an internal credit default grade that is equivalent to a below investment grade external rating), we consider the risk of performance to be high. Internal credit default grades are determined based upon the same credit policies that we use to evaluate the risk of payment or performance when making loans and other extensions of credit. These credit policies are further described in Note 6 (Loans and Allowance for Credit Losses).

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

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

SECURITIES LENDING AND OTHER INDEMNIFICATIONS As a securities lending agent, we lend debt and equity securities from participating institutional clients' portfolios to third-party borrowers. These arrangements are for an indefinite period of time, and we indemnify our clients against default by the borrower in returning these lent securities. This indemnity is supported by collateral received from the borrowers and is generally in the form of cash or highly liquid securities that are marked to market daily. For the transactions subject to the indemnifications, the fair value of securities loaned out at December 31, 2015 and 2014, totaled $0 million and $211 million, respectively. The fair value of collateral supporting the loaned securities was $0 million and $218 million at December 31, 2015 and 2014, respectively.

We use certain third-party clearing agents to clear and settle transactions on behalf of some of our institutional brokerage customers. We indemnify the clearing agents against loss that could occur for non-performance by our customers on transactions that are not sufficiently collateralized. Transactions subject to the indemnifications may include customer obligations related to the settlement of margin accounts and short positions, such as written call options and securities borrowing transactions. Outstanding customer obligations were $352 million and $950 million and the related collateral was $1.5 billion and $5.6 billion at December 31, 2015 and 2014, respectively. Our estimate of maximum exposure to loss, which requires judgment regarding the range and likelihood of future events, was $1.8 billion as of December 31, 2015, and $5.7 billion as of December 31, 2014.

We enter into other types of indemnification agreements in the ordinary course of business under which we agree to indemnify third parties against any damages, losses and expenses incurred in connection with legal and other proceedings arising from relationships or transactions with us. These relationships or transactions include those arising from service as a director or officer of the Company, underwriting agreements relating to our securities, acquisition agreements and various other business transactions or arrangements. Because the extent of our obligations under these agreements depends entirely upon the occurrence of future events, we are unable to determine our potential future liability under these agreements. We do, however, record a liability for residential mortgage loans that we expect to repurchase pursuant to various representations and warranties. See Note 9 (Mortgage Banking Activities) for additional information on the liability for mortgage loan repurchase losses.

WRITTEN PUT OPTIONS Written put options are contracts that give the counterparty the right to sell to us an underlying instrument held by the counterparty at a specified price and may include options, floors, caps and credit default swaps. These written put option contracts generally permit net settlement. While these derivative transactions expose us to risk if the option is exercised, we manage this risk by entering into offsetting trades or by taking short positions in the underlying instrument. We offset substantially all put options written to customers with purchased options. Additionally, for certain of these contracts, we require the counterparty to pledge the underlying instrument as collateral for the transaction. Our ultimate obligation under written put options is based on future market conditions and is only quantifiable at settlement. See Note 16 (Derivatives) for additional information regarding written derivative contracts.

LOANS AND MHFS SOLD WITH RECOURSE In certain loan sales or securitizations, we provide recourse to the buyer whereby we are required to indemnify the buyer for any loss on the loan up to par value plus accrued interest. We provide recourse, predominantly to the GSEs, on loans sold under various programs and arrangements. Predominantly all of these programs and arrangements require that we share in the loans' credit exposure for their remaining life by providing recourse to the GSE, up to 33.33% of actual losses incurred on a pro-rata basis in the event of borrower default. Under the remaining recourse programs and arrangements, if certain events occur within a specified period of time from transfer date, we have to provide limited recourse to the buyer to indemnify them for losses incurred for the remaining life of the loans. The maximum exposure to loss reported in the accompanying table represents the outstanding principal balance of the loans sold or securitized that are subject to recourse provisions or the maximum losses per the contractual agreements. However, we believe the likelihood of loss of the entire balance due to these recourse agreements is remote, and amounts paid can be recovered in whole or in part from the sale of collateral. During 2015 and 2014 we repurchased $6 million and $14 million, respectively, of loans associated with these agreements. We also provide representation and warranty guarantees on loans sold under the various recourse programs and arrangements. Our loss exposure relative to these guarantees is separately considered and provided for, as necessary, in determination of our liability for loan repurchases due to breaches of representation and warranties. See Note 9 (Mortgage Banking Activities) for additional information on the liability for mortgage loan repurchase losses.

FACTORING GUARANTEES Under certain factoring arrangements, we are required to purchase trade receivables from third parties, generally upon their request, if receivable debtors default on their payment obligations.

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

Other guarantees also include liquidity agreements and contingent performance arrangements. We provide liquidity to certain off-balance sheet entities that hold securitized fixed-rate municipal bonds and consumer or commercial assets that are partially funded with the issuance of money market and other short-term notes. See Note 8 (Securitization and Variable Interest Entities) for additional information on securitization and VIEs.

Under our contingent performance arrangements, we are required to pay the counterparties to transactions related to various customer relationships and lease agreements if third parties default on certain obligations.

Pledged Assets

As part of our liquidity management strategy, we pledge assets to secure trust and public deposits, borrowings and letters of credit from the FHLB and FRB, securities sold under agreements to repurchase (repurchase agreements), securities lending arrangements, and for other purposes as required or permitted by law or insurance statutory requirements. The types of collateral we pledge include securities issued by federal agencies, GSEs, domestic and foreign companies and various commercial and consumer loans. Table 14.2 provides the total carrying amount of pledged assets by asset type. The table excludes pledged consolidated VIE assets of $5.6 billion and $5.8 billion at December 31, 2015 and 2014, respectively, which can only be used to settle the liabilities of those entities. The table also excludes $7.3 billion and $10.1 billion in assets pledged in transactions accounted for as secured borrowings at December 31, 2015 and 2014, respectively. See Note 8 (Securitizations and Variable Interest Entities) for additional information on consolidated VIE assets and secured borrowings.

Table 14.2: Pledged Assets

(in millions)		Dec 31, 2015	Dec 31, 2014
Trading assets and other (1)	$	**73,396**	49,685
Investment securities (2)		**113,912**	101,997
Mortgages held for sale and loans (3)		**453,058**	418,338
Total pledged assets	$	**640,366**	570,020

(1) Represent assets pledged to collateralize repurchase agreements and other securities financings. Balance includes $73.0 billion and $49.4 bill on at December 31, 2015 and 2014, respectively, under agreements that perm t the secured parties to sell or repledge the collateral.

(2) Includes carrying value of $6.5 billion and $6.6 billion (fair value of $6.5 billion and $6.8 billion) in collateral for repurchase agreements at December 31, 2015 and 2014, respectively, which are pledged under agreements that do not permit the secured parties to sell or repledge the collateral. Also includes $13.0 billion and $164 mill on in collateral pledged under repurchase agreements at December 31, 2015 and 2014, respectively, that perm t the secured parties to sell or repledge the collateral. Substantially all other pledged secur ties are pursuant to agreements that do not permit the secured party to sell or repledge the collateral.

(3) Includes mortgages held for sale of $8.7 billion at both December 31, 2015 and 2014. Balance consists of mortgages held for sale and loans that are pledged under agreements that do not perm t the secured parties to sell or repledge the collateral. Amounts exclude $1.3 billion and $1.7 billion at December 31, 2015 and 2014, respectively, of pledged loans recorded on our balance sheet representing certain delinquent loans that are eligible for repurchase primarily from GNMA loan secur tizat ons. See Note 8 (Secur tizat ons and Variable Interest Entities) for add t onal information.

Securities Financing Activities

We enter into resale and repurchase agreements and securities borrowing and lending agreements (collectively, "securities financing activities") primarily to finance inventory positions, acquire securities to cover short trading positions, accommodate customers' financing needs, and settle other securities obligations. These activities are conducted through our broker dealer subsidiaries and to a lesser extent through other bank entities. The majority of our securities financing activities involve high quality, liquid securities, such as U.S. Treasury securities and government agency securities, and to a lesser extent, less liquid securities, including equity securities, corporate bonds and asset-backed securities. We account for these transactions as collateralized financings in which we typically receive or pledge securities as collateral. We believe these financing transactions generally do not have material credit risk given the collateral provided and the related monitoring processes.

OFFSETTING OF RESALE AND REPURCHASE AGREEMENTS AND SECURITIES BORROWING AND LENDING AGREEMENTS Table 14.3 presents resale and repurchase agreements subject to master repurchase agreements (MRA) and securities borrowing and lending agreements subject to master securities lending agreements (MSLA). We account for transactions subject to these agreements as collateralized financings, and those with a single counterparty are presented net on our balance sheet, provided certain criteria are met that permit balance sheet netting. Most transactions subject to these agreements do not meet those criteria and thus are not eligible for balance sheet netting.

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

In addition to the amounts included in Table 14.3, we also have balance sheet netting related to derivatives that is disclosed in Note 16 (Derivatives).

Table 14.3: Offsetting – Resale and Repurchase Agreements

(in millions)		Dec 31, 2015	Dec 31, 2014
Assets:			
Resale and securities borrowing agreements			
Gross amounts recognized	$	**74,935**	58,148
Gross amounts offset in consolidated balance sheet (1)		**(9,158)**	(6,477)
Net amounts in consolidated balance sheet (2)		**65,777**	51,671
Collateral not recognized in consolidated balance sheet (3)		**(65,035)**	(51,624)
Net amount (4)	$	**742**	47
Liabilities:			
Repurchase and securities lending agreements			
Gross amounts recognized (5)	$	**91,278**	56,583
Gross amounts offset in consolidated balance sheet (1)		**(9,158)**	(6,477)
Net amounts in consolidated balance sheet (6)		**82,120**	50,106
Collateral pledged but not netted in consolidated balance sheet (7)		**(81,772)**	(49,713)
Net amount (8)	$	**348**	393

(1) Represents recognized amount of resale and repurchase agreements with counterparties subject to enforceable MRAs or MSLAs that have been offset in the consolidated balance sheet.
(2) At December 31, 2015 and 2014, includes $45.7 bill on and $36.8 billion, respectively, classified on our consolidated balance sheet in federal funds sold, secur ties purchased under resale agreements and other short-term investments and $20.1 bill on and $14.9 billion, respectively, in loans.
(3) Represents the fair value of collateral we have received under enforceable MRAs or MSLAs, limited for table presentat on purposes to the amount of the recognized asset due from each counterparty. At December 31, 2015 and 2014, we have received total collateral with a fair value of $84.9 billion and $64.5 billion, respectively, all of which, we have the right to sell or repledge. These amounts include secur ties we have sold or repledged to others w th a fair value of $51.1 bill on at December 31, 2015 and $40.8 billion at December 31, 2014.
(4) Represents the amount of our exposure that is not collateralized and/or is not subject to an enforceable MRA or MSLA.
(5) For addit onal information on underlying collateral and contractual matur ties, see the "Repurchase and Securities Lending Agreements" section in this Note.
(6) Amount is classified in short-term borrowings on our consolidated balance sheet.
(7) Represents the fair value of collateral we have pledged, related to enforceable MRAs or MSLAs, lim ted for table presentation purposes to the amount of the recognized liabil ty owed to each counterparty. At December 31, 2015 and 2014, we have pledged total collateral w th a fair value of $92.9 bill on and $56.5 bill on, respectively, of which, the counterparty does not have the right to sell or repledge $6.9 billion at both December 31, 2015 and 2014.
(8) Represents the amount of our obligation that is not covered by pledged collateral and/or is not subject to an enforceable MRA or MSLA.

REPURCHASE AND SECURITIES LENDING AGREEMENTS

Securities sold under repurchase agreements and securities lending arrangements are effectively short-term collateralized borrowings. In these transactions, we receive cash in exchange for transferring securities as collateral and recognize an obligation to reacquire the securities for cash at the transaction's maturity. These types of transactions create risks, including (1) the counterparty may fail to return the securities at maturity, (2) the fair value of the securities transferred may decline below the amount of our obligation to reacquire the securities, and therefore create an obligation for us to pledge additional amounts, and (3) the counterparty may accelerate the maturity on demand, requiring us to reacquire the security prior to contractual maturity. We attempt to mitigate these risks by the fact that the majority of our securities financing activities involve highly liquid securities, we underwrite and monitor the financial strength of our counterparties, we monitor the fair value of collateral pledged relative to contractually required repurchase amounts, and we monitor that our collateral is properly returned through the clearing and settlement process in advance of our cash repayment. Table 14.4 provides the underlying collateral types of our gross obligations under repurchase and securities lending agreements.

Table 14.4: Underlying Collateral Types of Gross Obligations

	December 31, 2015
(in millions)	Total Gross Obligation
Repurchase agreements:	
Securities of U.S. Treasury and federal agencies	$ 32,254
Securities of U.S. States and political subdivisions	7
Federal agency mortgage-backed securities	37,033
Non-agency mortgage-backed securities	1,680
Corporate debt securities	4,674
Asset-backed securities	2,275
Equity securities	2,457
Other	1,162
Total repurchases	81,542
Securities lending:	
Securities of U.S. Treasury and federal agencies	61
Federal agency mortgage-backed securities	76
Corporate debt securities	899
Equity securities (1)	8,700
Total securities lending	9,736
Total repurchases and securities lending	$ 91,278

(1) Equity secur ties are generally exchange traded and e ther re-hypothecated under margin lending agreements or obtained through contemporaneous securities borrowing transact ons w th other counterparties.

Table 14.5 provides the contractual maturities of our gross obligations under repurchase and securities lending agreements.

Table 14.5: Contractual Maturities of Gross Obligations

					December 31, 2015
(in millions)	Overnight/ Continuous	Up to 30 days	30-90 days	>90 days	Total Gross Obligation
Repurchase agreements	$ 58,021	19,561	2,935	1,025	81,542
Securities lending	7,845	362	1,529	—	9,736
Total repurchases and securities lending (1)	$ 65,866	19,923	4,464	1,025	91,278

(1) Repurchase and securities lending transact ons are largely conducted under enforceable master lending agreements that allow either party to terminate the transaction on demand. These transactions have been reported as continuous obligat ons unless the MRA or MSLA has been modified with an overriding agreement that specifies an alternative termination date.

Note 15: Legal Actions

Wells Fargo and certain of our subsidiaries are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising from the conduct of our business activities. These proceedings include actions brought against Wells Fargo and/or our subsidiaries with respect to corporate related matters and transactions in which Wells Fargo and/or our subsidiaries were involved. In addition, Wells Fargo and our subsidiaries may be requested to provide information or otherwise cooperate with government authorities in the conduct of investigations of other persons or industry groups.

Although there can be no assurance as to the ultimate outcome, Wells Fargo and/or our subsidiaries have generally denied, or believe we have a meritorious defense and will deny, liability in all significant litigation pending against us, including the matters described below, and we intend to defend vigorously each case, other than matters we describe as having settled. Reserves are established for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts reserved for those claims.

FHA INSURANCE LITIGATION On October 9, 2012, the United States filed a complaint, captioned *United States of America v. Wells Fargo Bank, N.A.*, in the U.S. District Court for the Southern District of New York. The complaint makes claims with respect to Wells Fargo's Federal Housing Administration (FHA) lending program for the period 2001 to 2010. The complaint alleges, among other allegations, that Wells Fargo improperly certified certain FHA mortgage loans for United States Department of Housing and Urban Development (HUD) insurance that did not qualify for the program, and therefore Wells Fargo should not have received insurance proceeds from HUD when some of the loans later defaulted. The complaint further alleges Wells Fargo knew some of the mortgages did not qualify for insurance and did not disclose the deficiencies to HUD before making insurance claims. On February 1, 2016, Wells Fargo reached an agreement in principle with the United States Department of Justice, the United States Attorney's Office for the Southern District of New York, the United States Attorney's Office for the Northern District of California, and HUD (collectively, the Federal Government) to pay $1.2 billion to resolve the complaint's allegations, as well as other potential civil claims relating to Wells Fargo's FHA lending activities for other periods. Although Wells Fargo and the Federal Government have reached an agreement in principle to resolve these matters, there can be no assurance that Wells Fargo and the Federal Government will agree on the final documentation of the settlement.

INTERCHANGE LITIGATION Wells Fargo Bank, N.A., Wells Fargo & Company, Wachovia Bank, N.A. and Wachovia Corporation are named as defendants, separately or in combination, in putative class actions filed on behalf of a plaintiff class of merchants and in individual actions brought by individual merchants with regard to the interchange fees associated with Visa and MasterCard payment card transactions. These actions have been consolidated in the U.S. District Court for the Eastern District of New York. Visa, MasterCard and several banks and bank holding companies are named as defendants in various of these actions. The amended and consolidated complaint asserts claims against defendants based on alleged violations of federal and state antitrust laws and seeks damages, as well as injunctive relief. Plaintiff merchants allege that Visa, MasterCard and payment card issuing banks unlawfully colluded to set interchange rates. Plaintiffs also allege that enforcement of certain Visa and MasterCard rules and alleged tying and bundling of services offered to merchants are anticompetitive. Wells Fargo and Wachovia, along with other defendants and entities, are parties to Loss and Judgment Sharing Agreements, which provide that they, along with other entities, will share, based on a formula, in any losses from the Interchange Litigation. On July 13, 2012, Visa, MasterCard and the financial institution defendants, including Wells Fargo, signed a memorandum of understanding with plaintiff merchants to resolve the consolidated class actions and reached a separate settlement in principle of the consolidated individual actions. The settlement payments to be made by all defendants in the consolidated class and individual actions total approximately $6.6 billion before reductions applicable to certain merchants opting out of the settlement. The class settlement also provided for the distribution to class merchants of 10 basis points of default interchange across all credit rate categories for a period of eight consecutive months. The District Court granted final approval of the settlement, which has been appealed to the Second Circuit Court of Appeals by settlement objector merchants. Other merchants have opted out of the settlement and are pursuing several individual actions. Several merchants have now filed a motion to vacate the class settlement.

MORTGAGE RELATED REGULATORY INVESTIGATIONS Federal and state government agencies, including the United States Department of Justice, continue investigations or examinations of certain mortgage related practices of Wells Fargo and predecessor institutions. Wells Fargo, for itself and for predecessor institutions, has responded, and continues to respond, to requests from these agencies seeking information regarding the origination, underwriting and securitization of residential mortgages, including sub-prime mortgages.

ORDER OF POSTING LITIGATION A series of putative class actions have been filed against Wachovia Bank, N.A. and Wells Fargo Bank, N.A., as well as many other banks, challenging the "high to low" order in which the banks post debit card transactions to consumer deposit accounts. There are currently several such cases pending against Wells Fargo Bank (including the Wachovia Bank cases to which Wells Fargo succeeded), most of which have been consolidated in multi-district litigation proceedings (the "MDL proceedings") in the U.S. District Court for the Southern District of Florida. The court in the MDL proceedings has certified a class of putative plaintiffs and Wells Fargo has moved to compel arbitration of the claims of unnamed class members.

On August 10, 2010, the U.S. District Court for the Northern District of California issued an order in *Gutierrez v. Wells Fargo Bank, N.A.*, a case that was not consolidated in the MDL proceedings described above, enjoining the bank's use of the high to low posting method for debit card transactions with respect to the plaintiff class of California depositors, directing the bank to establish a different posting methodology and ordering remediation of approximately $203 million. On October 26, 2010, a final judgment was entered in Gutierrez. Following appellate proceedings which reversed in part and

affirmed in part the trial court's judgment, Wells Fargo filed a petition for writ of certiorari to the United States Supreme Court on April 10, 2015. The Supreme Court has not yet acted on the petition.

OUTLOOK When establishing a liability for contingent litigation losses, the Company determines a range of potential losses for each matter that is both probable and estimable, and records the amount it considers to be the best estimate within the range. The high end of the range of reasonably possible potential litigation losses in excess of the Company's liability for probable and estimable losses was approximately $1.3 billion as of December 31, 2015. For these matters and others where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the established liability that cannot be estimated. Based on information currently available, advice of counsel, available insurance coverage and established reserves, Wells Fargo believes that the eventual outcome of the actions against Wells Fargo and/or its subsidiaries, including the matters described above, will not, individually or in the aggregate, have a material adverse effect on Wells Fargo's consolidated financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to Wells Fargo's results of operations for any particular period.

Note 16: Derivatives

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

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

We also offer various derivatives, including interest rate, commodity, equity, credit and foreign exchange contracts, to our customers as part of our trading businesses. These derivative transactions, which involve us engaging in market-making activities or acting as an intermediary, are conducted in an effort to help customers manage their market risks. We usually offset our exposure from such derivatives by entering into other financial contracts, such as separate derivative or security transactions. The customer accommodations and any offsetting derivatives are treated as customer accommodation, trading and other derivatives in our disclosures. Additionally, this category includes embedded derivatives that are required to be accounted for separately from their host contracts.

Table 16.1 presents the total notional or contractual amounts and fair values for our derivatives. Derivative transactions can be measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged, but is used only as the basis on which interest and other payments are determined. Derivatives designated as qualifying hedging instruments and economic hedges are recorded on the balance sheet at fair value in other assets or other liabilities. Customer accommodation, trading and other derivatives are recorded on the balance sheet at fair value in trading assets, other assets or other liabilities.

Table 16.1: Notional or Contractual Amounts and Fair Values of Derivatives

	December 31, 2015			December 31, 2014		
	Notional or contractual	Fair value		Notional or contractual	Fair value	
(in millions)	amount	Asset derivatives	Liability derivatives	amount	Asset derivatives	Liability derivatives
Derivatives designated as hedging instruments						
Interest rate contracts (1)	**$ 191,684**	**7,477**	**2,253**	148,967	6,536	2,435
Foreign exchange contracts (1)	**25,115**	**378**	**2,494**	26,778	752	1,347
Total derivatives designated as qualifying hedging instruments		**7,855**	**4,747**		7,288	3,782
Derivatives not designated as hedging instruments						
Economic hedges:						
Interest rate contracts (2)	**211,375**	**195**	**315**	221,527	697	487
Equity contracts	**7,427**	**531**	**47**	5,219	367	96
Foreign exchange contracts	**16,407**	**321**	**100**	14,405	275	28
Subtotal (3)		**1,047**	**462**		1,339	611
Customer accommodation, trading and other derivatives:						
Interest rate contracts	**4,685,898**	**55,053**	**55,409**	4,378,767	56,465	57,137
Commodity contracts	**47,571**	**4,659**	**5,519**	88,640	7,461	7,702
Equity contracts	**139,956**	**7,068**	**4,761**	138,422	8,638	6,942
Foreign exchange contracts	**295,962**	**8,248**	**8,339**	253,742	6,377	6,452
Credit contracts - protection sold	**10,544**	**83**	**541**	12,304	151	943
Credit contracts - protection purchased	**18,018**	**567**	**88**	16,659	755	168
Other contracts	**1,041**	**—**	**58**	1,994	—	44
Subtotal		**75,678**	**74,715**		79,847	79,388
Total derivatives not designated as hedging instruments		**76,725**	**75,177**		81,186	79,999
Total derivatives before netting		**84,580**	**79,924**		88,474	83,781
Netting (3)		**(66,924)**	**(66,004)**		(65,869)	(65,043)
Total		**$ 17,656**	**13,920**		22,605	18,738

(1) Not onal amounts presented exclude $1.9 bill on of interest rate contracts at both December 31, 2015 and 2014, for certain derivatives that are combined for designat on as a hedge on a single instrument. The notional amount for foreign exchange contracts at December 31, 2015 and 2014, excludes $7.8 billion and $2.7 billion, respectively for certain derivatives that are combined for designat on as a hedge on a single instrument.
(2) Includes econom c hedge derivatives used to hedge the risk of changes in the fair value of res dential MSRs, MHFS, loans, derivative loan commitments and other interests held.
(3) Represents balance sheet netting of derivative asset and liability balances, related cash collateral and portfolio level counterparty valuation adjustments. See the next table in this Note for further informat on.

Table 16.2 provides information on the gross fair values of derivative assets and liabilities, the balance sheet netting adjustments and the resulting net fair value amount recorded on our balance sheet, as well as the non-cash collateral associated with such arrangements. We execute substantially all of our derivative transactions under master netting arrangements. We reflect all derivative balances and related cash collateral subject to enforceable master netting arrangements on a net basis within the balance sheet. The "Gross amounts recognized" column in the following table include $69.9 billion and $74.0 billion of gross derivative assets and liabilities, respectively, at December 31, 2015, and $69.6 billion and $75.0 billion, respectively, at December 31, 2014, with counterparties subject to enforceable master netting arrangements that are carried on the balance sheet net of offsetting amounts. The remaining gross derivative assets and liabilities of $14.6 billion and $5.9 billion, respectively, at December 31, 2015 and $18.9 billion and $8.8 billion, respectively, at December 31, 2014, include those with counterparties subject to master netting arrangements for which we have not assessed the enforceability because they are with counterparties where we do not currently have positions to offset, those subject to master netting arrangements where we have not been able to confirm the enforceability and those not subject to master netting arrangements. As such, we do not net derivative balances or collateral within the balance sheet for these counterparties.

We determine the balance sheet netting adjustments based on the terms specified within each master netting arrangement. We disclose the balance sheet netting amounts within the column titled "Gross amounts offset in consolidated balance sheet." Balance sheet netting adjustments are determined at the counterparty level for which there may be multiple contract types. For disclosure purposes, we allocate these adjustments to the contract type for each counterparty proportionally based upon the "Gross amounts recognized" by counterparty. As a result, the net amounts disclosed by contract type may not represent the actual exposure upon settlement of the contracts.

Balance sheet netting does not include non-cash collateral that we receive and pledge. For disclosure purposes, we present the fair value of this non-cash collateral in the column titled "Gross amounts not offset in consolidated balance sheet (Disclosure-only netting)" within the table. We determine and allocate the Disclosure-only netting amounts in the same manner as balance sheet netting amounts.

The "Net amounts" column within the following table represents the aggregate of our net exposure to each counterparty after considering the balance sheet and Disclosure-only netting adjustments. We manage derivative exposure by

monitoring the credit risk associated with each counterparty using counterparty specific credit risk limits, using master netting arrangements and obtaining collateral. Derivative contracts executed in over-the-counter markets include bilateral contractual arrangements that are not cleared through a central clearing organization but are typically subject to master netting arrangements. The percentage of our bilateral derivative transactions outstanding at period end in such markets, based on gross fair value, is provided within the following table. Other derivative contracts executed in over-the-counter or exchange-traded markets are settled through a central clearing organization and are excluded from this percentage. In addition to the netting amounts included in the table, we also have balance sheet netting related to resale and repurchase agreements that are disclosed within Note 14 (Guarantees, Pledged Assets and Collateral).

Table 16.2: Gross Fair Value of Derivative Assets and Liabilities

(in millions)	Gross amounts recognized	Gross amounts offset in consolidated balance sheet (1)	Net amounts in consolidated balance sheet (2)	Gross amounts not offset in consolidated balance sheet (Disclosure-only netting) (3)	Net amounts	Percent exchanged in over-the-counter market (4)
December 31, 2015						
Derivative assets						
Interest rate contracts	**$ 62,725**	**(56,612)**	**6,113**	**(749)**	**5,364**	**39%**
Commodity contracts	**4,659**	**(998)**	**3,661**	**(76)**	**3,585**	**35**
Equity contracts	**7,599**	**(2,625)**	**4,974**	**(471)**	**4,503**	**51**
Foreign exchange contracts	**8,947**	**(6,141)**	**2,806**	**(34)**	**2,772**	**98**
Credit contracts-protection sold	**83**	**(79)**	**4**	**—**	**4**	**76**
Credit contracts-protection purchased	**567**	**(469)**	**98**	**(2)**	**96**	**100**
Total derivative assets	**$ 84,580**	**(66,924)**	**17,656**	**(1,332)**	**16,324**	
Derivative liabilities						
Interest rate contracts	**$ 57,977**	**(53,259)**	**4,718**	**(3,543)**	**1,175**	**35%**
Commodity contracts	**5,519**	**(1,052)**	**4,467**	**(40)**	**4,427**	**84**
Equity contracts	**4,808**	**(2,241)**	**2,567**	**(154)**	**2,413**	**85**
Foreign exchange contracts	**10,933**	**(8,968)**	**1,965**	**(634)**	**1,331**	**100**
Credit contracts-protection sold	**541**	**(434)**	**107**	**(107)**	**—**	**100**
Credit contracts-protection purchased	**88**	**(50)**	**38**	**(6)**	**32**	**70**
Other contracts	**58**	**—**	**58**	**—**	**58**	**100**
Total derivative liabilities	**$ 79,924**	**(66,004)**	**13,920**	**(4,484)**	**9,436**	
December 31, 2014						
Derivative assets						
Interest rate contracts	$ 63,698	(56,051)	7,647	(769)	6,878	45 %
Commodity contracts	7,461	(1,233)	6,228	(72)	6,156	27
Equity contracts	9,005	(2,842)	6,163	(405)	5,758	54
Foreign exchange contracts	7,404	(4,923)	2,481	(85)	2,396	98
Credit contracts-protection sold	151	(131)	20	—	20	90
Credit contracts-protection purchased	755	(689)	66	(1)	65	100
Total derivative assets	$ 88,474	(65,869)	22,605	(1,332)	21,273	
Derivative liabilities						
Interest rate contracts	$ 60,059	(54,394)	5,665	(4,244)	1,421	44 %
Commodity contracts	7,702	(1,459)	6,243	(33)	6,210	81
Equity contracts	7,038	(2,845)	4,193	(484)	3,709	82
Foreign exchange contracts	7,827	(5,511)	2,316	(270)	2,046	100
Credit contracts-protection sold	943	(713)	230	(199)	31	100
Credit contracts-protection purchased	168	(121)	47	(18)	29	86
Other contracts	44	—	44	—	44	100
Total derivative liabilities	$ 83,781	(65,043)	18,738	(5,248)	13,490	

(1) Represents amounts w th counterparties subject to enforceable master netting arrangements that have been offset in the consol dated balance sheet, including related cash collateral and portfol o level counterparty valuation adjustments. Counterparty valuat on adjustments were $375 mill on and $266 million related to derivative assets and $81 mill on and $56 mill on related to derivative liabil ties as of December 31, 2015 and 2014, respectively. Cash collateral totaled $5.3 bill on and $4.7 bill on, netted against derivative assets and liabil ties, respectively, at December 31, 2015, and $5.2 billion and $4.6 billion, respectively, at December 31, 2014.

(2) Net derivative assets of $12.4 billion and $16.9 bill on are classified in Trading assets as of December 31, 2015 and 2014, respectively. $5.3 billion and $5.7 billion are classified in Other assets in the consol dated balance sheet as of December 31, 2015 and 2014, respectively. Net derivative liabilities are classified in Accrued expenses and other liabil ties in the consol dated balance sheet.

(3) Represents the fair value of non-cash collateral pledged and received against derivative assets and liabilities w th the same counterparty that are subject to enforceable master netting arrangements. U.S. GAAP does not perm t netting of such non-cash collateral balances in the consol dated balance sheet but requires disclosure of these amounts.

(4) Represents derivatives executed in over-the-counter markets not settled through a central clearing organization. Over-the-counter percentages are calculated based on Gross amounts recognized as of the respective balance sheet date. The remaining percentage represents derivatives settled through a central clearing organizat on, wh ch are executed in either over-the-counter or exchange-traded markets.

Fair Value Hedges

We use interest rate swaps to convert certain of our fixed-rate long-term debt to floating rates to hedge our exposure to interest rate risk. We also enter into cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge our exposure to foreign currency risk and interest rate risk associated with the issuance of non-U.S. dollar denominated long-term debt. In addition, we use interest rate swaps, cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge against changes in fair value of certain investments in available-for-sale debt securities due to changes in interest rates, foreign currency rates, or both. We also use interest rate swaps to hedge against changes in fair value for certain mortgages held for sale. The entire derivative gain or loss is included in the assessment of hedge effectiveness for all fair value hedge relationships, except for those involving foreign-currency denominated available-for-sale securities and long-term debt hedged with foreign currency forward derivatives for which the time value component of the derivative gain or loss related to the changes in the difference between the spot and forward price is excluded from the assessment of hedge effectiveness.

We use statistical regression analysis to assess hedge effectiveness, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic change in fair value of the hedging instrument against the periodic changes in fair value of the asset or liability being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

Table 16.3 shows the net gains (losses) recognized in the income statement related to derivatives in fair value hedging relationships.

Table 16.3: Derivatives in Fair Value Hedging Relationships

	Interest rate contracts hedging:			Foreign exchange contracts hedging:		Total net gains (losses) on fair value hedges
(in millions)	Available-for-sale securities	Mortgages held for sale	Long-term debt	Available-for-sale securities	Long-term debt	
Year ended December 31, 2015						
Net interest income (expense) recognized on derivatives	**$ (782)**	**(13)**	**1,955**	**—**	**182**	**1,342**
Gains (losses) recorded in noninterest income						
Recognized on derivatives	**(18)**	**(9)**	**327**	**253**	**(2,370)**	**(1,817)**
Recognized on hedged item	**7**	**(4)**	**(251)**	**(247)**	**2,390**	**1,895**
Net recognized on fair value hedges (ineffective portion) (1)	**$ (11)**	**(13)**	**76**	**6**	**20**	**78**
Year ended December 31, 2014						
Net interest income (expense) recognized on derivatives	$ (722)	(15)	1,843	(10)	308	1,404
Gains (losses) recorded in noninterest income						
Recognized on derivatives	(1,943)	(49)	3,623	391	(1,418)	604
Recognized on hedged item	1,911	32	(3,143)	(388)	1,490	(98)
Net recognized on fair value hedges (ineffective portion) (1)	$ (32)	(17)	480	3	72	506
Year ended December 31, 2013						
Net interest income (expense) recognized on derivatives	$ (584)	(11)	1,632	(8)	280	1,309
Gains (losses) recorded in noninterest income						
Recognized on derivatives	1,889	47	(3,767)	(49)	(847)	(2,727)
Recognized on hedged item	(1,874)	(57)	3,521	49	722	2,361
Net recognized on fair value hedges (ineffective portion) (1)	$ 15	(10)	(246)	—	(125)	(366)

(1) Included $(7) mill on, $(1) mill on and $(5) million, respectively, for years ended December 31, 2015, 2014, and 2013 of the time value component recognized as net interest income (expense) on forward derivatives hedging foreign currency available-for-sale securities and long-term debt that were excluded from the assessment of hedge effectiveness.

Cash Flow Hedges

We use interest rate swaps to hedge the variability in interest payments received on certain floating-rate commercial loans and paid on certain floating-rate debt due to changes in the benchmark interest rate. Gains and losses on derivatives that are reclassified from OCI to interest income (for loans) and interest expense (for debt) in the current period are included in the line item in which the hedged item's effect on earnings is recorded. All parts of gain or loss on these derivatives are included in the assessment of hedge effectiveness. We assess hedge effectiveness using regression analysis, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic changes in cash flows of the hedging instrument against the periodic changes in cash flows of the forecasted transaction being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

Based upon current interest rates, we estimate that $826 million (pre tax) of deferred net gains on derivatives in OCI at December 31, 2015, will be reclassified into net interest income during the next twelve months. Future changes to interest rates may significantly change actual amounts reclassified to earnings. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of 7 years.

Table 16.4 shows the net gains (losses) recognized related to derivatives in cash flow hedging relationships.

Table 16.4: Derivatives in Cash Flow Hedging Relationships

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Gains (losses) (pre tax) recognized in OCI on derivatives	**$ 1,549**	952	(32)
Gains (pre tax) reclassified from cumulative OCI into net income (1)	**1,089**	545	296
Gains (losses) (pre tax) recognized in noninterest income for hedge ineffectiveness (2)	**1**	2	1

(1) See Note 23 (Other Comprehensive Income) for detail on components of net income.
(2) None of the change in value of the derivatives was excluded from the assessment of hedge effectiveness.

Derivatives Not Designated as Hedging Instruments

We use economic hedge derivatives primarily to hedge the risk of changes in the fair value of certain residential MHFS, certain loans held for investment, residential MSRs measured at fair value, derivative loan commitments and other interests held. The resulting gain or loss on these economic hedge derivatives is reflected in mortgage banking noninterest income, net gains (losses) from equity investments and other noninterest income.

The derivatives used to hedge MSRs measured at fair value, which include swaps, swaptions, constant maturity mortgages, forwards, Eurodollar and Treasury futures and options contracts, resulted in net derivative gains of $671 million in 2015, net derivative gains of $3.5 billion in 2014 and net derivative losses of $2.9 billion in 2013, which are included in mortgage banking noninterest income. The aggregate fair value of these derivatives was a net liability of $3 million at December 31, 2015 and a net asset of $492 million at December 31, 2014. The change in fair value of these derivatives for each period end is due to changes in the underlying market indices and interest rates as well as the purchase and sale of derivative financial instruments throughout the period as part of our dynamic MSR risk management process.

Interest rate lock commitments for mortgage loans that we intend to sell are considered derivatives. Our interest rate exposure on these derivative loan commitments, as well as substantially all residential MHFS, is hedged with economic hedge derivatives such as swaps, forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts. The derivative loan commitments, economic hedge derivatives and residential MHFS are carried at fair value with changes in fair value included in mortgage banking noninterest income. For the fair value measurement of interest rate lock commitments we include, at inception and during the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan. Fair value changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment (referred to as a fall-out factor). The value of the underlying loan is affected primarily by changes in interest rates and the passage of time. However, changes in investor demand can also cause changes in the value of the underlying loan value that cannot be hedged. The aggregate fair value of derivative loan commitments on the balance sheet was a net asset of $56 million and $98 million at December 31, 2015 and 2014, respectively, and is included in the caption "Interest rate contracts" under "Customer accommodation, trading and other derivatives" in Table 16.1.

We also enter into various derivatives primarily to provide derivative products to customers. These derivatives are not linked to specific assets and liabilities on the balance sheet or to forecasted transactions in an accounting hedge relationship and, therefore, do not qualify for hedge accounting. We also enter into derivatives for risk management that do not otherwise qualify for hedge accounting. They are carried at fair value with changes in fair value recorded as other noninterest income.

Customer accommodation, trading and other derivatives also include embedded derivatives that are required to be accounted for separately from their host contract. We periodically issue hybrid long-term notes and CDs where the performance of the hybrid instrument notes is linked to an equity, commodity or currency index, or basket of such indices. These notes contain explicit terms that affect some or all of the cash flows or the value of the note in a manner similar to a derivative instrument and therefore are considered to contain an "embedded" derivative instrument. The indices on which the performance of the hybrid instrument is calculated are not clearly and closely related to the host debt instrument. The "embedded" derivative is separated from the host contract and accounted for as a derivative. Additionally, we may invest in hybrid instruments that contain embedded derivatives, such as credit derivatives, that are not clearly and closely related to the host contract. In such instances, we either elect fair value option for the hybrid instrument or separate the embedded derivative from the host contract and account for the host contract and derivative separately.

Table 16.5 shows the net gains recognized in the income statement related to derivatives not designated as hedging instruments.

Table 16.5: Derivatives Not Designated as Hedging Instruments

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Net gains (losses) recognized on economic hedge derivatives:			
Interest rate contracts			
Recognized in noninterest income:			
Mortgage banking (1)	**$ 723**	1,759	1,412
Other (2)	**(42)**	(230)	119
Equity contracts (3)	**(393)**	(469)	(317)
Foreign exchange contracts (2)	**496**	758	24
Credit contracts (2)	**—**	(1)	(6)
Subtotal	**784**	1,817	1,232
Net gains (losses) recognized on customer accommodation, trading and other derivatives:			
Interest rate contracts			
Recognized in noninterest income:			
Mortgage banking (4)	**941**	1,350	(561)
Other (5)	**265**	(855)	743
Commodity contracts (5)	**88**	77	324
Equity contracts (5)	**563**	(719)	(622)
Foreign exchange contracts (5)	**812**	593	746
Credit contracts (5)	**44**	7	(53)
Other (5)	**(15)**	(39)	—
Subtotal	**2,698**	414	577
Net gains recognized related to derivatives not designated as hedging instruments	**$ 3,482**	2,231	1,809

(1) Predominantly mortgage banking noninterest income including gains (losses) on the derivatives used as economic hedges of MSRs measured at fair value, interest rate lock commitments and mortgages held for sale.
(2) Predominantly included in other noninterest income.
(3) Predominantly included in net gains (losses) from equity investments in noninterest income.
(4) Predominantly mortgage banking noninterest income including gains (losses) on interest rate lock commitments.
(5) Predominantly included in net gains from trading activities in noninterest income.

Credit Derivatives

Credit derivative contracts are arrangements whose value is derived from the transfer of credit risk of a reference asset or entity from one party (the purchaser of credit protection) to another party (the seller of credit protection). We use credit derivatives primarily to assist customers with their risk management objectives. We may also use credit derivatives in structured product transactions or liquidity agreements written to special purpose vehicles. The maximum exposure of sold credit derivatives is managed through posted collateral, purchased credit derivatives and similar products in order to achieve our desired credit risk profile. This credit risk management provides an ability to recover a significant portion of any amounts that would be paid under the sold credit derivatives. We would be required to perform under the noted credit derivatives in the event of default by the referenced obligors. Events of default include events such as bankruptcy, capital restructuring or lack of principal and/or interest payment. In certain cases, other triggers may exist, such as the credit downgrade of the referenced obligors or the inability of the special purpose vehicle for which we have provided liquidity to obtain funding.

Table 16.6 provides details of sold and purchased credit derivatives.

Table 16.6: Sold and Purchased Credit Derivatives

(in millions)	Fair value liability	Notional amount: Protection sold (A)	Protection sold - non-investment grade	Protection purchased with identical underlyings (B)	Net protection sold (A)-(B)	Other protection purchased	Range of maturities
December 31, 2015							
Credit default swaps on:							
Corporate bonds	**$ 44**	**4,838**	**1,745**	**3,602**	**1,236**	**2,272**	**2016 - 2025**
Structured products	**275**	**598**	**463**	**395**	**203**	**142**	**2017 - 2047**
Credit protection on:							
Default swap index	**—**	**1,727**	**370**	**1,717**	**10**	**960**	**2016 - 2020**
Commercial mortgage-backed securities index	**203**	**822**	**—**	**766**	**56**	**316**	**2047 - 2057**
Asset-backed securities index	**18**	**47**	**—**	**1**	**46**	**71**	**2045 - 2046**
Other	**1**	**2,512**	**2,512**	**—**	**2,512**	**7,776**	**2016 - 2025**
Total credit derivatives	**$ 541**	**10,544**	**5,090**	**6,481**	**4,063**	**11,537**	
December 31, 2014							
Credit default swaps on:							
Corporate bonds	$ 23	6,344	2,904	4,894	1,450	2,831	2015 - 2021
Structured products	654	1,055	874	608	447	277	2017 - 2052
Credit protection on:							
Default swap index	—	1,659	292	777	882	1,042	2015 - 2019
Commercial mortgage-backed securities index	246	1,058	—	608	450	355	2047 - 2063
Asset-backed securities index	19	52	1	1	51	81	2045 - 2046
Other	1	2,136	2,136	—	2,136	5,185	2015 - 2025
Total credit derivatives	$ 943	12,304	6,207	6,888	5,416	9,771	

Protection sold represents the estimated maximum exposure to loss that would be incurred under an assumed hypothetical circumstance, where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. We believe this hypothetical circumstance to be an extremely remote possibility and accordingly, this required disclosure is not an indication of expected loss. The amounts under non-investment grade represent the notional amounts of those credit derivatives on which we have a higher risk of being required to perform under the terms of the credit derivative and are a function of the underlying assets.

We consider the risk of performance to be high if the underlying assets under the credit derivative have an external rating that is below investment grade or an internal credit default grade that is equivalent thereto. We believe the net protection sold, which is representative of the net notional amount of protection sold and purchased with identical underlyings, in combination with other protection purchased, is more representative of our exposure to loss than either non-investment grade or protection sold. Other protection purchased represents additional protection, which may offset the exposure to loss for protection sold, that was not purchased with an identical underlying of the protection sold.

Credit-Risk Contingent Features

Certain of our derivative contracts contain provisions whereby if the credit rating of our debt were to be downgraded by certain major credit rating agencies, the counterparty could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a net liability position was $12.3 billion at December 31, 2015, and $13.6 billion at December 31, 2014, respectively, for which we posted $8.8 billion and $10.5 billion, respectively, in collateral in the normal course of business. If the credit rating of our debt had been downgraded below investment grade, which is the credit-risk-related contingent feature that if triggered requires the maximum amount of collateral to be posted, on December 31, 2015, or December 31, 2014, we would have been required to post additional collateral of $3.6 billion or $3.1 billion, respectively, or potentially settle the contract in an amount equal to its fair value. Some contracts require that we provide more collateral than the fair value of derivatives that are in a net liability position if a downgrade occurs.

Counterparty Credit Risk

By using derivatives, we are exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to legally enforceable master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent the master netting arrangements and other criteria meet the applicable requirements, including determining the legal enforceability of the arrangement, it is our policy to present derivative balances and related cash collateral amounts net on the balance sheet. We incorporate credit valuation adjustments (CVA) to reflect counterparty credit risk in determining the fair value of our derivatives. Such adjustments, which consider the effects of enforceable master netting agreements and collateral arrangements, reflect market-based views of the credit quality of each counterparty. Our CVA calculation is determined based on observed credit spreads in the credit default swap market and indices indicative of the credit quality of the counterparties to our derivatives.

Note 17: Fair Values of Assets and Liabilities

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Assets and liabilities recorded at fair value on a recurring basis are presented in the recurring table in this Note. From time to time, we may be required to record at fair value other assets on a nonrecurring basis, such as certain residential and commercial MHFS, certain LHFS, loans held for investment, nonmarketable equity investments and certain other assets. These nonrecurring fair value adjustments typically involve application of LOCOM accounting or write-downs of individual assets.

Following is a discussion of the fair value hierarchy and the valuation methodologies used for assets and liabilities recorded at fair value on a recurring or nonrecurring basis and for estimating fair value for financial instruments not recorded at fair value.

Fair Value Hierarchy

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

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

In the determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy, we consider all available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, we use a predetermined percentage to evaluate the impact of fair value adjustments derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Otherwise, the classification of Level 2 or Level 3 is based upon the specific facts and circumstances of each instrument or instrument category and judgments are made regarding the significance of the Level 3 inputs to the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

Assets

SHORT-TERM FINANCIAL ASSETS Short-term financial assets include cash and due from banks, federal funds sold and securities purchased under resale agreements and due from customers on acceptances. These assets are carried at historical cost. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

TRADING ASSETS (EXCLUDING DERIVATIVES) AND INVESTMENT SECURITIES Trading assets and available-for-sale securities are recorded at fair value on a recurring basis. Other investment securities classified as held-to-maturity are subject to impairment and fair value measurement if fair value declines below amortized cost and we do not expect to recover the entire amortized cost basis of the debt security. Fair value measurement is based upon various sources of market pricing. We use quoted prices in active markets, where available, and classify such instruments within Level 1 of the fair value hierarchy. Examples include exchange-traded equity securities and some highly liquid government securities, such as U.S. Treasuries. When instruments are traded in secondary markets and quoted market prices do not exist for such securities, we generally rely on internal valuation techniques or on prices obtained from vendors (predominantly third-party pricing services), and accordingly, we classify these instruments as Level 2 or 3.

Trading securities are mostly valued using internal trader prices that are subject to price verification procedures performed by separate internal personnel. The majority of fair values derived using internal valuation techniques are verified against multiple pricing sources, including prices obtained from third-party vendors. Vendors compile prices from various sources and often apply matrix pricing for similar securities when no price is observable. We review pricing methodologies provided by the vendors in order to determine if observable market information is being used versus unobservable inputs. When evaluating the appropriateness of an internal trader price compared with vendor prices, considerations include the range and quality of vendor prices. Vendor prices are used to ensure the reasonableness of a trader price; however, valuing financial instruments involves judgments acquired from knowledge of a particular market. If a trader asserts that a vendor price is not reflective of market value, justification for using the trader price, including recent sales activity where possible, must be provided to and approved by the appropriate levels of management.

Similarly, while investment securities traded in secondary markets are typically valued using unadjusted vendor prices or vendor prices adjusted by weighting them with internal discounted cash flow techniques, these prices are reviewed and, if deemed inappropriate by a trader who has the most knowledge of a particular market, can be adjusted. These investment securities, which include those measured using unadjusted vendor prices, are generally classified as Level 2 and typically involve using quoted market prices for the same or similar securities, pricing models, discounted cash flow analyses using significant inputs observable in the market where available or a combination of multiple valuation techniques. Examples include certain residential and commercial MBS, other asset-backed securities municipal bonds, U.S. government and agency MBS, and corporate debt securities.

Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or a combination of multiple valuation techniques where the unobservable inputs are significant to the overall fair value measurement. Securities classified as Level 3 include certain residential and commercial MBS, other asset-backed securities, CDOs and certain CLOs, and certain residual and retained interests in residential mortgage loan

securitizations. We value CDOs using the prices of similar instruments, the pricing of completed or pending third-party transactions or the pricing of the underlying collateral within the CDO. Where vendor prices are not readily available, we use management's best estimate.

MORTGAGES HELD FOR SALE (MHFS) MHFS are carried at LOCOM or at fair value. We carry substantially all of our residential MHFS portfolio at fair value. Fair value is based on quoted market prices, where available, or the prices for other mortgage whole loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions and liquidity. Predominantly all of our MHFS are classified as Level 2. For the portion where market pricing data is not available, we use a discounted cash flow model to estimate fair value and, accordingly, classify as Level 3.

LOANS HELD FOR SALE (LHFS) LHFS are carried at LOCOM or at fair value. The fair value of LHFS is based on current offerings in secondary markets for loans with similar characteristics. As such, we classify those loans subjected to nonrecurring fair value adjustments as Level 2.

LOANS For information on how we report the carrying value of loans, including PCI loans, see Note 1 (Summary of Significant Accounting Policies). Although most loans are not recorded at fair value on a recurring basis, reverse mortgages are recorded at fair value on a recurring basis. In addition, we record nonrecurring fair value adjustments to loans to reflect partial write-downs that are based on the observable market price of the loan or current appraised value of the collateral.

We provide fair value estimates in this disclosure for loans that are not recorded at fair value on a recurring or nonrecurring basis. Those estimates differentiate loans based on their financial characteristics, such as product classification, loan category, pricing features and remaining maturity. Prepayment and credit loss estimates are evaluated by product and loan rate.

The fair value of commercial loans is calculated by discounting contractual cash flows, adjusted for credit loss estimates, using discount rates that are appropriate for loans with similar characteristics and remaining maturity. For real estate 1-4 family first and junior lien mortgages, we calculate fair value by discounting contractual cash flows, adjusted for prepayment and credit loss estimates, using discount rates based on current industry pricing (where readily available) or our own estimate of an appropriate discount rate for loans of similar size, type, remaining maturity and repricing characteristics.

The estimated fair value of consumer loans is generally calculated by discounting the contractual cash flows, adjusted for prepayment and credit loss estimates, based on the current rates we offer for loans with similar characteristics.

Loan commitments, standby letters of credit and commercial and similar letters of credit generate ongoing fees at our current pricing levels, which are recognized over the term of the commitment period. In situations where the credit quality of the counterparty to a commitment has declined, we record an allowance. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees adjusted for the related allowance.

DERIVATIVES Quoted market prices are available and used for our exchange-traded derivatives, such as certain interest rate futures and option contracts, which we classify as Level 1. However, substantially all of our derivatives are traded in over-the-counter (OTC) markets where quoted market prices are not always readily available. Therefore we value most OTC derivatives using internal valuation techniques. Valuation techniques and inputs to internally-developed models depend on the type of derivative and nature of the underlying rate, price or index upon which the derivative's value is based. Key inputs can include yield curves, credit curves, foreign exchange rates, prepayment rates, volatility measurements and correlation of such inputs. Where model inputs can be observed in a liquid market and the model does not require significant judgment, such derivatives are typically classified as Level 2 of the fair value hierarchy. Examples of derivatives classified as Level 2 include generic interest rate swaps, foreign currency swaps, commodity swaps, and certain option and forward contracts. When instruments are traded in less liquid markets and significant inputs are unobservable, such derivatives are classified as Level 3. Examples of derivatives classified as Level 3 include complex and highly structured derivatives, certain credit default swaps, interest rate lock commitments written for our mortgage loans that we intend to sell and long-dated equity options where volatility is not observable. Additionally, significant judgments are required when classifying financial instruments within the fair value hierarchy, particularly between Level 2 and 3, as is the case for certain derivatives.

MSRs AND CERTAIN OTHER INTERESTS HELD IN SECURITIZATIONS MSRs and certain other interests held in securitizations (e.g., interest-only strips) do not trade in an active market with readily observable prices. Accordingly, we determine the fair value of MSRs using a valuation model that calculates the present value of estimated future net servicing income cash flows. The model incorporates assumptions that market participants use in estimating future net servicing income cash flows, including estimates of prepayment speeds (including housing price volatility), discount rates, default rates, cost to service (including delinquency and foreclosure costs), escrow account earnings, contractual servicing fee income, ancillary income and late fees. Commercial MSRs are carried at LOCOM and, therefore, can be subject to fair value measurements on a nonrecurring basis. Changes in the fair value of MSRs occur primarily due to the collection/realization of expected cash flows as well as changes in valuation inputs and assumptions. For other interests held in securitizations (such as interest-only strips), we use a valuation model that calculates the present value of estimated future cash flows. The model incorporates our own estimates of assumptions market participants use in determining the fair value, including estimates of prepayment speeds, discount rates, defaults and contractual fee income. Interest-only strips are recorded as trading assets. Our valuation approach is validated by our internal valuation model validation group. Fair value measurements of our MSRs and interest-only strips use significant unobservable inputs and, accordingly, we classify them as Level 3.

FORECLOSED ASSETS Foreclosed assets are carried at net realizable value, which represents fair value less costs to sell. Fair value is generally based upon independent market prices or appraised values of the collateral and, accordingly, we classify foreclosed assets as Level 2.

NONMARKETABLE EQUITY INVESTMENTS For certain equity securities that are not publicly traded, we have elected the fair value option, and we use a market comparable pricing technique to estimate their fair value. The remaining

nonmarketable equity investments include low income housing tax credit investments, Federal Reserve Bank and Federal Home Loan Bank (FHLB) stock, and private equity investments that are recorded under the cost or equity method of accounting. We estimate fair value to record OTTI write-downs on a nonrecurring basis. Additionally, we provide fair value estimates in this disclosure for cost method investments that are not measured at fair value on a recurring or nonrecurring basis.

Federal Bank stock carrying values approximate fair value. For the remaining cost or equity method investments for which we determine fair value, we estimate the fair value using all available information and consider the range of potential inputs including discounted cash flow models, transaction prices, trading multiples of comparable public companies, and entry level multiples. Where appropriate these metrics are adjusted to account for comparative differences with public companies and for company-specific issues like liquidity or marketability. For investments in private equity funds, we generally use the NAV provided by the fund sponsor as a practical expedient to measure fair value. In some cases, NAVs may require adjustments based on certain unobservable inputs.

Liabilities

DEPOSIT LIABILITIES Deposit liabilities are carried at historical cost. The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, interest-bearing checking, and market rate and other savings, is equal to the amount payable on demand at the measurement date. The fair value of other time deposits is calculated based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for like wholesale deposits with similar remaining maturities.

SHORT-TERM FINANCIAL LIABILITIES Short-term financial liabilities are carried at historical cost and include federal funds purchased and securities sold under repurchase agreements, commercial paper and other short-term borrowings. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

OTHER LIABILITIES Other liabilities recorded at fair value on a recurring basis, excluding derivative liabilities (see the "Derivatives" section for derivative liabilities), primarily include short sale liabilities. Short sale liabilities are predominantly classified as either Level 1 or Level 2, generally depending upon whether the underlying securities have readily obtainable quoted prices in active exchange markets.

LONG-TERM DEBT Long-term debt is generally carried at amortized cost. For disclosure, we are required to estimate the fair value of long-term debt and generally do so using the discounted cash flow method. Contractual cash flows are discounted using rates currently offered for new notes with similar remaining maturities and, as such, these discount rates include our current spread levels.

Level 3 Asset and Liability Valuation Processes

We generally determine fair value of our Level 3 assets and liabilities by using internally-developed models and, to a lesser extent, prices obtained from vendors, which predominantly consist of third-party pricing services. Our valuation processes vary depending on which approach is utilized.

INTERNAL MODEL VALUATIONS Our internally-developed models primarily use discounted cash flow techniques. Use of such techniques requires determining relevant inputs, some of which are unobservable. Unobservable inputs are generally derived from historic performance of similar assets or determined from previous market trades in similar instruments. These unobservable inputs usually consist of discount rates, default rates, loss severity upon default, volatilities, correlations and prepayment rates, which are inherent within our Level 3 instruments. Such inputs can be correlated to similar portfolios with known historic experience or recent trades where particular unobservable inputs may be implied, but due to the nature of various inputs being reflected within a particular trade, the value of each input is considered unobservable. We attempt to correlate each unobservable input to historic experience and other third-party data where available.

Internal valuation models are subject to review prescribed within our model risk management policies and procedures, which include model validation. The purpose of model validation includes ensuring the model is appropriate for its intended use and the appropriate controls exist to help mitigate risk of invalid valuations. Model validation assesses the adequacy and appropriateness of the model, including reviewing its key components, such as inputs, processing components, logic or theory, output results and supporting model documentation. Validation also includes ensuring significant unobservable model inputs are appropriate given observable market transactions or other market data within the same or similar asset classes. This process ensures modeled approaches are appropriate given similar product valuation techniques and are in line with their intended purpose.

We have ongoing monitoring procedures in place for our Level 3 assets and liabilities that use such internal valuation models. These procedures, which are designed to provide reasonable assurance that models continue to perform as expected after approved, include:

- ongoing analysis and benchmarking to market transactions and other independent market data (including pricing vendors, if available);
- back-testing of modeled fair values to actual realized transactions; and
- review of modeled valuation results against expectations, including review of significant or unusual value fluctuations.

We update model inputs and methodologies periodically to reflect these monitoring procedures. Additionally, procedures and controls are in place to ensure existing models are subject to periodic reviews, and we perform full model revalidations as necessary.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are subject to additional oversight by a corporate-level risk management department. Corporate oversight responsibilities include evaluating the adequacy of business unit risk management programs, maintaining company-wide model validation policies and standards and reporting the results of these activities to management and our Corporate Model Risk Committee (CMoR). The CMoR consists of senior executive management and reports on top model risk issues to the Company's Risk Committee of the Board.

VENDOR-DEVELOPED VALUATIONS In certain limited circumstances we obtain pricing from third-party vendors for the value of our Level 3 assets or liabilities. We have processes in place to approve such vendors to ensure information obtained

and valuation techniques used are appropriate. Once these vendors are approved to provide pricing information, we monitor and review the results to ensure the fair values are reasonable and in line with market experience in similar asset classes. While the input amounts used by the pricing vendor in determining fair value are not provided, and therefore unavailable for our review, we do perform one or more of the following procedures to validate the prices received:

- comparison to other pricing vendors (if available);
- variance analysis of prices;
- corroboration of pricing by reference to other independent market data, such as market transactions and relevant benchmark indices;
- review of pricing by Company personnel familiar with market liquidity and other market-related conditions; and
- investigation of prices on a specific instrument-by-instrument basis.

Fair Value Measurements from Vendors

For certain assets and liabilities, we obtain fair value measurements from vendors, which predominantly consist of third-party pricing services, and record the unadjusted fair value in our financial statements. For instruments where we utilize vendor prices to record the price of an instrument, we perform additional procedures (see the "Vendor-Developed Valuation" section). Methodologies employed, controls relied upon and inputs used by third-party pricing vendors are subject to additional review when such services are provided. This review may consist of, in part, obtaining and evaluating control reports issued and pricing methodology materials distributed.

Table 17.1 presents unadjusted fair value measurements provided by brokers or third-party pricing services fair value hierarchy level . Fair value measurements obtained from brokers or third-party pricing services that we have adjusted to determine the fair value recorded in our financial statements are excluded from Table 17.1.

Table 17.1: Fair Value Measurements by Brokers or Third-Party Pricing Services

		Brokers			Third-party pricing services	
(in millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
December 31, 2015						
Trading assets (excluding derivatives)	**$ —**	**—**	**—**	**—**	**5**	**—**
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**—**	**—**	**—**	**32,868**	**3,382**	**—**
Securities of U.S. states and political subdivisions	**—**	**—**	**—**	**—**	**48,443**	**51**
Mortgage-backed securities	**—**	**226**	**—**	**—**	**126,525**	**73**
Other debt securities (1)	**—**	**503**	**409**	**—**	**48,721**	**345**
Total debt securities	**—**	**729**	**409**	**32,868**	**227,071**	**469**
Total marketable equity securities	**—**	**—**	**—**	**—**	**484**	**—**
Total available-for-sale securities	**—**	**729**	**409**	**32,868**	**227,555**	**469**
Derivatives (trading and other assets)	**—**	**—**	**—**	**—**	**224**	**—**
Derivatives (liabilities)	**—**	**—**	**—**	**—**	**(221)**	**—**
Other liabilities	**—**	**—**	**—**	**—**	**(1)**	**—**
December 31, 2014						
Trading assets (excluding derivatives)	$ —	—	—	2	105	—
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	—	—	—	19,899	5,905	—
Securities of U.S. states and political subdivisions	—	—	—	—	42,666	61
Mortgage-backed securities	—	152	—	—	135,997	133
Other debt securities (1)	—	1,035	601	—	41,933	541
Total debt securities	—	1,187	601	19,899	226,501	735
Total marketable equity securities	—	—	—	—	569	—
Total available-for-sale securities	—	1,187	601	19,899	227,070	735
Derivatives (trading and other assets)	—	1	—	—	290	—
Derivatives (liabilities)	—	(1)	—	—	(292)	—
Other liabilities	—	—	—	—	(1)	—

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

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

Table 17.2 presents the balances of assets and liabilities recorded at fair value on a recurring basis.

Table 17.2: Fair Value on a Recurring Basis

(in millions)	Level 1	Level 2	Level 3	Netting	Total
December 31, 2015					
Trading assets (excluding derivatives)					
Securities of U.S. Treasury and federal agencies	$ 13,357	3,469	—	—	16,826
Securities of U.S. states and political subdivisions	—	1,667	8	—	1,675
Collateralized loan and other debt obligations (1)	—	346	343	—	689
Corporate debt securities	—	7,909	56	—	7,965
Mortgage-backed securities	—	20,619	—	—	20,619
Asset-backed securities	—	1,005	—	—	1,005
Equity securities	15,010	101	—	—	15,111
Total trading securities (2)	28,367	35,116	407	—	63,890
Other trading assets	—	891	34	—	925
Total trading assets (excluding derivatives)	28,367	36,007	441	—	64,815
Securities of U.S. Treasury and federal agencies	32,868	3,382	—	—	36,250
Securities of U.S. states and political subdivisions	—	48,490	1,500 (3)	—	49,990
Mortgage-backed securities:					
Federal agencies	—	104,546	—	—	104,546
Residential	—	8,557	1	—	8,558
Commercial	—	14,015	73	—	14,088
Total mortgage-backed securities	—	127,118	74	—	127,192
Corporate debt securities	54	14,952	405	—	15,411
Collateralized loan and other debt obligations (4)	—	30,402	565 (3)	—	30,967
Asset-backed securities:					
Auto loans and leases	—	15	—	—	15
Home equity loans	—	414	—	—	414
Other asset-backed securities	—	4,290	1,182 (3)	—	5,472
Total asset-backed securities	—	4,719	1,182	—	5,901
Other debt securities	—	10	—	—	10
Total debt securities	32,922	229,073	3,726	—	265,721
Marketable equity securities:					
Perpetual preferred securities	434	484	—	—	918
Other marketable equity securities	719	—	—	—	719
Total marketable equity securities	1,153	484	—	—	1,637
Total available-for-sale securities	34,075	229,557	3,726	—	267,358
Mortgages held for sale	—	12,457	1,082	—	13,539
Loans held for sale	—	—	—	—	—
Loans	—	—	5,316	—	5,316
Mortgage servicing rights (residential)	—	—	12,415	—	12,415
Derivative assets:					
Interest rate contracts	16	62,390	319	—	62,725
Commodity contracts	—	4,623	36	—	4,659
Equity contracts	3,726	2,907	966	—	7,599
Foreign exchange contracts	48	8,899	—	—	8,947
Credit contracts	—	375	275	—	650
Netting	—	—	—	(66,924) (5)	(66,924)
Total derivative assets (6)	3,790	79,194	1,596	(66,924)	17,656
Other assets	—	—	3,088	—	3,088
Total assets recorded at fair value	$ 66,232	357,215	27,664	(66,924)	384,187
Derivative liabilities:					
Interest rate contracts	$ (41)	(57,905)	(31)	—	(57,977)
Commodity contracts	—	(5,495)	(24)	—	(5,519)
Equity contracts	(704)	(3,027)	(1,077)	—	(4,808)
Foreign exchange contracts	(37)	(10,896)	—	—	(10,933)
Credit contracts	—	(351)	(278)	—	(629)
Other derivative contracts	—	—	(58)	—	(58)
Netting	—	—	—	66,004 (5)	66,004
Total derivative liabilities (6)	(782)	(77,674)	(1,468)	66,004	(13,920)
Short sale liabilities:					
Securities of U.S. Treasury and federal agencies	(8,621)	(1,074)	—	—	(9,695)
Securities of U.S. states and political subdivisions	—	—	—	—	—
Corporate debt securities	—	(4,209)	—	—	(4,209)
Equity securities	(1,692)	(4)	—	—	(1,696)
Other securities	—	(70)	—	—	(70)
Total short sale liabilities	(10,313)	(5,357)	—	—	(15,670)
Other liabilities (excluding derivatives)	—	—	(30)	—	(30)
Total liabilities recorded at fair value	$ (11,095)	(83,031)	(1,498)	66,004	(29,620)

(1) The entire balance is collateralized loan obligations.
(2) Net gains from trading activities recognized in the income statement for the year ended December 31, 2015, include $1.0 billion in net unrealized losses on trading securities held at December 31, 2015.
(3) Balances consist of securities that are mostly investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to lim ted market activity.
(4) Includes collateralized debt obligations of $257 mill on.
(5) Represents balance sheet netting of derivative asset and liability balances and related cash collateral. See Note 16 (Derivatives) for add tional information.
(6) Derivative assets and derivative liabil ties include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabil ties, respectively.

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(in millions)	Level 1	Level 2	Level 3	Netting	Total
December 31, 2014					
Trading assets (excluding derivatives)					
Securities of U.S. Treasury and federal agencies	$ 10,506	3,886	—	—	14,392
Securities of U.S. states and political subdivisions	—	1,537	7	—	1,544
Collateralized loan and other debt obligations (1)	—	274	445	—	719
Corporate debt securities	—	7,517	54	—	7,571
Mortgage-backed securities	—	16,273	—	—	16,273
Asset-backed securities	—	776	79	—	855
Equity securities	18,512	38	10	—	18,560
Total trading securities (2)	29,018	30,301	595	—	59,914
Other trading assets	—	1,398	55	—	1,453
Total trading assets (excluding derivatives)	29,018	31,699	650	—	61,367
Securities of U.S. Treasury and federal agencies	19,899	5,905	—	—	25,804
Securities of U.S. states and political subdivisions	—	42,667	2,277 (3)	—	44,944
Mortgage-backed securities:					
Federal agencies	—	110,089	—	—	110,089
Residential	—	9,245	24	—	9,269
Commercial	—	16,885	109	—	16,994
Total mortgage-backed securities	—	136,219	133	—	136,352
Corporate debt securities	83	14,451	252	—	14,786
Collateralized loan and other debt obligations (4)	—	24,274	1,087 (3)	—	25,361
Asset-backed securities:					
Auto loans and leases	—	31	245 (3)	—	276
Home equity loans	—	662	—	—	662
Other asset-backed securities	—	4,189	1,372 (3)	—	5,561
Total asset-backed securities	—	4,882	1,617	—	6,499
Other debt securities	—	20	—	—	20
Total debt securities	19,982	228,418	5,366	—	253,766
Marketable equity securities:					
Perpetual preferred securities (5)	468	569	663 (3)	—	1,700
Other marketable equity securities	1,952	24	—	—	1,976
Total marketable equity securities	2,420	593	663	—	3,676
Total available-for-sale securities	22,402	229,011	6,029	—	257,442
Mortgages held for sale	—	13,252	2,313	—	15,565
Loans held for sale	—	1	—	—	1
Loans	—	—	5,788	—	5,788
Mortgage servicing rights (residential)	—	—	12,738	—	12,738
Derivative assets:					
Interest rate contracts	27	63,306	365	—	63,698
Commodity contracts	—	7,438	23	—	7,461
Equity contracts	4,102	3,544	1,359	—	9,005
Foreign exchange contracts	65	7,339	—	—	7,404
Credit contracts	—	440	466	—	906
Netting	—	—	—	(65,869) (6)	(65,869)
Total derivative assets (7)	4,194	82,067	2,213	(65,869)	22,605
Other assets	—	—	2,593	—	2,593
Total assets recorded at fair value	$ 55,614	356,030	32,324	(65,869)	378,099
Derivative liabilities:					
Interest rate contracts	(29)	(59,958)	(72)	—	(60,059)
Commodity contracts	—	(7,680)	(22)	—	(7,702)
Equity contracts	(1,290)	(4,305)	(1,443)	—	(7,038)
Foreign exchange contracts	(60)	(7,767)	—	—	(7,827)
Credit contracts	—	(456)	(655)	—	(1,111)
Other derivative contracts	—	—	(44)	—	(44)
Netting	—	—	—	65,043 (6)	65,043
Total derivative liabilities (7)	(1,379)	(80,166)	(2,236)	65,043	(18,738)
Short sale liabilities:					
Securities of U.S. Treasury and federal agencies	(7,043)	(1,636)	—	—	(8,679)
Securities of U.S. states and political subdivisions	—	(26)	—	—	(26)
Corporate debt securities	—	(5,055)	—	—	(5,055)
Equity securities	(2,259)	(2)	—	—	(2,261)
Other securities	—	(73)	(6)	—	(79)
Total short sale liabilities	(9,302)	(6,792)	(6)	—	(16,100)
Other liabilities (excluding derivatives)	—	—	(28)	—	(28)
Total liabilities recorded at fair value	$ (10,681)	(86,958)	(2,270)	65,043	(34,866)

(1) The entire balance is collateralized loan obligations.
(2) Net gains from trading activities recognized in the income statement for the year ended December 31, 2014, include $211 million in net unrealized gains on trading securities held at December 31, 2014.
(3) Balances consist of securities that are mostly investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.
(4) Includes collateralized debt obligations of $500 million.
(5) Perpetual preferred securities include ARS and corporate preferred securities. See Note 8 (Securitizations and Variable Interest Entities) for additional information.
(6) Represents balance sheet netting of derivative asset and liability balances and related cash collateral. See Note 16 (Derivatives) for additional information.
(7) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

Changes in Fair Value Levels

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy and transfer between Level 1, Level 2, and Level 3 accordingly. Observable market data includes but is not limited to quoted prices and market transactions. Changes in economic conditions or market liquidity generally will drive changes in availability of observable market data. Changes in availability of observable market data, which also may result in changing the valuation technique used, are generally the cause of transfers between Level 1, Level 2, and Level 3.

Transfers into and out of Level 1, Level 2, and Level 3 for the periods presented are provided within Table 17.3. The amounts reported as transfers represent the fair value as of the beginning of the quarter in which the transfer occurred.

Table 17.3: Transfers Between Fair Value Levels

	Transfers Between Fair Value Levels						
	Level 1		Level 2		Level 3 (1)		
(in millions)	In	Out	In	Out	In	Out	Total
Year ended December 31, 2015							
Trading assets (excluding derivatives)	**$ 15**	**(9)**	**103**	**(28)**	**13**	**(94)**	**—**
Available-for-sale securities (2)	**—**	**—**	**76**	**(8)**	**8**	**(76)**	**—**
Mortgages held for sale	**—**	**—**	**471**	**(194)**	**194**	**(471)**	**—**
Loans	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Net derivative assets and liabilities (3)	**—**	**—**	**48**	**15**	**(15)**	**(48)**	**—**
Short sale liabilities	**(1)**	**1**	**(1)**	**1**	**—**	**—**	**—**
Total transfers	**$ 14**	**(8)**	**697**	**(214)**	**200**	**(689)**	**—**
Year ended December 31, 2014							
Trading assets (excluding derivatives)	$ —	(11)	70	(31)	31	(59)	—
Available-for-sale securities	—	(8)	370	(148)	148	(362)	—
Mortgages held for sale	—	—	229	(440)	440	(229)	—
Loans	—	—	49	(270)	270	(49)	—
Net derivative assets and liabilities (4)	—	—	(134)	20	(20)	134	—
Short sale liabilities	—	—	—	—	—	—	—
Total transfers	$ —	(19)	584	(869)	869	(565)	—
Year ended December 31, 2013							
Trading assets (excluding derivatives) (5)	$ —	(242)	535	(56)	52	(289)	—
Available-for-sale securities (5) (6)	17	—	12,830	(117)	100	(12,830)	—
Mortgages held for sale	—	—	343	(336)	336	(343)	—
Loans	—	—	193	—	—	(193)	—
Net derivative assets and liabilities (4)	—	—	(142)	13	(13)	142	—
Short sale liabilities	—	—	—	—	—	—	—
Total transfers	$ 17	(242)	13,759	(496)	475	(13,513)	—

(1) All transfers in and out of Level 3 are disclosed w thin the recurring Level 3 rollforward tables in this Note.
(2) Transfers out of Level 3 exclude $640 mill on in auction rate perpetual preferred equ ty securities that were transferred in second quarter 2015 from available-for-sale securities to nonmarketable equity investments in other assets. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets) for addit onal information.
(3) Includes net derivatives assets that were transferred from Level 3 to Level 2 due to increased observable market data. Also includes net derivative liabil ties that were transferred from Level 2 to Level 3 due to a decrease in observable market data.
(4) Includes net derivative liabil ties that were transferred from Level 3 to Level 2 due to increased observable market data. Also includes net derivative liabil ties that were transferred from Level 2 to Level 3 due to a decrease in observable market data.
(5) Consists of $231 million of collateralized loan obligations classified as trading assets and $12.5 bill on classified as available-for-sale securities that we transferred from Level 3 to Level 2 in 2013 as a result of increased observable market data in the valuat on of such instruments.
(6) Transfers out of available-for-sale securities classified as Level 3 exclude $6.0 billion in asset-backed securities that were transferred from the available-for-sale portfolio to held-to-matur ty securities.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2015, are presented in Table 17.4.

Table 17.4: Changes in Level 3 Fair Value Assets and Liabilities on a Recurring Basis – 2015

(in millions)	Balance, beginning of period	Total net gains (losses) included in: Net income	Total net gains (losses) included in: Other comprehensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end	(2)
Year ended December 31, 2015									
Trading assets (excluding derivatives):									
Securities of U.S. states and political subdivisions	$ 7	—	—	1	—	—	8	—	
Collateralized loan and other debt obligations	445	8	—	(110)	—	—	343	(28)	
Corporate debt securities	54	2	—	—	12	(12)	56	(2)	
Mortgage-backed securities	—	1	—	(1)	—	—	—	1	
Asset-backed securities	79	16	—	(14)	—	(81)	—	—	
Equity securities	10	1	—	(11)	—	—	—	—	
Total trading securities	595	28	—	(135)	12	(93)	407	(29)	
Other trading assets	55	3	—	(24)	1	(1)	34	(14)	
Total trading assets (excluding derivatives)	650	31	—	(159)	13	(94)	441	(43)	(3)
Available-for-sale securities:									
Securities of U.S. states and political subdivisions	2,277	6	(16)	(691)	—	(76)	1,500	(5)	
Mortgage-backed securities:									
Residential	24	5	(6)	(22)	—	—	1	—	
Commercial	109	12	(18)	(30)	—	—	73	(2)	
Total mortgage-backed securities	133	17	(24)	(52)	—	—	74	(2)	
Corporate debt securities	252	12	(46)	179	8	—	405	(32)	
Collateralized loan and other debt obligations	1,087	218	(169)	(571)	—	—	565	—	
Asset-backed securities:									
Auto loans and leases	245	—	19	(264)	—	—	—	—	
Home equity loans	—	—	—	—	—	—	—	—	
Other asset-backed securities	1,372	2	(13)	(179)	—	—	1,182	(1)	
Total asset-backed securities	1,617	2	6	(443)	—	—	1,182	(1)	
Total debt securities	5,366	255	(249)	(1,578)	8	(76)	3,726	(40)	(4)
Marketable equity securities:									
Perpetual preferred securities	663	3	(2)	(24)	—	(640)	—	—	
Other marketable equity securities	—	—	—	—	—	—	—	—	
Total marketable equity securities	663	3	(2)	(24)	—	(640)	—	—	(5)
Total available-for-sale securities	6,029	258	(251)	(1,602)	8	(716)	3,726	(40)	
Mortgages held for sale	2,313	23	—	(977)	194	(471)	1,082	(23)	(6)
Loans	5,788	(128)	—	(344)	—	—	5,316	(117)	(6)
Mortgage servicing rights (residential) (7)	12,738	(1,870)	—	1,547	—	—	12,415	214	(6)
Net derivative assets and liabilities:									
Interest rate contracts	293	1,132	—	(1,137)	—	—	288	97	
Commodity contracts	1	7	—	6	(2)	—	12	10	
Equity contracts	(84)	116	—	(82)	(13)	(48)	(111)	74	
Foreign exchange contracts	—	—	—	—	—	—	—	—	
Credit contracts	(189)	19	—	167	—	—	(3)	10	
Other derivative contracts	(44)	(15)	—	1	—	—	(58)	(15)	
Total derivative contracts	(23)	1,259	—	(1,045)	(15)	(48)	128	176	(8)
Other assets	2,593	443	—	52	—	—	3,088	457	(3)
Short sale liabilities	(6)	—	—	6	—	—	—	—	(3)
Other liabilities (excluding derivatives)	(28)	(13)	—	11	—	—	(30)	—	(6)

(1) See Table 17.5 for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.
(4) Included in net gains (losses) from debt securities in the income statement.
(5) Included in net gains (losses) from equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) For more information on the changes in mortgage servicing rights, see Note 9 (Mortgage Banking Activities).
(8) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

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Table 17.5 presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2015.

Table 17.5: Gross Purchases, Sales, Issuances and Settlements – Level 3 – 2015

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Year ended December 31, 2015					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 4	(2)	—	(1)	1
Collateralized loan and other debt obligations	1,093	(1,203)	—	—	(110)
Corporate debt securities	45	(45)	—	—	—
Mortgage-backed securities	—	(1)	—	—	(1)
Asset-backed securities	—	(5)	—	(9)	(14)
Equity securities	—	—	—	(11)	(11)
Total trading securities	1,142	(1,256)	—	(21)	(135)
Other trading assets	4	(27)	—	(1)	(24)
Total trading assets (excluding derivatives)	1,146	(1,283)	—	(22)	(159)
Available-for-sale securities:					
Securities of U.S. states and political subdivisions	—	(65)	555	(1,181)	(691)
Mortgage-backed securities:					
Residential	—	(22)	—	—	(22)
Commercial	—	(8)	—	(22)	(30)
Total mortgage-backed securities	—	(30)	—	(22)	(52)
Corporate debt securities	200	(11)	—	(10)	179
Collateralized loan and other debt obligations	109	(325)	—	(355)	(571)
Asset-backed securities:					
Auto loans and leases	—	—	—	(264)	(264)
Home equity loans	—	—	—	—	—
Other asset-backed securities	141	(1)	274	(593)	(179)
Total asset-backed securities	141	(1)	274	(857)	(443)
Total debt securities	450	(432)	829	(2,425)	(1,578)
Marketable equity securities:					
Perpetual preferred securities	—	—	—	(24)	(24)
Other marketable equity securities	—	—	—	—	—
Total marketable equity securities	—	—	—	(24)	(24)
Total available-for-sale securities	450	(432)	829	(2,449)	(1,602)
Mortgages held for sale	202	(1,605)	777	(351)	(977)
Loans	72	—	379	(795)	(344)
Mortgage servicing rights (residential)	—	(3)	1,556	(6)	1,547
Net derivative assets and liabilities:					
Interest rate contracts	—	—	—	(1,137)	(1,137)
Commodity contracts	—	—	—	6	6
Equity contracts	15	(103)	—	6	(82)
Foreign exchange contracts	—	—	—	—	—
Credit contracts	12	(3)	—	158	167
Other derivative contracts	—	—	—	1	1
Total derivative contracts	27	(106)	—	(966)	(1,045)
Other assets	97	(20)	—	(25)	52
Short sale liabilities	21	(15)	—	—	6
Other liabilities (excluding derivatives)	—	—	—	11	11

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2014, are summarized in Table 17.6.

Table 17.6: Changes in Level 3 Fair Value Assets and Liabilities on a Recurring Basis – 2014

(in mill ons)	Balance, beginning of period	Total net gains (losses) included in: Net income	Total net gains (losses) included in: Other compre-hensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end (2)	
Year ended December 31, 2014									
Trading assets (excluding derivatives):									
Securities of U.S. states and polit cal subdivisions	$ 39	1	—	(2)	—	(31)	7	—	
Collateralized loan and other debt obligations	541	36	—	(121)	4	(15)	445	(48)	
Corporate debt securities	53	—	—	(21)	26	(4)	54	1	
Mortgage-backed secur ties	1	—	—	2	—	(3)	—	—	
Asset-backed securities	122	32	—	(70)	—	(5)	79	32	
Equ ty securities	13	—	—	(3)	—	—	10	—	
Total trading securities	769	69	—	(215)	30	(58)	595	(15)	
Other trading assets	54	(10)	—	11	1	(1)	55	(1)	
Total trading assets (excluding derivatives)	823	59	—	(204)	31	(59)	650	(16)	(3)
Available-for-sale secur ties:									
Securities of U.S. states and polit cal subdivisions	3,214	21	(86)	(569)	59	(362)	2,277	(2)	
Mortgage-backed secur ties:									
Res dential	64	11	(5)	(46)	—	—	24	—	
Commercial	138	9	(1)	(37)	—	—	109	(4)	
Total mortgage-backed securities	202	20	(6)	(83)	—	—	133	(4)	
Corporate debt securities	281	25	(25)	(29)	—	—	252	—	
Collateralized loan and other debt obligations	1,420	117	(47)	(403)	—	—	1,087	(2)	
Asset-backed securities:									
Auto loans and leases	492	—	(33)	(214)	—	—	245	—	
Home equ ty loans	—	—	—	—	—	—	—	—	
Other asset-backed securities	1,657	5	(6)	(373)	89	—	1,372	—	
Total asset-backed secur ties	2,149	5	(39)	(587)	89	—	1,617	—	
Total debt securities	7,266	188	(203)	(1,671)	148	(362)	5,366	(8)	(4)
Marketable equ ty securities:									
Perpetual preferred securities	729	8	(29)	(45)	—	—	663	—	
Other marketable equity securities	—	4	—	(4)	—	—	—	—	
Total marketable equ ty securities	729	12	(29)	(49)	—	—	663	—	(5)
Total available-for-sale secur ties	7,995	200	(232)	(1,720)	148	(362)	6,029	(8)	
Mortgages held for sale	2,374	4	—	(276)	440	(229)	2,313	7	(6)
Loans	5,723	(52)	—	(104)	270	(49)	5,788	(32)	(6)
Mortgage servicing rights (residential) (7)	15,580	(4,031)	—	1,189	—	—	12,738	(2,122)	(6)
Net derivative assets and liabil ties:									
Interest rate contracts	(40)	1,588	—	(1,255)	—	—	293	317	
Commodity contracts	(10)	(21)	—	(2)	(3)	37	1	(1)	
Equ ty contracts	(46)	96	—	(214)	(17)	97	(84)	(42)	
Foreign exchange contracts	9	5	—	(14)	—	—	—	—	
Credit contracts	(375)	26	—	160	—	—	(189)	(38)	
Other derivative contracts	(3)	(41)	—	—	—	—	(44)	(40)	
Total derivative contracts	(465)	1,653	—	(1,325)	(20)	134	(23)	196	(8)
Other assets	1,503	514	—	576	—	—	2,593	(8)	(3)
Short sale liabil ties	—	1	—	(7)	—	—	(6)	1	(3)
Other liabil ties (excluding derivatives)	(39)	(10)	—	21	—	—	(28)	(1)	(6)

(1) See Table 17.7 for detail.
(2) Represents only net gains (losses) that are due to changes in econom c cond t ons and management's estimates of fair value and excludes changes due to the collect on/realizat on of cash flows over time.
(3) Included in net gains (losses) from trading activ ties and other noninterest income in the income statement.
(4) Included in net gains (losses) from debt secur ties in the income statement.
(5) Included in net gains (losses) from equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) For more information on the changes in mortgage servicing rights, see Note 9 (Mortgage Banking Activ ties).
(8) Included in mortgage banking, trading activ ties, equ ty investments and other noninterest income in the income statement.

(continued on following page)

Note 17: Fair Values of Assets and Liabilities *(continued)*

(continued from previous page)

Table 17.7 presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2014.

Table 17.7: Gross Purchases, Sales, Issuances and Settlements – Level 3 – 2014

(in mill ons)	Purchases	Sales	Issuances	Settlements	Net
Year ended December 31, 2014					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivis ons	$ 10	(12)	—	—	(2)
Collateralized loan and other debt obligat ons	1,057	(1,174)	—	(4)	(121)
Corporate debt securities	85	(106)	—	—	(21)
Mortgage-backed secur ties	3	(1)	—	—	2
Asset-backed securities	17	(47)	—	(40)	(70)
Equ ty securities	—	—	—	(3)	(3)
Total trading securities	1,172	(1,340)	—	(47)	(215)
Other trading assets	11	(1)	1	—	11
Total trading assets (excluding derivatives)	1,183	(1,341)	1	(47)	(204)
Available-for-sale secur ties:					
Securities of U.S. states and political subdivis ons	73	(144)	336	(834)	(569)
Mortgage-backed secur ties:					
Res dential	—	(44)	—	(2)	(46)
Commercial	—	(31)	—	(6)	(37)
Total mortgage-backed securities	—	(75)	—	(8)	(83)
Corporate debt securities	21	(32)	10	(28)	(29)
Collateralized loan and other debt obligat ons	134	(34)	—	(503)	(403)
Asset-backed securities:					
Auto loans and leases	—	—	—	(214)	(214)
Home equ ty loans	—	—	—	—	—
Other asset-backed securities	117	(16)	522	(996)	(373)
Total asset-backed secur ties	117	(16)	522	(1,210)	(587)
Total debt securities	345	(301)	868	(2,583)	(1,671)
Marketable equ ty securities:					
Perpetual preferred securities	—	—	—	(45)	(45)
Other marketable equity secur ties	—	(4)	—	—	(4)
Total marketable equ ty securities	—	(4)	—	(45)	(49)
Total available-for-sale secur ties	345	(305)	868	(2,628)	(1,720)
Mortgages held for sale	208	(276)	167	(375)	(276)
Loans	76	—	438	(618)	(104)
Mortgage servicing rights (residential)	—	(7)	1,196	—	1,189
Net derivative assets and liabil ties:					
Interest rate contracts	—	—	—	(1,255)	(1,255)
Commod ty contracts	—	—	—	(2)	(2)
Equ ty contracts	—	(116)	—	(98)	(214)
Foreign exchange contracts	—	—	—	(14)	(14)
Credit contracts	3	(2)	—	159	160
Other derivative contracts	—	—	—	—	—
Total derivative contracts	3	(118)	—	(1,210)	(1,325)
Other assets	608	(1)	—	(31)	576
Short sale liabil ties	20	(27)	—	—	(7)
Other liabil ties (excluding derivatives)	—	—	—	21	21

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2013 are summarized in Table 17.8.

Table 17.8: Changes in Level 3 Fair Value Assets and Liabilities on a Recurring Basis – 2013

(in millions)	Balance, beginning of period	Total net gains (losses) included in: Net income	Total net gains (losses) included in: Other comprehensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end (2)	
Year ended December 31, 2013									
Trading assets (excluding derivatives):									
Securities of U.S. states and political subdivisions	$ 46	3	—	(10)	—	—	39	—	
Collateralized loan and other debt obligations	742	67	—	(37)	—	(231)	541	(33)	
Corporate debt securities	52	9	—	(1)	13	(20)	53	6	
Mortgage-backed securities	6	1	—	9	—	(15)	1	1	
Asset-backed securities	138	16	—	(35)	25	(22)	122	15	
Equity securities	3	—	—	(3)	13	—	13	—	
Total trading securities	987	96	—	(77)	51	(288)	769	(11)	
Other trading assets	76	(22)	—	—	1	(1)	54	(8)	
Total trading assets (excluding derivatives)	1,063	74	—	(77)	52	(289)	823	(19)	(3)
Available-for-sale securities:									
Securities of U.S. states and political subdivisions	3,631	11	(85)	(182)	53	(214)	3,214	—	
Mortgage-backed securities:									
Residential	94	17	(1)	(40)	—	(6)	64	—	
Commercial	203	(13)	28	(58)	—	(22)	138	(8)	
Total mortgage-backed securities	297	4	27	(98)	—	(28)	202	(8)	
Corporate debt securities	274	10	(10)	(13)	23	(3)	281	—	
Collateralized loan and other debt obligations	13,188	8	124	625	—	(12,525)	1,420	—	
Asset-backed securities:									
Auto loans and leases	5,921	(1)	(34)	(1,067)	—	(4,327)	492	—	
Home equity loans	51	3	(1)	(5)	—	(48)	—	—	
Other asset-backed securities	3,283	27	19	31	24	(1,727)	1,657	(7)	
Total asset-backed securities	9,255	29	(16)	(1,041)	24	(6,102)	2,149	(7)	(4)
Total debt securities	26,645	62	40	(709)	100	(18,872)	7,266	(15)	(5)
Marketable equity securities:									
Perpetual preferred securities	794	10	(2)	(73)	—	—	729	—	
Other marketable equity securities	—	—	—	—	—	—	—	—	
Total marketable equity securities	794	10	(2)	(73)	—	—	729	—	(6)
Total available-for-sale securities	27,439	72	38	(782)	100	(18,872)	7,995	(15)	
Mortgages held for sale	3,250	5	—	(874)	336	(343)	2,374	(74)	(7)
Loans	6,021	(211)	—	106	—	(193)	5,723	(178)	(7)
Mortgage servicing rights (residential) (8)	11,538	1,156	—	2,886	—	—	15,580	3,398	(7)
Net derivative assets and liabilities:									
Interest rate contracts	659	(662)	—	(39)	—	2	(40)	(186)	
Commodity contracts	21	—	—	(66)	(1)	36	(10)	(19)	
Equity contracts	(122)	(151)	—	137	(14)	104	(46)	48	
Foreign exchange contracts	21	(15)	—	1	2	—	9	(8)	
Credit contracts	(1,150)	(30)	—	805	—	—	(375)	345	
Other derivative contracts	(78)	75	—	—	—	—	(3)	—	
Total derivative contracts	(649)	(783)	—	838	(13)	142	(465)	180	(9)
Other assets	162	315	—	1,026	—	—	1,503	(2)	(3)
Short sale liabilities	—	—	—	—	—	—	—	—	(3)
Other liabilities (excluding derivatives)	(49)	3	—	7	—	—	(39)	5	(7)

(1) See Table 17.9 for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.
(4) Level 3 transfers out include $6.0 billion in asset-backed securities that were transferred from the available-for-sale portfolio to held-to-maturity securities.
(5) Included in net gains (losses) from debt securities in the income statement.
(6) Included in net gains (losses) from equity investments in the income statement.
(7) Included in mortgage banking and other noninterest income in the income statement.
(8) For more information on the changes in mortgage servicing rights, see Note 9 (Mortgage Banking Activities).
(9) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

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Table 17.9 presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2013.

Table 17.9: Gross Purchases, Sales, Issuances and Settlements – Level 3 – 2013

(in mill ons)	Purchases	Sales	Issuances	Settlements	Net
Year ended December 31, 2013					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivis ons	$ 127	(136)	—	(1)	(10)
Collateralized loan and other debt obligat ons	1,030	(1,064)	—	(3)	(37)
Corporate debt securities	117	(117)	—	(1)	(1)
Mortgage-backed secur ties	429	(420)	—	—	9
Asset-backed securities	53	(45)	—	(43)	(35)
Equ ty securities	—	(3)	—	—	(3)
Total trading securities	1,756	(1,785)	—	(48)	(77)
Other trading assets	—	—	—	—	—
Total trading assets (excluding derivatives)	1,756	(1,785)	—	(48)	(77)
Available-for-sale secur ties:					
Securities of U.S. states and political subdivis ons	—	(69)	648	(761)	(182)
Mortgage-backed secur ties:					
Res dential	—	(37)	—	(3)	(40)
Commercial	—	(1)	—	(57)	(58)
Total mortgage-backed securities	—	(38)	—	(60)	(98)
Corporate debt securities	—	—	20	(33)	(13)
Collateralized loan and other debt obligat ons	1,008	(14)	—	(369)	625
Asset-backed securities:					
Auto loans and leases	1,751	—	1,047	(3,865)	(1,067)
Home equ ty loans	—	(5)	—	—	(5)
Other asset-backed securities	1,164	(36)	1,116	(2,213)	31
Total asset-backed secur ties	2,915	(41)	2,163	(6,078)	(1,041)
Total debt secur ties	3,923	(162)	2,831	(7,301)	(709)
Marketable equity securities:					
Perpetual preferred securities	—	(20)	—	(53)	(73)
Other marketable equity secur ties	—	—	—	—	—
Total marketable equ ty securities	—	(20)	—	(53)	(73)
Total available-for-sale secur ties	3,923	(182)	2,831	(7,354)	(782)
Mortgages held for sale	286	(574)	—	(586)	(874)
Loans	23	—	452	(369)	106
Mortgage servicing rights (residential)	—	(583)	3,469	—	2,886
Net derivative assets and liabilities:					
Interest rate contracts	—	—	—	(39)	(39)
Commod ty contracts	—	—	—	(66)	(66)
Equ ty contracts	—	(148)	—	285	137
Foreign exchange contracts	—	—	—	1	1
Credit contracts	7	(5)	(4)	807	805
Other derivative contracts	—	—	—	—	—
Total derivative contracts	7	(153)	(4)	988	838
Other assets	1,064	(2)	—	(36)	1,026
Short sale liabil ties	8	(8)	—	—	—
Other liabil ties (excluding derivatives)	—	—	(4)	11	7

Table 17.10 and Table 17.11 provide quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a recurring basis for which we use an internal model.

The significant unobservable inputs for Level 3 assets and liabilities that are valued using fair values obtained from third-party vendors are not included in the table as the specific inputs applied are not provided by the vendor (see discussion regarding vendor-developed valuations within the "Level 3 Asset and Liability Valuation Processes" section previously within this Note). In addition, the table excludes the valuation techniques and significant unobservable inputs for certain classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 assets and liabilities. We made this determination based upon an evaluation of each class that considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

Table 17.10: Valuation Techniques – Recurring Basis – 2015

($ in millions, except cost to service amounts)	Fair Value Level 3		Valuation Technique(s)	Significant Unobservable Input	Range of Inputs			Weighted Average (1)
December 31, 2015								
Trading and available-for-sale securities:								
Securities of U.S. states and political subdivisions:								
Government, healthcare and other revenue bonds	$ 1,213		Discounted cash flow	Discount rate	0.8	- 5.6	%	1.9
	51		Vendor priced					
Auction rate securities and other municipal bonds	244		Discounted cash flow	Discount rate	0.8	- 4.5		2.0
				Weighted average life	1.0	- 10.0	yrs	4.7
Collateralized loan and other debt obligations (2)	343		Market comparable pricing	Comparability adjustment	(20.0)	- 20.3	%	2.9
	565		Vendor priced					
Asset-backed securities:								
Diversified payment rights (3)	608		Discounted cash flow	Discount rate	1.0	- 5.0		3.2
Other commercial and consumer	508	(4)	Discounted cash flow	Discount rate	2.5	- 6.3		3.8
				Weighted average life	1.0	- 9.4	yrs	4.3
	66		Vendor priced					
Mortgages held for sale (residential)	1,033		Discounted cash flow	Default rate	0.5	- 13.7	%	3.6
				Discount rate	1.1	- 6.3		4.7
				Loss severity	0.1	- 22.7		11.2
				Prepayment rate	2.6	- 9.6		6.4
	49		Market comparable pricing	Comparability adjustment	(53.3)	- 0.0		(32.6)
Loans	5,316	(5)	Discounted cash flow	Discount rate	0.0	- 3.9		3.1
				Prepayment rate	0.2	- 100.0		14.6
				Utilization rate	0.0	- 0.8		0.3
Mortgage servicing rights (residential)	12,415		Discounted cash flow	Cost to service per loan (6)	$ 70	- 599		168
				Discount rate	6.8	- 11.8	%	7.3
				Prepayment rate (7)	10.1	- 18.9		11.4
Net derivative assets and (liabilities):								
Interest rate contracts	230		Discounted cash flow	Default rate	0.1	- 9.6		2.6
				Loss severity	50.0	- 50.0		50.0
				Prepayment rate	0.3	- 2.5		2.2
Interest rate contracts: derivative loan commitments	58	(8)	Discounted cash flow	Fall-out factor	1.0	- 99.0		18.8
				Initial-value servicing	(30.6)	- 127.0	bps	41.5
Equity contracts	72		Discounted cash flow	Conversion factor	(10.6)	- 0.0	%	(8.1)
				Weighted average life	0.5	- 2.0	yrs	1.5
	(183)		Option model	Correlation factor	(77.0)	- 98.5	%	66.0
				Volatility factor	6.5	- 91.3		24.2
Credit contracts	(9)		Market comparable pricing	Comparability adjustment	(53.6)	- 18.2		(0.6)
	6		Option model	Credit spread	0.0	- 19.9		1.6
				Loss severity	13.0	- 73.0		49.6
Other assets: nonmarketable equity investments	3,065		Market comparable pricing	Comparability adjustment	(19.1)	- (5.5)		(15.1)
Insignificant Level 3 assets, net of liabilities	516	(9)						
Total level 3 assets, net of liabilities	$ 26,166	(10)						

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments, such as loans and securities, and not onal amounts for derivative instruments.
(2) Includes $257 million of collateralized debt obligat ons.
(3) Securities backed by specified sources of current and future receivables generated from foreign originators.
(4) Consists largely of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.
(5) Consists predominantly of reverse mortgage loans securitized w th GNMA that were accounted for as secured borrowing transactions.
(6) The high end of the range of inputs is for serv cing modified loans. For non-modified loans the range is $70 - $335.
(7) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behav or.
(8) Total derivative loan commitments were a net asset of $56 million, of which a $2 million derivative liabil ty was classified as level 2 at December 31, 2015.
(9) Represents the aggregate amount of Level 3 assets and liabil ties measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, certain other assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts and other derivative contracts.
(10) Consists of total Level 3 assets of $27.7 bill on and total Level 3 liabil ties of $1.5 bill on, before netting of derivative balances.

Table 17.11: Valuation Techniques – Recurring Basis – 2014

($ in millions, except cost to serv ce amounts)	Fair Value Level 3		Valuation Techn que(s)	Significant Unobservable Input	Range of Inputs		Weighted Average (1)
December 31, 2014							
Trading and available-for-sale securities:							
Securities of U.S. states and polit cal subdivisions:							
Government, healthcare and other revenue bonds	$ 1,900		Discounted cash flow	Discount rate	0.4 - 5.6	%	1.5
	61		Vendor priced				
Auction rate securities and other mun cipal bonds	323		Discounted cash flow	Discount rate	1.5 - 7.6		3.9
				Weighted average life	1.3 - 19.4	yrs	6.4
Collateralized loan and other debt obligat ons (2)	565		Market comparable pricing	Comparability adjustment	(53.9) - 25.0	%	0.9
	967		Vendor priced				
Asset-backed securities:							
Auto loans and leases	245		Discounted cash flow	Discount rate	0.4 - 0.4		0.4
Other asset-backed securities:							
Diversified payment rights (3)	661		Discounted cash flow	Discount rate	0.9 - 7.1		2.9
Other commercial and consumer	750	(4)	Discounted cash flow	Discount rate	1.9 - 21.5		5.0
				Weighted average life	1.6 - 10.7	yrs	4.0
	40		Vendor priced				
Marketable equ ty securities: perpetual preferred	663	(5)	Discounted cash flow	Discount rate	4.1 - 9.3	%	6.6
				Weighted average life	1.0 - 11.8	yrs	9.7
Mortgages held for sale (res dential)	2,235		Discounted cash flow	Default rate	0.4 - 15.0	%	2.6
				Discount rate	1.1 - 7.7		5.2
				Loss severity	0.1 - 26.4		18.3
				Prepayment rate	2.0 - 15.5		8.1
	78		Market comparable pricing	Comparability adjustment	(93.0) - 10.0		(30.0)
Loans	5,788	(6)	Discounted cash flow	Discount rate	0.0 - 3.8		3.1
				Prepayment rate	0.6 - 100.0		11.2
				Utilization rate	0.0 - 1.0		0.4
Mortgage servicing rights (residential)	12,738		Discounted cash flow	Cost to service per loan (7)	$ 86 - 683		179
				Discount rate	5.9 - 16.9	%	7.6
				Prepayment rate (8)	8.0 - 22.0		12.5
Net derivative assets and (liabil ties):							
Interest rate contracts	196		Discounted cash flow	Default rate	0.00 - 0.02		0.01
				Loss severity	50.0 - 50.0		50.0
Interest rate contracts: derivative loan commitments	97		Discounted cash flow	Fall-out factor	1.0 - 99.0		24.5
				Initial-value servicing	(31.1) - 113.3	bps	46.5
Equ ty contracts	162		Discounted cash flow	Conversion factor	(11.2) - 0.0	%	(8.4)
				Weighted average life	1.0 - 2.0	yrs	1.3
	(246)		Option model	Correlation factor	(56.0) - 96.3	%	42.1
				Volatil ty factor	8.3 - 80.9		28.3
Credit contracts	(192)		Market comparable pr cing	Comparability adjustment	(28.6) - 26.3		1.8
	3		Option model	Credit spread	0.0 - 17.0		0.9
				Loss severity	11.5 - 72.5		48.7
Other assets: nonmarketable equity investments	2,512		Market comparable pr cing	Comparability adjustment	(19.7) - (4.0)		(14.7)
Insignif cant Level 3 assets, net of liabilities	507	(9)					
Total level 3 assets, net of liabil ties	$ 30,054	(10)					

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments such as loans and securities, and not onal amounts for derivative instruments.
(2) Includes $500 million of collateralized debt obligat ons.
(3) Securities backed by specified sources of current and future receivables generated from foreign originators.
(4) Consists primarily of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.
(5) Consists of auct on rate preferred equity secur ties with no maturity date that are callable by the issuer.
(6) Consists predominantly of reverse mortgage loans securitized w th GNMA that were accounted for as secured borrowing transactions.
(7) The high end of the range of inputs is for serv cing modified loans. For non-modified loans the range is $86 - $270.
(8) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behav or.
(9) Represents the aggregate amount of Level 3 assets and liabil ties measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, certain other assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts and other derivative contracts.
(10) Consists of total Level 3 assets of $32.3 bill on and total Level 3 liabil ties of $2.3 bill on, before netting of derivative balances.

The valuation techniques used for our Level 3 assets and liabilities, as presented in the previous tables, are described as follows:

- Discounted cash flow - Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument and then discounting those cash flows at a rate of return that results in the fair value amount.
- Market comparable pricing - Market comparable pricing valuation techniques are used to determine the fair value of certain instruments by incorporating known inputs, such as recent transaction prices, pending transactions, or prices of other similar investments that require significant adjustment to reflect differences in instrument characteristics.
- Option model - Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.
- Vendor-priced – Prices obtained from third party pricing vendors or brokers that are used to record the fair value of the asset or liability, of which the related valuation technique and significant unobservable inputs are not provided.

Significant unobservable inputs presented in the previous tables are those we consider significant to the fair value of the Level 3 asset or liability. We consider unobservable inputs to be significant if by their exclusion the fair value of the Level 3 asset or liability would be impacted by a predetermined percentage change, or based on qualitative factors, such as nature of the instrument, type of valuation technique used, and the significance of the unobservable inputs relative to other inputs used within the valuation. Following is a description of the significant unobservable inputs provided in the table.

- Comparability adjustment – is an adjustment made to observed market data, such as a transaction price in order to reflect dissimilarities in underlying collateral, issuer, rating, or other factors used within a market valuation approach, expressed as a percentage of an observed price.
- Conversion Factor – is the risk-adjusted rate in which a particular instrument may be exchanged for another instrument upon settlement, expressed as a percentage change from a specified rate.
- Correlation factor - is the likelihood of one instrument changing in price relative to another based on an established relationship expressed as a percentage of relative change in price over a period over time.
- Cost to service - is the expected cost per loan of servicing a portfolio of loans, which includes estimates for unreimbursed expenses (including delinquency and foreclosure costs) that may occur as a result of servicing such loan portfolios.
- Credit spread – is the portion of the interest rate in excess of a benchmark interest rate, such as OIS, LIBOR or U.S. Treasury rates, that when applied to an investment captures changes in the obligor's creditworthiness.
- Default rate – is an estimate of the likelihood of not collecting contractual amounts owed expressed as a constant default rate (CDR).
- Discount rate – is a rate of return used to present value the future expected cash flow to arrive at the fair value of an instrument. The discount rate consists of a benchmark rate component and a risk premium component. The benchmark rate component, for example, OIS, LIBOR or U.S. Treasury rates, is generally observable within the market and is necessary to appropriately reflect the time value of money. The risk premium component reflects the amount of compensation market participants require due to the uncertainty inherent in the instruments' cash flows resulting from risks such as credit and liquidity.
- Fall-out factor - is the expected percentage of loans associated with our interest rate lock commitment portfolio that are likely of not funding.
- Initial-value servicing - is the estimated value of the underlying loan, including the value attributable to the embedded servicing right, expressed in basis points of outstanding unpaid principal balance.
- Loss severity – is the percentage of contractual cash flows lost in the event of a default.
- Prepayment rate – is the estimated rate at which forecasted prepayments of principal of the related loan or debt instrument are expected to occur, expressed as a constant prepayment rate (CPR).
- Utilization rate – is the estimated rate in which incremental portions of existing reverse mortgage credit lines are expected to be drawn by borrowers, expressed as an annualized rate.
- Volatility factor – is the extent of change in price an item is estimated to fluctuate over a specified period of time expressed as a percentage of relative change in price over a period over time.
- Weighted average life – is the weighted average number of years an investment is expected to remain outstanding based on its expected cash flows reflecting the estimated date the issuer will call or extend the maturity of the instrument or otherwise reflecting an estimate of the timing of an instrument's cash flows whose timing is not contractually fixed.

Significant Recurring Level 3 Fair Value Asset and Liability Input Sensitivity

We generally use discounted cash flow or similar internal modeling techniques to determine the fair value of our Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the preceding tables. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated to one another), which may counteract or magnify the fair value impact.

SECURITIES, LOANS, MORTGAGES HELD FOR SALE and NONMARKETABLE EQUITY INVESTMENTS The fair values of predominantly all Level 3 trading securities, mortgages held for sale, loans, other nonmarketable equity investments, and available-for-sale securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The internal models used to determine fair value for these Level 3 instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs include discount rate, prepayment rate, default rate, loss severity, utilization rate, comparability adjustment and weighted average life.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rate, default rate, loss severity, or weighted average life inputs and would generally decrease (increase) in value based upon an increase (decrease) in prepayment rate. Conversely, the fair value of these Level 3 assets would generally increase (decrease) in value if the utilization rate input were to increase (decrease).

Generally, a change in the assumption used for default rate is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayment rates. The comparability adjustment input may have a positive or negative impact on fair value depending on the change in fair value the comparability adjustment references. Unobservable inputs for comparability adjustment, loss severity, utilization rate and weighted average life do not increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

DERIVATIVE INSTRUMENTS Level 3 derivative instruments are valued using market comparable pricing, option pricing and discounted cash flow valuation techniques. We utilize certain unobservable inputs within these techniques to determine the fair value of the Level 3 derivative instruments. The significant unobservable inputs consist of credit spread, a comparability adjustment, prepayment rate, default rate, loss severity, initial-value servicing, fall-out factor, volatility factor, weighted average life, conversion factor, and correlation factor.

Level 3 derivative assets (liabilities) where we are long the underlying would decrease (increase) in value upon an increase (decrease) in default rate, fall-out factor, credit spread, conversion factor, or loss severity inputs. Conversely, Level 3 derivative assets (liabilities) would generally increase (decrease) in value upon an increase (decrease) in prepayment rate, initial-value servicing, weighted average life, or volatility factor inputs. The inverse of the above relationships would occur for instruments in which we are short the underlying. The correlation factor and comparability adjustment inputs may have a positive or negative impact on the fair value of these derivative instruments depending on the change in value of the item the correlation factor and comparability adjustment is referencing. The correlation factor and comparability adjustment are considered independent from movements in other significant unobservable inputs for derivative instruments.

Generally, for derivative instruments for which we are subject to changes in the value of the underlying referenced instrument, a change in the assumption used for default rate is accompanied by directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayment rates. Unobservable inputs for loss severity, fall-out factor, initial-value servicing, weighted average life, conversion factor, and volatility do not increase or decrease based on movements in other significant unobservable inputs for these Level 3 instruments.

MORTGAGE SERVICING RIGHTS We use a discounted cash flow valuation technique to determine the fair value of Level 3 mortgage servicing rights. These models utilize certain significant unobservable inputs including prepayment rate, discount rate and costs to service. An increase in any of these unobservable inputs will reduce the fair value of the mortgage servicing rights and alternatively, a decrease in any one of these inputs would result in the mortgage servicing rights increasing in value. Generally, a change in the assumption used for the default rate is accompanied by a directionally similar change in the assumption used for cost to service and a directionally opposite change in the assumption used for prepayment. The sensitivity of our residential MSRs is discussed further in Note 8 (Securitizations and Variable Interest Entities).

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of LOCOM accounting or write-downs of individual assets. Table 17.12 provides the fair value hierarchy and carrying amount of all assets that were still held as of December 31, 2015, and 2014, and for which a nonrecurring fair value adjustment was recorded during the years then ended.

Table 17.12: Fair Value on a Nonrecurring Basis

	December 31, 2015				December 31, 2014			
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Mortgages held for sale (LOCOM) (1)	**$ —**	**4,667**	**1,047**	**5,714**	—	2,197	1,098	3,295
Loans held for sale	**—**	**279**	**—**	**279**	—	—	—	—
Loans:								
Commercial	**—**	**191**	**—**	**191**	—	243	—	243
Consumer	**—**	**1,406**	**7**	**1,413**	—	2,018	5	2,023
Total loans (2)	**—**	**1,597**	**7**	**1,604**	—	2,261	5	2,266
Other assets (3)	**—**	**280**	**654**	**934**	—	417	460	877

(1) Consists of commercial mortgages and res dential real estate 1-4 family first mortgage loans.
(2) Represents carrying value of loans for wh ch adjustments are based on the appraised value of the collateral.
(3) Includes the fair value of foreclosed real estate, other collateral owned and nonmarketable equity investments.

Table 17.13 presents the increase (decrease) in value of certain assets for which a nonrecurring fair value adjustment was recognized during the periods presented.

Table 17.13: Change in Value of Assets with Nonrecurring Fair Value Adjustment

	Year ended December 31,	
(in millions)	**2015**	2014
Mortgages held for sale (LOCOM)	**$ (3)**	33
Loans held for sale	**(3)**	—
Loans:		
Commercial	**(165)**	(125)
Consumer	**(1,001)**	(1,336)
Total loans (1)	**(1,166)**	(1,461)
Other assets (2)	**(396)**	(341)
Total	**$ (1,568)**	(1,769)

(1) Represents write-downs of loans based on the appraised value of the collateral.
(2) Includes the losses on foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classif cat on as foreclosed assets. Also includes impairment losses on nonmarketable equity investments.

Table 17.14 provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a nonrecurring basis for which we use an internal model. The table is limited to financial instruments that had nonrecurring fair value adjustments during the periods presented.

We have excluded from the table classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 nonrecurring measurements. We made this determination based upon an evaluation of each class, which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

Table 17.14: Valuation Techniques – Nonrecurring Basis

($ in millions)	Fair Value Level 3		Valuation Technique(s) (1)	Significant Unobservable Inputs (1)		Range of inputs	Weighted Average (2)
December 31, 2015							
Residential mortgages held for sale (LOCOM)	**$ 1,047**	**(3)**	**Discounted cash flow**	**Default rate**	**(4)**	**0.5 - 5.0%**	**4.2%**
				Discount rate		**1.5 - 8.5**	**3.5**
				Loss severity		**0.0 - 26.1**	**2.9**
				Prepayment rate	**(5)**	**2.6 - 100.0**	**65.4**
Other assets: nonmarketable equity investments	**286**		**Net asset value**	**Net asset value**	**(6)**		
	228		**Market comparable pricing**	**Comparability adjustment**		**5.0 - 9.2**	**8.5**
Insignificant level 3 assets	**147**						
Total	**$ 1,708**						
December 31, 2014							
Residential mortgages held for sale (LOCOM)	$ 1,098	(3)	Discounted cash flow	Default rate	(4)	0.9 - 3.8 %	2.1 %
				Discount rate		1.5 - 8.5	3.6
				Loss severity		0.0 - 29.8	3.8
				Prepayment rate	(5)	2.0 - 100.0	65.5
Other assets: nonmarketable equity investments	171		Market comparable pricing	Comparability adjustment		6.0 - 6.0	6.0
Insignificant level 3 assets	294						
Total	$ 1,563						

(1) Refer to the narrative following Table 17.11 for a definition of the valuat on techn que(s) and significant unobservable inputs.
(2) For residential MHFS, weighted averages are calculated using outstanding unpa d principal balance of the loans.
(3) Consists of $1.0 bill on government insured/guaranteed loans purchased from GNMA-guaranteed mortgage secur tizat on at both December 31, 2015 and 2014, and $41 mill on and $78 mill on of other mortgage loans that are not government insured/guaranteed at December 31, 2015 and 2014, respectively.
(4) Applies only to non-government insured/guaranteed loans.
(5) Includes the impact on prepayment rate of expected defaults for the government insured/guaranteed loans, wh ch impacts the frequency and timing of early resolution of loans.
(6) The range and weighted average have not been provided since the investments have been recorded at their net asset redemption values.

Alternative Investments

Table 17.15 summarizes our investments in various types of funds for which we use net asset values (NAVs) per share as a practical expedient to measure fair value on recurring and nonrecurring bases. The investments are included in trading assets, available-for-sale securities, and other assets. The table excludes those investments that are probable of being sold at an amount different from the funds' NAVs.

Table 17.15: Alternative Investments

(in millions)		Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
December 31, 2015					
Offshore funds	**$**	**2**	**—**	**Daily - Monthly**	**1 - 30 days**
Hedge funds		**—**	**—**	**Daily - Quarterly**	**1 - 90 days**
Private equity funds (1)(2)		**555**	**135**	**N/A**	**N/A**
Venture capital funds (2)		**85**	**9**	**N/A**	**N/A**
Total (3)	**$**	**642**	**144**		
December 31, 2014					
Offshore funds	$	125	—	Daily - Quarterly	1 - 60 days
Hedge funds		1	—	Daily - Quarterly	1-90 days
Private equity funds (1)(2)		1,313	243	N/A	N/A
Venture capital funds (2)		68	9	N/A	N/A
Total (3)	$	1,507	252		

N/A - Not appl cable

(1) Excludes a private equity fund investment of $0 million and $171 million at December 31, 2015 and 2014, respectively. This investment was sold in second quarter 2015 for an amount different from the fund's NAV.

(2) Includes certain investments subject to the Volcker Rule that we may have to divest.

(3) December 31, 2015 and 2014, include $602 mill on and $1.3 bill on respectively, of fair value for nonmarketable equity investments carried at cost for which we use NAVs as a pract cal expedient for determining nonrecurring fair value adjustments. The fair values of investments that had nonrecurring fair value adjustments were $154 mill on and $108 mill on at December 31, 2015 and 2014, respectively.

Offshore funds primarily invest in foreign mutual funds. Redemption restrictions are in place for investments with a fair value of $0 million and $24 million at December 31, 2015 and 2014, respectively.

Private equity funds invest in equity and debt securities issued by private and publicly-held companies in connection with leveraged buyouts, recapitalizations and expansion opportunities. These investments do not allow redemptions. Alternatively, we receive distributions as the underlying assets of the funds liquidate, which we expect to occur over the next 2 years.

Venture capital funds invest in domestic and foreign companies in a variety of industries, including information technology, financial services and healthcare. These investments can never be redeemed with the funds. Instead, we receive distributions as the underlying assets of the fund liquidate, which we expect to occur over the next 5 years.

Fair Value Option

The fair value option is an irrevocable election, generally only permitted upon initial recognition of financial assets or liabilities, to measure eligible financial instruments at fair value with changes in fair value reflected in earnings. We may elect the fair value option to align the measurement model with how the financial assets or liabilities are managed or to reduce complexity or accounting asymmetry. Following is a discussion of the portfolios for which we elected the fair value option.

TRADING ASSETS - LOANS We engage in holding loans for market-making purposes to support the buying and selling demands of our customers. These loans are generally held for a short period of time and managed within parameters of internally approved market risk limits. We have elected to measure and carry them at fair value, which best aligns with our risk management practices. Fair value for these loans is primarily determined using readily available market data based on recent transaction prices for similar loans.

MORTGAGES HELD FOR SALE (MHFS) We measure MHFS at fair value for MHFS originations for which an active secondary market and readily available market prices exist to reliably support fair value pricing models used for these loans. Loan origination fees on these loans are recorded when earned, and related direct loan origination costs are recognized when incurred. We also measure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe fair value measurement for MHFS and other interests held, which we hedge with economic hedge derivatives along with our MSRs measured at fair value, reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets.

LOANS HELD FOR SALE (LHFS) We elected to measure certain LHFS portfolios at fair value in conjunction with customer accommodation activities, which better aligns the measurement basis of the assets held with our management objectives given the trading nature of these portfolios.

LOANS Loans that we measure at fair value consist predominantly of reverse mortgage loans previously transferred under a GNMA reverse mortgage securitization program accounted for as a secured borrowing. Before the transfer, they were classified as MHFS measured at fair value and, as such, remain carried on our balance sheet under the fair value option.

OTHER FINANCIAL INSTRUMENTS We elected to measure at fair value certain nonmarketable equity securities that are hedged with derivative instruments to better reflect the economics of the transactions. These securities are included in other assets.

Similarly, we may elect fair value option for the assets and liabilities of certain consolidated VIEs. This option is generally elected for newly consolidated VIEs for which predominantly all of our interests, prior to consolidation, are carried at fair value with changes in fair value recorded to earnings. Accordingly, such an election allows us to continue fair value accounting through earnings for those interests and eliminate income statement mismatch otherwise caused by differences in the measurement basis of the consolidated VIEs assets and liabilities.

Table 17.16 reflects differences between the fair value carrying amount of certain assets and liabilities for which we have elected the fair value option and the contractual aggregate unpaid principal amount at maturity.

Table 17.16: Fair Value Option

	December 31, 2015			December 31, 2014		
(in millions)	**Fair value carrying amount**	**Aggregate unpaid principal**	**Fair value carrying amount less aggregate unpaid principal**	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Trading assets - loans:						
Total loans	**$ 886**	**935**	**(49)**	1,387	1,410	(23)
Nonaccrual loans	**—**	**—**	**—**	—	1	(1)
Mortgages held for sale:						
Total loans	**13,539**	**13,265**	**274**	15,565	15,246	319
Nonaccrual loans	**161**	**228**	**(67)**	160	252	(92)
Loans 90 days or more past due and still accruing	**19**	**22**	**(3)**	27	30	(3)
Loans held for sale:						
Total loans	**—**	**5**	**(5)**	1	10	(9)
Nonaccrual loans	**—**	**5**	**(5)**	1	10	(9)
Loans:						
Total loans	**5,316**	**5,184**	**132**	5,788	5,527	261
Nonaccrual loans	**305**	**322**	**(17)**	367	376	(9)
Other assets (1)	**3,065**	**N/A**	**N/A**	2,512	N/A	N/A

(1) Consists of nonmarketable equ ty investments carried at fair value. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets) for more informat on.

The assets and liabilities accounted for under the fair value option are initially measured at fair value. Gains and losses from initial measurement and subsequent changes in fair value are recognized in earnings. The changes in fair value related to initial measurement and subsequent changes in fair value included in earnings for these assets and liabilities measured at fair value are shown in Table 17.17 by income statement line item.

Table 17.17: Fair Value Option – Changes in Fair Value Included in Earnings

	Year ended December 31,								
	2015			2014			2013		
(in mill ons)	**Mortgage banking noninterest income**	**Net gains (losses) from trading activities**	**Other noninterest income**	Mortgage banking noninterest income	Net gains (losses) from trading activ ties	Other noninterest income	Mortgage banking noninterest income	Net gains (losses) from trading activ ties	Other noninterest income
Trading assets - loans	**$ —**	**4**	**4**	—	29	4	—	40	3
Mortgages held for sale	**1,808**	**—**	**—**	2,211	—	—	2,073	—	—
Loans held for sale	**—**	**—**	**—**	—	—	—	—	—	—
Loans	**—**	**—**	**(122)**	—	—	(49)	—	—	(216)
Other assets	**—**	**—**	**457**	—	—	518	—	—	324
Other interests held (1)	**—**	**(6)**	**—**	—	(12)	—	—	(15)	—

(1) Includes retained interests in securitizat ons.

For performing loans, instrument-specific credit risk gains or losses were derived principally by determining the change in fair value of the loans due to changes in the observable or implied credit spread. Credit spread is the market yield on the loans less the relevant risk-free benchmark interest rate. For nonperforming loans, we attribute all changes in fair value to instrument-specific credit risk. Table 17.18 shows the estimated gains and losses from earnings attributable to instrument-specific credit risk related to assets accounted for under the fair value option.

Table 17.18: Fair Value Option – Gains/Losses Attributable to Instrument-Specific Credit Risk

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Gains (losses) attributable to instrument-specific credit risk:			
Trading assets - loans	**$ 4**	29	40
Mortgages held for sale	**29**	60	126
Total	**$ 33**	89	166

Disclosures about Fair Value of Financial Instruments

Table 17.19 is a summary of fair value estimates for financial instruments, excluding financial instruments recorded at fair value on a recurring basis as they are included within Table 17.2 included earlier in this Note. The carrying amounts in the following table are recorded on the balance sheet under the indicated captions, except for nonmarketable equity investments, which are included in other assets.

We have not included assets and liabilities that are not financial instruments in our disclosure, such as the value of the long-term relationships with our deposit, credit card and trust customers, amortized MSRs, premises and equipment, goodwill and other intangibles, deferred taxes and other liabilities. The total of the fair value calculations presented does not represent, and should not be construed to represent, the underlying value of the Company.

Table 17.19: Fair Value Estimates for Financial Instruments

		Estimated fair value			
(in millions)	Carrying amount	Level 1	Level 2	Level 3	Total
December 31, 2015					
Financial assets					
Cash and due from banks (1)	**$ 19,111**	**19,111**	**—**	**—**	**19,111**
Federal funds sold, securities purchased under resale agreements and other short-term investments (1)	**270,130**	**14,057**	**255,911**	**162**	**270,130**
Held-to-maturity securities	**80,197**	**45,167**	**32,052**	**3,348**	**80,567**
Mortgages held for sale (2)	**6,064**	**—**	**5,019**	**1,047**	**6,066**
Loans held for sale (2)	**279**	**—**	**279**	**—**	**279**
Loans, net (3)	**887,497**	**—**	**60,848**	**839,816**	**900,664**
Nonmarketable equity investments (cost method)	**7,035**	**—**	**14**	**7,890**	**7,904**
Financial liabilities					
Deposits	**1,223,312**	**—**	**1,194,781**	**28,616**	**1,223,397**
Short-term borrowings (1)	**97,528**	**—**	**97,528**	**—**	**97,528**
Long-term debt (4)	**199,528**	**—**	**188,015**	**10,468**	**198,483**
December 31, 2014					
Financial assets					
Cash and due from banks (1)	$ 19,571	19,571	—	—	19,571
Federal funds sold, securities purchased under resale agreements and other short-term investments (1)	258,429	8,991	249,438	—	258,429
Held to maturity securities	55,483	41,548	9,021	5,790	56,359
Mortgages held for sale (2)	3,971	—	2,875	1,098	3,973
Loans held for sale (2)	721	—	739	—	739
Loans, net (3)	832,671	—	60,052	784,786	844,838
Nonmarketable equity investments (cost method)	7,033	—	—	8,377	8,377
Financial liabilities					
Deposits	1,168,310	—	1,132,845	35,566	1,168,411
Short-term borrowings (1)	63,518	—	63,518	—	63,518
Long-term debt (4)	183,934	—	174,996	10,479	185,475

(1) Amounts consist of financial instruments in wh ch carrying value approximates fair value.
(2) Balance reflects MHFS and LHFS, as applicable, other than those MHFS and LHFS for wh ch we elected the fair value opt on.
(3) Loans exclude balances for wh ch the fair value option was elected and also exclude lease financing with a carrying amount of $12.4 bill on and $12.3 billion at December 31, 2015 and 2014, respectively.
(4) The carrying amount and fair value exclude obligat ons under capital leases of $8 million and $9 mill on at December 31, 2015 and 2014, respectively.

Loan commitments, standby letters of credit and commercial and similar letters of credit are not included in the table above. The estimated fair value of these instruments totaled $1.0 billion and $945 million at December 31, 2015 and 2014, respectively.

Note 18: Preferred Stock

We are authorized to issue 20 million shares of preferred stock and 4 million shares of preference stock, both without par value. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. We have not issued any preference shares under this authorization. If issued, preference shares would be limited to one vote per share. Our total authorized, issued and outstanding preferred stock is presented in the following two tables along with the Employee Stock Ownership Plan (ESOP) Cumulative Convertible Preferred Stock.

Table 18.1: Preferred Stock Shares

	December 31, 2015		December 31, 2014	
	Liquidation preference per share	**Shares authorized and designated**	Liquidat on preference per share	Shares authorized and designated
DEP Shares				
Div dend Equalization Preferred Shares (DEP)	**$ 10**	**97,000**	$ 10	97,000
Series G				
7.25% Class A Preferred Stock	**—**	**—**	15,000	50,000
Series H				
Floating Class A Preferred Stock	**20,000**	**50,000**	20,000	50,000
Series I				
Floating Class A Preferred Stock	**100,000**	**25,010**	100,000	25,010
Series J				
8.00% Non-Cumulative Perpetual Class A Preferred Stock	**1,000**	**2,300,000**	1,000	2,300,000
Series K				
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**1,000**	**3,500,000**	1,000	3,500,000
Series L				
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	**1,000**	**4,025,000**	1,000	4,025,000
Series N				
5.20% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**30,000**	25,000	30,000
Series O				
5.125% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**27,600**	25,000	27,600
Series P				
5.25% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**26,400**	25,000	26,400
Series Q				
5.85% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**69,000**	25,000	69,000
Series R				
6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**34,500**	25,000	34,500
Series S				
5.900% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**80,000**	25,000	80,000
Series T				
6.000% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**32,200**	25,000	32,200
Series U				
5.875% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**80,000**	—	—
Series V				
6.000% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**40,000**	—	—
ESOP				
Cumulative Convertible Preferred Stock (1)	**—**	**1,252,386**	—	1,251,287
Total		**11,669,096**		11,597,997

(1) See the ESOP Cumulative Convertible Preferred Stock section of this Note for addit onal information about the l quidation preference for the ESOP Cumulative Preferred Stock.

Note 18: Preferred Stock *(continued)*

Table 18.2: Preferred Stock – Par and Carrying Value

(in millions, except shares)	December 31, 2015				December 31, 2014			
	Shares issued and outstanding	**Par value**	**Carrying value**	**Discount**	Shares issued and outstanding	Par value	Carrying value	Discount
DEP Shares								
Dividend Equalization Preferred Shares (DEP)	**96,546**	**$ —**	**—**	**—**	96,546	$ —	—	—
Series I (1)								
Floating Class A Preferred Stock	**25,010**	**2,501**	**2,501**	**—**	25,010	2,501	2,501	—
Series J (1)								
8.00% Non-Cumulative Perpetual Class A Preferred Stock	**2,150,375**	**2,150**	**1,995**	**155**	2,150,375	2,150	1,995	155
Series K (1)								
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**3,352,000**	**3,352**	**2,876**	**476**	3,352,000	3,352	2,876	476
Series L (1)								
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	**3,968,000**	**3,968**	**3,200**	**768**	3,968,000	3,968	3,200	768
Series N (1)								
5.20% Non-Cumulative Perpetual Class A Preferred Stock	**30,000**	**750**	**750**	**—**	30,000	750	750	—
Series O (1)								
5.125% Non-Cumulative Perpetual Class A Preferred Stock	**26,000**	**650**	**650**	**—**	26,000	650	650	—
Series P (1)								
5.25% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**625**	**625**	**—**	25,000	625	625	—
Series Q (1)								
5.85% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**69,000**	**1,725**	**1,725**	**—**	69,000	1,725	1,725	—
Series R (1)								
6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**33,600**	**840**	**840**	**—**	33,600	840	840	—
Series S (1)								
5.900% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**80,000**	**2,000**	**2,000**	**—**	80,000	2,000	2,000	—
Series T (1)								
6.000% Non-Cumulative Perpetual Class A Preferred Stock	**32,000**	**800**	**800**	**—**	32,000	800	800	—
Series U (1)								
5.875% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**80,000**	**2,000**	**2,000**	**—**	—	—	—	—
Series V (1)								
6.000% Non-Cumulative Perpetual Class A Preferred Stock	**40,000**	**1,000**	**1,000**	**—**	—	—	—	—
ESOP								
Cumulative Convertible Preferred Stock	**1,252,386**	**1,252**	**1,252**	**—**	1,251,287	1,251	1,251	—
Total	**11,259,917**	**$ 23,613**	**22,214**	**1,399**	11,138,818	$ 20,612	19,213	1,399

(1) Preferred shares qualify as Tier 1 capital.

In January 2015, we issued 2 million Depositary Shares, each representing a 1/25th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series U, for an aggregate public offering price of $2.0 billion. In September 2015, we issued 40 million Depositary Shares each representing a 1/1,000th interest in a share of the Non-Cumulative Perpetual Class A Preferred Stock, Series V, for an aggregate public offering price of $1.0 billion.

See Note 8 (Securitizations and Variable Interest Entities) for additional information on our trust preferred securities. We do not have a commitment to issue Series H preferred stock.

ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK All shares of our ESOP Cumulative Convertible Preferred Stock (ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (the 401(k) Plan). Dividends on the ESOP Preferred Stock are cumulative from the date of initial issuance and are payable quarterly at annual rates based upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the 401(k) Plan is converted into shares of our common stock based on the stated value of the ESOP Preferred Stock and the then current market price of our common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. We have the option to redeem the ESOP Preferred Stock at any time, in whole or in part, at a redemption price per share equal to the higher of (a) $1,000 per share plus accrued and unpaid dividends or (b) the fair market value, as defined in the Certificates of Designation for the ESOP Preferred Stock.

Table 18.3: ESOP Preferred Stock

	Shares issued and outstanding		Carrying value			
	Dec 31,	Dec 31,	**Dec 31,**	Dec 31,	Adjustable dividend rate	
(in millions, except shares)	**2015**	2014	**2015**	2014	Minimum	Maximum
ESOP Preferred Stock						
$1,000 liquidation preference per share						
2015	**220,408**	—	**$ 220**	—	8.90%	9.90
2014	**283,791**	352,158	**284**	352	8.70	9.70
2013	**251,304**	288,000	**251**	288	8.50	9.50
2012	**166,353**	189,204	**166**	189	10.00	11.00
2011	**177,614**	205,263	**178**	205	9.00	10.00
2010	**113,234**	141,011	**113**	141	9.50	10.50
2008	**28,972**	42,204	**29**	42	10.50	11.50
2007	**10,710**	24,728	**11**	25	10.75	11.75
2006	**—**	8,719	**—**	9	10.75	11.75
Total ESOP Preferred Stock (1)	**1,252,386**	1,251,287	**$ 1,252**	1,251		
Unearned ESOP shares (2)			**$ (1,362)**	(1,360)		

(1) At December 31, 2015 and 2014, additional pa d-in capital included $110 million and $109 million, respectively, related to ESOP preferred stock.
(2) We recorded a corresponding charge to unearned ESOP shares in connect on w th the issuance of the ESOP Preferred Stock. The unearned ESOP shares are reduced as shares of the ESOP Preferred Stock are comm tted to be released.

Note 19: Common Stock and Stock Plans

Common Stock

Table 19.1 presents our reserved, issued and authorized shares of common stock at December 31, 2015.

Table 19.1: Common Stock Shares

	Number of shares
Dividend reinvestment and common stock purchase plans	9,011,692
Director plans	825,868
Stock plans (1)	414,005,566
Convertible securities and warrants	100,652,100
Total shares reserved	524,495,226
Shares issued	5,481,811,474
Shares not reserved or issued	2,993,693,300
Total shares authorized	9,000,000,000

(1) Includes employee options, restricted shares and restricted share rights, 401(k) profit sharing and compensation deferral plans.

At December 31, 2015, we had warrants outstanding and exercisable to purchase 34,816,632 shares of our common stock with an exercise price of $33.92 per share, expiring on October 28, 2018. We purchased none of these warrants in 2015 or 2014. Warrants to purchase 3,607,802 and 684,430 shares of our common stock were exercised in 2015 and 2014, respectively. These warrants were issued in connection with our participation in the Troubled Asset Relief Program (TARP) Capital Purchase Program (CPP).

Dividend Reinvestment and Common Stock Purchase Plans

Participants in our dividend reinvestment and common stock direct purchase plans may purchase shares of our common stock at fair market value by reinvesting dividends and/or making optional cash payments, under the plan's terms.

Employee Stock Plans

We offer stock-based employee compensation plans as described below. For information on our accounting for stock-based compensation plans, see Note 1 (Summary of Significant Accounting Policies).

LONG-TERM INCENTIVE COMPENSATION PLANS Our Long-Term Incentive Compensation Plan (LTICP) provides for awards of incentive and nonqualified stock options, stock appreciation rights, restricted shares, restricted stock rights (RSRs), performance share awards (PSAs), performance units and stock awards with or without restrictions.

Beginning in 2010, we granted RSRs and performance shares as our primary long-term incentive awards instead of stock options. Holders of RSRs are entitled to the related shares of common stock at no cost generally vesting over three to five years after the RSRs were granted. RSRs generally continue to vest after retirement according to the original vesting schedule. Except in limited circumstances, RSRs are canceled when employment ends.

Holders of each vested PSA are entitled to the related shares of common stock at no cost. PSAs continue to vest after retirement according to the original vesting schedule subject to satisfying the performance criteria and other vesting conditions.

Holders of RSRs and PSAs may be entitled to receive additional RSRs and PSAs (dividend equivalents) or cash payments equal to the cash dividends that would have been paid had the RSRs or PSAs been issued and outstanding shares of common stock. RSRs and PSAs granted as dividend equivalents are subject to the same vesting schedule and conditions as the underlying award.

Stock options must have an exercise price at or above fair market value (as defined in the plan) of the stock at the date of grant (except for substitute or replacement options granted in connection with mergers or other acquisitions) and a term of no more than 10 years. Except for options granted in 2004 and 2005, which generally vested in full upon grant, options generally become exercisable over three years beginning on the first anniversary of the date of grant. Except as otherwise permitted under the plan, if employment is ended for reasons other than retirement, permanent disability or death, the option exercise period is reduced or the options are canceled.

Compensation expense for most of our RSRs, and PSAs granted prior to 2013 is based on the quoted market price of the related stock at the grant date; beginning in 2013 certain RSRs and all PSAs granted include discretionary performance based vesting conditions and are subject to variable accounting. For these awards, the associated compensation expense fluctuates with changes in our stock price. Stock option expense is based on the fair value of the awards at the date of grant. Table 19.2 summarizes the major components of stock incentive compensation expense and the related recognized tax benefit.

Table 19.2: Stock Incentive Compensation Expense

	Year ended December 31,		
(in millions)	**2015**	2014	2013
RSRs	$ **675**	639	568
Performance shares	**169**	219	157
Total stock incentive compensation expense	$ **844**	858	725
Related recognized tax benefit	$ **318**	324	273

For various acquisitions and mergers, we converted employee and director stock options of acquired or merged companies into stock options to purchase our common stock based on the terms of the original stock option plan and the agreed-upon exchange ratio. In addition, we converted restricted stock awards into awards that entitle holders to our stock after the vesting conditions are met. Holders receive cash dividends on outstanding awards if provided in the original award.

The total number of shares of common stock available for grant under the plans at December 31, 2015, was 214 million.

Director Awards

Beginning in 2011, we granted only common stock awards under the LTICP to non-employee directors elected or re-elected at the annual meeting of stockholders and prorated awards to directors who join the Board at any other time. Stock awards vest immediately. Options also were granted to directors prior to 2011 and can be exercised after 12 months through the tenth anniversary of the grant date. Options granted prior to 2005 may include the right to acquire a "reload" stock option. Reload grants are fully vested upon grant and are expensed immediately. The last reload options were granted in 2013. As of December 31, 2015, none of the options outstanding included a reload feature.

Restricted Share Rights

A summary of the status of our RSRs and restricted share awards at December 31, 2015, and changes during 2015 is presented in Table 19.3.

Table 19.3: Restricted Share Rights

	Number	Weighted-average grant-date fair value
Nonvested at January 1, 2015	53,572,149	$ 36.46
Granted	13,363,597	55.34
Vested	(25,712,018)	37.39
Canceled or forfeited	(588,936)	41.98
Nonvested at December 31, 2015	40,634,792	42.00

The weighted-average grant date fair value of RSRs granted during 2014 and 2013 was $36.46 and $35.52, respectively.

At December 31, 2015, there was $686 million of total unrecognized compensation cost related to nonvested RSRs. The cost is expected to be recognized over a weighted-average period of 2.5 years. The total fair value of RSRs that vested during 2015, 2014 and 2013 was $1.4 billion, $1.0 billion and $472 million, respectively.

Performance Share Awards

Holders of PSAs are entitled to the related shares of common stock at no cost subject to the Company's achievement of specified performance criteria over a three-year period. PSAs are granted at a target number; based on the Company's performance, the number of awards that vest can be adjusted downward to zero and upward to a maximum of either 125% or 150% of target. The awards vest in the quarter after the end of the performance period. For PSAs whose performance period ended December 31, 2015, the determination of the number of performance shares that will vest will occur in first quarter of 2016 after review of the Company's performance by the Human Resources Committee of the Board of Directors. Beginning in 2013, PSAs granted include discretionary performance-based vesting conditions and are subject to variable accounting. For these awards, the associated compensation expense fluctuates with changes in our stock price and the estimated outcome of meeting the performance conditions. The total expense that will be recognized on these awards cannot be finalized until the determination of the awards that will vest.

A summary of the status of our PSAs at December 31, 2015, and changes during 2015 is in Table 19.4, based on the performance adjustments recognized as of December 2015.

Table 19.4: Performance Share Awards

	Number	Weighted-average grant-date fair value (1)
Nonvested at January 1, 2015	9,294,768	$ 36.87
Granted	3,530,859	45.52
Vested	(5,399,517)	37.75
Nonvested at December 31, 2015	7,426,110	40.34

(1) Reflects approval date fair value for grants subject to variable accounting.

The weighted-average grant date fair value of performance awards granted during 2014 and 2013 was $36.87 and $33.56, respectively.

At December 31, 2015, there was $34 million of total unrecognized compensation cost related to nonvested performance awards. The cost is expected to be recognized over a weighted-average period of 1.7 years. The total fair value of PSAs that vested during 2015, 2014 and 2013 was $299 million, $262 million, and $168 million, respectively.

Stock Options

Table 19.5 summarizes stock option activity and related information for the stock plans. Options assumed in mergers are included in the activity and related information for Incentive Compensation Plans if originally issued under an employee plan, and in the activity and related information for Director Awards if originally issued under a director plan.

Table 19.5: Stock Option Activity

	Number	Weighted-average exercise price	Weighted-average remaining contractual term (in yrs.)	Aggregate intrinsic value (in millions)
Incentive compensation plans				
Options outstanding as of December 31, 2014	97,663,200	$ 43.40		
Canceled or forfeited	(2,258,720)	238.54		
Exercised	(20,084,720)	30.63		
Options exercisable and outstanding as of December 31, 2015	75,319,760	40.96	2.0	$ 1,956
Director awards				
Options outstanding as of December 31, 2014	391,547	32.07		
Exercised	(84,657)	30.95		
Options exercisable and outstanding as of December 31, 2015	306,890	32.37	1.5	7

The total intrinsic value of options exercised during 2015, 2014 and 2013 was $497 million, $805 million and $643 million, respectively.

Cash received from the exercise of stock options for 2015, 2014 and 2013 was $618 million, $1.2 billion and $1.6 billion, respectively.

We do not have a specific policy on repurchasing shares to satisfy share option exercises. Rather, we have a general policy on repurchasing shares to meet common stock issuance requirements for our benefit plans (including share option exercises), conversion of our convertible securities, acquisitions and other corporate purposes. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for acquisitions and employee benefit plans, market conditions (including the trading price of our stock), and regulatory and legal considerations. These factors can change at any time, and there can be no assurance as to the number of shares we will repurchase or when we will repurchase them.

The fair value of each option award granted on or after January 1, 2006, is estimated using a Black-Scholes valuation model. The expected term of reload options granted is generally based on the midpoint between the valuation date and the contractual termination date of the original option. Our expected volatilities are based on a combination of the historical volatility of our common stock and implied volatilities for traded options on our common stock. The risk-free rate is based on the U.S. Treasury zero-coupon yield curve in effect at the time of grant. Both expected volatility and the risk-free rates are based on a period commensurate with our expected term. The expected dividend is based on a fixed dividend amount.

Table 19.6 presents the weighted-average per share fair value of options granted and the assumptions used based on a Black-Scholes option valuation model. All of the options granted in 2013 resulted from the reload feature.

Table 19.6: Weighted-Average Per Share Fair Value of Options Granted

	Year ended December 31,		
	2015	2014	2013
Per share fair value of options granted	**$ —**	—	1.58
Expected volatility	**—%**	—	18.3
Expected dividends	**$ —**	—	0.93
Expected term (in years)	**—**	—	0.5
Risk-free interest rate	**—%**	—	0.1

Employee Stock Ownership Plan

The Wells Fargo & Company 401(k) Plan (401(k) Plan) is a defined contribution plan with an Employee Stock Ownership Plan (ESOP) feature. The ESOP feature enables the 401(k) Plan to borrow money to purchase our preferred or common stock. From 1994 through 2015, with the exception of 2009, we loaned money to the 401(k) Plan to purchase shares of our ESOP preferred stock. As our employer contributions are made to the 401(k) Plan and are used by the 401(k) Plan to make ESOP loan payments, the ESOP preferred stock in the 401(k) Plan is released and converted into our common stock shares. Dividends on the common stock shares allocated as a result of the release and conversion of the ESOP preferred stock reduce retained earnings, and the shares are considered outstanding for computing earnings per share. Dividends on the unallocated ESOP preferred stock do not reduce retained earnings, and the shares are not considered to be common stock equivalents for computing earnings per share. Loan principal and interest payments are made from our employer contributions to the 401(k) Plan, along with dividends paid on the ESOP preferred stock. With each principal and interest payment, a portion of the ESOP preferred stock is released and converted to common stock shares, which are allocated to the 401(k) Plan participants and invested in the Wells Fargo ESOP Fund within the 401(k) Plan.

Table 19.7 presents the balance of common stock and unreleased preferred stock held in the Wells Fargo ESOP fund, the fair value of unreleased ESOP preferred stock and the dividends on allocated shares of common stock and unreleased ESOP Preferred Stock paid to the 401(k) Plan.

Table 19.7: Common Stock and Unreleased Preferred Stock in the Wells Fargo ESOP Fund

			Shares outstanding December 31,
(in millions, except shares)	**2015**	2014	2013
Allocated shares (common)	**137,418,176**	136,801,782	137,354,139
Unreleased shares (preferred)	**1,252,386**	1,251,287	1,105,664
Fair value of unreleased ESOP preferred shares	**$ 1,252**	1,251	1,105

			Dividends paid Year ended December 31,
	2015	2014	2013
Allocated shares (common)	**$ 201**	186	159
Unreleased shares (preferred)	**143**	152	132

Deferred Compensation Plan for Independent Sales Agents

WF Deferred Compensation Holdings, Inc. is a wholly-owned subsidiary of the Parent formed solely to sponsor a deferred compensation plan for independent sales agents who provide investment, financial and other qualifying services for or with respect to participating affiliates.

The Nonqualified Deferred Compensation Plan for Independent Contractors, which became effective January 1, 2002, allowed participants to defer all or part of their eligible compensation payable to them by a participating affiliate. The plan was frozen for new compensation deferrals effective January 1, 2012. The Parent has fully and unconditionally guaranteed the deferred compensation obligations of WF Deferred Compensation Holdings, Inc. under the plan.

Note 20: Employee Benefits and Other Expenses

Pension and Postretirement Plans

We sponsor a frozen noncontributory qualified defined benefit retirement plan called the Wells Fargo & Company Cash Balance Plan (Cash Balance Plan), which covers eligible employees of Wells Fargo. The Cash Balance Plan was frozen on July 1, 2009 and no new benefits accrue after that date.

Prior to July 1, 2009, eligible employees' Cash Balance Plan accounts were allocated a compensation credit based on a percentage of their certified compensation; the freeze discontinued the allocation of compensation credits after June 30, 2009. Investment credits continue to be allocated to participants based on their accumulated balances.

We recognize settlement losses for our Cash Balance Plan based on an assessment of whether our estimated lump sum payments related to the Cash Balance Plan will, in aggregate for the year, exceed the sum of its annual service and interest cost (threshold). Lump sum payments did not exceed this threshold in 2015 and 2014. In 2013, lump sum payments exceeded this threshold. Settlement losses of $123 million were recognized in 2013, representing the pro rata portion of the net loss remaining in cumulative other comprehensive income based on the percentage reduction in the Cash Balance Plan's projected benefit obligation. A remeasurement of the Cash Balance liability and related plan assets occurs at the end of each quarter in which settlement losses are recognized.

We did not make a contribution to our Cash Balance Plan in 2015. We do not expect that we will be required to make a contribution to the Cash Balance Plan in 2016; however, this is dependent on the finalization of the actuarial valuation in 2016. Our decision of whether to make a contribution in 2016 will be based on various factors including the actual investment performance of plan assets during 2016. Given these uncertainties, we cannot estimate at this time the amount, if any, that we will contribute in 2016 to the Cash Balance Plan. For the nonqualified pension plans and postretirement benefit plans, there is no minimum required contribution beyond the amount needed to fund benefit payments; we may contribute more to our postretirement benefit plans dependent on various factors.

We provide health care and life insurance benefits for certain retired employees and reserve the right to terminate, modify or amend any of the benefits at any time.

The information set forth in the following tables is based on current actuarial reports using the measurement date of December 31 for our pension and postretirement benefit plans. In 2015 and 2014, the Society of Actuaries (SOA) published updated mortality tables. The benefit obligations at December 31, 2015 and 2014, reflect the SOA's updated mortality tables, which did not have a material effect on these obligations.

Table 20.1 presents the changes in the benefit obligation and the fair value of plan assets, the funded status, and the amounts recognized on the balance sheet.

Table 20.1: Changes in Benefit Obligation and Fair Value of Plan Assets

	December 31, 2015			December 31, 2014		
	Pension benefits			Pension benefits		
(in millions)	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Change in benefit obligation:						
Benefit obligation at beginning of year	$ 11,125	730	1,100	10,198	669	982
Service cost	2	—	6	1	—	7
Interest cost	429	25	42	465	27	42
Plan participants' contributions	—	—	68	—	—	73
Actuarial loss (gain)	(196)	(25)	(56)	1,161	89	136
Benefits paid	(676)	(82)	(139)	(692)	(54)	(148)
Medicare Part D subsidy	—	—	9	—	—	9
Curtailment	—	—	(25)	—	—	—
Foreign exchange impact	(11)	(1)	(3)	(8)	(1)	(1)
Benefit obligation at end of year	10,673	647	1,002	11,125	730	1,100
Change in plan assets:						
Fair value of plan assets at beginning of year	9,626	—	624	9,409	—	645
Actual return on plan assets	(112)	—	2	909	—	26
Employer contribution	7	82	4	7	54	19
Plan participants' contributions	—	—	68	—	—	73
Benefits paid	(676)	(82)	(139)	(692)	(54)	(148)
Medicare Part D subsidy	—	—	9	—	—	9
Foreign exchange impact	(9)	—	—	(7)	—	—
Fair value of plan assets at end of year	8,836	—	568	9,626	—	624
Funded status at end of year	$ (1,837)	(647)	(434)	(1,499)	(730)	(476)
Amounts recognized on the balance sheet at end of year:						
Liabilities	$ (1,837)	(647)	(434)	(1,499)	(730)	(476)

Table 20.2 provides information for pension plans with benefit obligations in excess of plan assets.

Table 20.2: Pension Plans with Benefit Obligations in Excess of Plan Assets

(in millions)	Dec 31, 2015	Dec 31, 2014
Projected benefit obligation	$ **11,317**	11,855
Accumulated benefit obligation	**11,314**	11,851
Fair value of plan assets	**8,832**	9,626

Table 20.3 presents the components of net periodic benefit cost and other comprehensive income.

Table 20.3: Net Periodic Benefit Cost and Other Comprehensive Income

	December 31, 2015			December 31, 2014			December 31, 2013		
	Pension benefits			Pension benefits			Pension benefits		
(in millions)	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Service cost	$ **2**	**—**	**6**	1	—	7	—	—	11
Interest cost	**429**	**25**	**42**	465	27	42	465	29	47
Expected return on plan assets	**(644)**	**—**	**(35)**	(629)	—	(36)	(674)	—	(36)
Amortization of net actuarial loss (gain)	**108**	**18**	**(4)**	91	11	(28)	137	15	(1)
Amortization of prior service credit	**—**	**—**	**(3)**	—	—	(2)	—	—	(2)
Settlement loss (1)	**—**	**13**	**—**	—	2	—	124	3	—
Curtailment gain	**—**	**—**	**(43)**	—	—	—	—	—	—
Net periodic benefit cost	**(105)**	**56**	**(37)**	(72)	40	(17)	52	47	19
Other changes in plan assets and benefit obligations recognized in other comprehensive income:									
Net actuarial loss (gain)	**560**	**(25)**	**(23)**	881	89	146	(1,175)	(17)	(341)
Amortization of net actuarial gain (loss)	**(108)**	**(18)**	**4**	(91)	(11)	28	(137)	(15)	1
Prior service credit	**—**	**—**	**18**	—	—	—	—	—	—
Amortization of prior service credit	**—**	**—**	**3**	—	—	2	—	—	2
Settlement (1)	**—**	**(13)**	**—**	—	(2)	—	(124)	(3)	—
Total recognized in other comprehensive income	**452**	**(56)**	**2**	790	76	176	(1,436)	(35)	(338)
Total recognized in net periodic benefit cost and other comprehensive income	$ **347**	**—**	**(35)**	718	116	159	(1,384)	12	(319)

(1) Qualified settlements in 2013 include $123 mill on for the Cash Balance Plan.

Table 20.4 provides the amounts recognized in cumulative OCI (pre tax).

Table 20.4: Benefits Recognized in Cumulative OCI

	December 31, 2015			December 31, 2014		
	Pension benefits			Pension benefits		
(in millions)	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Net actuarial loss (gain)	$ **3,128**	**168**	**(165)**	2,677	224	(147)
Net prior service credit	**(1)**	**—**	**—**	(2)	—	(20)
Total	$ **3,127**	**168**	**(165)**	2,675	224	(167)

The net actuarial loss for the defined benefit pension plans and other post retirement plans that will be amortized from cumulative OCI into net periodic benefit cost in 2016 is $141 million. The net prior service credit for other post retirement plans was fully recognized in 2015 in conjunction with a curtailment.

Plan Assumptions

For additional information on our pension accounting assumptions, see Note 1 (Summary of Significant Accounting Policies). Table 20.5 presents the weighted-average discount rates used to estimate the projected benefit obligation for pension benefits.

Table 20.5: Discount Rates Used to Estimate Projected Benefit Obligation

	December 31, 2015			December 31, 2014		
	Pension benefits			Pension benefits		
	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Discount rate	**4.25%**	**4.25**	**4.25**	4.00	3.75	4.00

Table 20.6 presents the weighted-average assumptions used to determine the net periodic benefit cost.

Table 20.6: Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost

	December 31, 2015			December 31, 2014			December 31, 2013		
	Pension benefits			Pension benefits			Pension benefits		
	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Discount rate (1)	**4.00%**	**3.60**	**4.00**	4.75	4.16	4.50	4.38	4.08	3.75
Expected return on plan assets	**7.00**	**N/A**	**6.00**	7.00	N/A	6.00	7.50	N/A	6.00

(1) The discount rate for the 2013 qualified pens on benefits and for the 2015, 2014, and 2013 nonqualified pens on benefits includes the impact of quarter-end remeasurements when settlement losses are recognized.

To account for postretirement health care plans we use health care cost trend rates to recognize the effect of expected changes in future health care costs due to medical inflation, utilization changes, new technology, regulatory requirements and Medicare cost shifting. In determining the end of year benefit obligation we assume an average annual increase of approximately 9.30%, for health care costs in 2016. This rate is assumed to trend down 0.40%-0.60% per year until the trend rate reaches an ultimate rate of 5.00% in 2024. The 2015 periodic benefit cost was determined using an initial annual trend rate of 7.00%. This rate was assumed to decrease 0.25% per year until the trend rate reached an ultimate rate of 5.00% in 2023. Increasing the assumed health care trend by one percentage point in each year would increase the benefit obligation as of December 31, 2015, by $34 million and the total of the interest cost and service cost components of the net periodic benefit cost for 2015 by $2 million. Decreasing the assumed health care trend by one percentage point in each year would decrease the benefit obligation as of December 31, 2015, by $30 million and the total of the interest cost and service cost components of the net periodic benefit cost for 2015 by $2 million.

Investment Strategy and Asset Allocation

We seek to achieve the expected long-term rate of return with a prudent level of risk given the benefit obligations of the pension plans and their funded status. Our overall investment strategy is designed to provide our Cash Balance Plan with long-term growth opportunities while ensuring that risk is mitigated through diversification across numerous asset classes and various investment strategies. We target the asset allocation for our Cash Balance Plan at a target mix range of 30%-50% equities, 40%-60% fixed income, and approximately 10% in real estate, venture capital, private equity and other investments. The Employee Benefit Review Committee (EBRC), which includes several members of senior management, formally reviews the investment risk and performance of our Cash Balance Plan on a quarterly basis. Annual Plan liability analysis and periodic asset/liability evaluations are also conducted.

Other benefit plan assets include (1) assets held in a 401(h) trust, which are invested with a target mix of 40%-60% for both equities and fixed income, and (2) assets held in the Retiree Medical Plan Voluntary Employees' Beneficiary Association (VEBA) trust, which are invested with a general target asset mix of 20%-40% equities and 60%-80% fixed income. In addition, the strategy for the VEBA trust assets considers the effect of income taxes by utilizing a combination of variable annuity and low turnover investment strategies. Members of the EBRC formally review the investment risk and performance of these assets on a quarterly basis.

Projected Benefit Payments

Future benefits that we expect to pay under the pension and other benefit plans are presented in Table 20.7. Other benefits payments are expected to be reduced by prescription drug subsidies from the federal government provided by the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

Table 20.7: Projected Benefit Payments

	Pension benefits		Other benefits	
(in millions)	Qualified	Non-qualified	Future benefits	Subsidy receipts
Year ended December 31,				
2016	$ 762	61	86	11
2017	753	60	87	12
2018	737	56	87	12
2019	740	53	87	12
2020	745	52	87	12
2021-2025	3,578	224	410	61

Fair Value of Plan Assets

Table 20.8 presents the balances of pension plan assets and other benefit plan assets measured at fair value. See Note 17 (Fair Values of Assets and Liabilities) for fair value hierarchy level definitions.

Table 20.8: Pension and Other Benefit Plan Assets

	Carrying value at year end							
	Pension plan assets				Other benefits plan assets			
(in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
December 31, 2015								
Cash and cash equivalents	**$ 5**	**109**	**—**	**114**	**119**	**21**	**—**	**140**
Long duration fixed income (1)	**446**	**3,253**	**16**	**3,715**	**—**	**—**	**—**	**—**
Intermediate (core) fixed income (2)	**4**	**499**	**—**	**503**	**—**	**182**	**—**	**182**
High-yield fixed income	**—**	**276**	**4**	**280**	**—**	**—**	**—**	**—**
International fixed income	**51**	**250**	**—**	**301**	**—**	**—**	**—**	**—**
Domestic large-cap stocks (3)	**809**	**378**	**—**	**1,187**	**—**	**118**	**—**	**118**
Domestic mid-cap stocks	**226**	**125**	**—**	**351**	**—**	**31**	**—**	**31**
Domestic small-cap stocks (4)	**207**	**13**	**—**	**220**	**—**	**17**	**—**	**17**
Global stocks (5)	**48**	**161**	**—**	**209**	**—**	**—**	**—**	**—**
International stocks (6)	**463**	**287**	**—**	**750**	**22**	**33**	**—**	**55**
Emerging market stocks	**—**	**311**	**—**	**311**	**—**	**—**	**—**	**—**
Real estate/timber (7)	**109**	**1**	**245**	**355**	**—**	**—**	**—**	**—**
Hedge funds (8)	**—**	**160**	**71**	**231**	**—**	**—**	**—**	**—**
Private equity	**—**	**—**	**148**	**148**	**—**	**—**	**—**	**—**
Other	**—**	**66**	**27**	**93**	**2**	**—**	**23**	**25**
Total plan investments	**$ 2,368**	**5,889**	**511**	**8,768**	**143**	**402**	**23**	**568**
Net receivables				**68**				**—**
Total plan assets				**$ 8,836**				**568**
December 31, 2014								
Cash and cash equivalents	$ 31	224	—	255	139	21	—	160
Long duration fixed income (1)	556	3,622	12	4,190	—	—	—	—
Intermediate (core) fixed income (2)	127	329	—	456	61	115	—	176
High-yield fixed income	1	321	5	327	—	—	—	—
International fixed income	53	284	—	337	—	—	—	—
Domestic large-cap stocks (3)	833	375	—	1,208	—	102	—	102
Domestic mid-cap stocks	252	140	—	392	—	47	—	47
Domestic small-cap stocks (4)	238	17	—	255	—	37	—	37
Global stocks (5)	47	155	—	202	—	—	—	—
International stocks (6)	457	276	—	733	25	53	—	78
Emerging market stocks	—	412	—	412	—	—	—	—
Real estate/timber (7)	121	1	265	387	—	—	—	—
Hedge funds (8)	—	203	84	287	—	—	—	—
Private equity	—	—	155	155	—	—	—	—
Other	—	23	52	75	2	—	22	24
Total plan investments	$ 2,716	6,382	573	9,671	227	375	22	624
Payable upon return of securities loaned				(53)				—
Net receivables				8				—
Total plan assets				$ 9,626				624

(1) This category includes a diversified mix of assets which are being managed in accordance w th a duration target of approximately 10 years and an emphasis on corporate credit bonds combined w th investments in U.S. Treasury securities and other U.S. agency and non-agency bonds.

(2) This category includes assets that are primarily intermediate duration, investment grade bonds held in investment strategies benchmarked to the Barclays Cap tal U.S. Aggregate Bond Index. Includes U.S. Treasury secur ties, agency and non-agency asset-backed bonds and corporate bonds.

(3) This category covers a broad range of investment styles, including active, enhanced index and passive approaches, as well as style characteristics of value, core and growth emphasized strategies. Assets in this category are currently diversified across eight unique investment strategies with no single investment manager strategy representing more than 2.5% of total plan assets.

(4) This category consists of a highly diversified combination of four distinct investment management strategies w th no single strategy representing more than 2% of total plan assets. Allocat ons in this category are spread across actively managed approaches with distinct value and growth emphasized approaches in fairly equal proportions.

(5) This category consists of three un que investment strategies prov ding exposure to broadly diversified, global equ ty investments, wh ch generally have an allocat on of 40-60% in U.S. domiciled equities and an equivalent allocation range in primarily developed market, non-U.S. equ ties, with no single strategy representing more than 1.5% of total Plan assets.

(6) This category includes assets diversified across six un que investment strategies prov ding exposure to companies based primarily in developed market, non-U.S. countries with no single strategy representing more than 2.5% of total plan assets.

(7) This category primarily includes investments in private and public real estate, as well as timber specific limited partnerships; real estate holdings are diversified by geographic location and sector (e.g., retail, off ce, apartments).

(8) This category consists of several investment strategies diversified across more than 30 hedge fund managers. Single manager allocation exposure is lim ted to 0.15% (15 basis points) of total plan assets.

Table 20.9 presents the changes in Level 3 pension plan and other benefit plan assets measured at fair value.

Table 20.9: Fair Value Level 3 Pension and Other Benefit Plan Assets

(in millions)	Balance beginning of year	Gains (losses) Realized	Gains (losses) Unrealized (1)	Purchases, sales and settlements (net)	Transfers Into/ (Out of) Level 3	Balance end of year
Year ended December 31, 2015						
Pension plan assets:						
Long duration fixed income	**$ 12**	**—**	**—**	**1**	**3**	**16**
High-yield fixed income	**5**	**—**	**—**	**2**	**(3)**	**4**
Real estate/timber	**265**	**10**	**8**	**(38)**	**—**	**245**
Hedge funds	**84**	**4**	**(5)**	**(21)**	**9**	**71**
Private equity	**155**	**19**	**(5)**	**(21)**	**—**	**148**
Other	**52**	**9**	**(7)**	**(27)**	**—**	**27**
	$ 573	**42**	**(9)**	**(104)**	**9**	**511**
Other benefits plan assets:						
Other	**$ 22**	**—**	**—**	**1**	**—**	**23**
	$ 22	**—**	**—**	**1**	**—**	**23**
Year ended December 31, 2014						
Pension plan assets:						
Long duration fixed income	$ 1	—	—	1	10	12
High-yield fixed income	—	—	—	3	2	5
International stocks	1	—	—	(1)	—	—
Real estate/timber	294	9	34	(72)	—	265
Hedge funds	152	1	4	(9)	(64)	84
Private equity	158	12	(3)	(12)	—	155
Other	52	2	1	(3)	—	52
	$ 658	24	36	(93)	(52)	573
Other benefits plan assets:						
Other	$ 22	—	—	—	—	22
	$ 22	—	—	—	—	22

(1) All unrealized gains (losses) relate to instruments held at per od end.

VALUATION METHODOLOGIES Following is a description of the valuation methodologies used for assets measured at fair value.

Cash and Cash Equivalents – includes investments in collective investment funds valued at fair value based upon the quoted market values of the underlying net assets. The unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments traded on an active market. This group of assets also includes investments in registered investment companies valued at the NAV of shares held at year end and in interest-bearing bank accounts.

Long Duration, Intermediate (Core), High-Yield, and International Fixed Income – includes investments traded on the secondary markets; prices are measured by using quoted market prices for similar securities, pricing models, and discounted cash flow analyses using significant inputs observable in the market where available, or a combination of multiple valuation techniques. This group of assets also includes highly liquid government securities such as U.S. Treasuries, limited partnerships valued at the NAV provided by the fund sponsor and registered investment companies and collective investment funds described above.

Domestic, Global, International and Emerging Market Stocks – investments in exchange-traded equity securities are valued at quoted market values. This group of assets also includes investments in registered investment companies, collective investment funds and limited partnerships described above.

Real Estate and Timber – the fair value of real estate and timber is estimated based primarily on appraisals prepared by third-party appraisers. Market values are estimates and the actual market price of the real estate can only be determined by negotiation between independent third parties in a sales transaction. This group of assets also includes investments in exchange-traded equity securities and collective investment funds described above.

Hedge Funds and Private Equity – the fair values of hedge funds are valued based on the proportionate share of the underlying net assets of the investment funds that comprise the fund, based on valuations supplied by the underlying investment funds. Investments in private equity funds are valued at the NAV provided by the fund sponsor. Market values are estimates and the actual market price of the investments can only be determined by negotiation between independent third parties in a sales transaction.

Other – insurance contracts that are generally stated at cash surrender value. This group of assets also includes investments in collective investment funds and private equity described above.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Defined Contribution Retirement Plans

We sponsor a defined contribution retirement plan named the Wells Fargo & Company 401(k) Plan (401(k) Plan). Under the 401(k) Plan, after one month of service, eligible employees may contribute up to 50% of their certified compensation, subject to statutory limits. Eligible employees who complete 1 year of service are eligible for company matching contributions, which are generally dollar for dollar up to 6% of an employee's eligible certified compensation. Matching contributions are 100% vested. The 401(k) Plan includes an employer discretionary profit sharing contribution feature to allow us to make a contribution to eligible employees' 401(k) Plan accounts. Eligible employees who complete 1 year of service are eligible for profit sharing contributions. Profit sharing contributions are vested after 3 years of service. Total defined contribution retirement plan expenses were $1.1 billion in both 2015 and 2014 and $1.2 billion in 2013.

Other Expenses

Table 20.10 presents expenses exceeding 1% of total interest income and noninterest income in any of the years presented that are not otherwise shown separately in the financial statements or Notes to Financial Statements.

Table 20.10: Other Expenses

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Outside professional services	**$ 2,665**	2,689	2,519
Operating losses	**1,871**	1,249	821
Outside data processing	**985**	1,034	983
Contract services	**978**	975	935
Travel and entertainment	**692**	904	885

Note 21: Income Taxes

Table 21.1 presents the components of income tax expense.

Table 21.1: Income Tax Expense

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Current:			
Federal	**$ 10,822**	7,321	4,601
State and local	**1,669**	520	736
Foreign	**139**	112	91
Total current	**12,630**	7,953	5,428
Deferred:			
Federal	**(2,047)**	2,117	4,457
State and local	**(235)**	224	522
Foreign	**17**	13	(2)
Total deferred	**(2,265)**	2,354	4,977
Total	**$ 10,365**	10,307	10,405

The tax effects of our temporary differences that gave rise to significant portions of our deferred tax assets and liabilities are presented in Table 21.2.

Table 21.2: Net Deferred Tax Liability

	December 31,	
(in millions)	**2015**	2014
Deferred tax assets		
Allowance for loan losses	**$ 4,363**	4,592
Deferred compensation and employee benefits	**4,589**	4,608
Accrued expenses	**1,460**	1,213
PCI loans	**1,816**	1,935
Net operating loss and tax credit carry forwards	**528**	631
Other	**1,448**	1,700
Total deferred tax assets	**14,204**	14,679
Deferred tax assets valuation allowance	**(358)**	(426)
Deferred tax liabilities		
Mortgage servicing rights	**(5,399)**	(5,860)
Leasing	**(3,866)**	(4,057)
Mark to market, net	**(5,471)**	(7,635)
Intangible assets	**(1,233)**	(1,494)
Net unrealized gains on investment securities	**(1,008)**	(2,737)
Insurance reserves	**(2,071)**	(2,087)
Other	**(2,063)**	(1,635)
Total deferred tax liabilities	**(21,111)**	(25,505)
Net deferred tax liability (1)	**$ (7,265)**	(11,252)

(1) Included in accrued expenses and other liabilities.

Deferred taxes related to net unrealized gains (losses) on investment securities, net unrealized gains (losses) on derivatives, foreign currency translation, and employee benefit plan adjustments are recorded in cumulative OCI (see Note 23 (Other Comprehensive Income)). These associated adjustments increased OCI by $1.8 billion in 2015.

We have determined that a valuation reserve is required for 2015 in the amount of $358 million predominantly attributable to deferred tax assets in various state and foreign jurisdictions where we believe it is more likely than not that these deferred tax assets will not be realized. In these jurisdictions, carry back limitations, lack of sources of taxable income, and tax planning strategy limitations contributed to our conclusion that the deferred tax assets would not be realizable. We have concluded that it is more likely than not that the remaining deferred tax assets will be realized based on our history of earnings, sources of taxable income in carry back periods, and our ability to implement tax planning strategies.

At December 31, 2015, we had net operating loss carry forwards with related deferred tax assets of $528 million. If these carry forwards are not utilized, they will expire in varying amounts through 2035.

At December 31, 2015, we had undistributed foreign earnings of $2.0 billion related to foreign subsidiaries. We intend to reinvest these earnings indefinitely outside the U.S. and accordingly have not provided $557 million of income tax liability on these earnings.

Table 21.3 reconciles the statutory federal income tax expense and rate to the effective income tax expense and rate. Our effective tax rate is calculated by dividing income tax expense by income before income tax expense less the net income from noncontrolling interests.

Table 21.3: Effective Income Tax Expense and Rate

	December 31,					
	2015		2014		2013	
(in millions)	**Amount**	**Rate**	Amount	Rate	Amount	Rate
Statutory federal income tax expense and rate	**$ 11,641**	**35.0%**	$ 11,677	35.0%	$ 11,299	35.0%
Change in tax rate resulting from:						
State and local taxes on income, net of federal income tax benefit	**1,025**	**3.1**	971	2.9	964	3.0
Tax-exempt interest	**(641)**	**(1.9)**	(550)	(1.6)	(490)	(1.5)
Tax credits	**(1,108)**	**(3.3)**	(1,074)	(3.2)	(967)	(3.0)
Life insurance	**(186)**	**(0.6)**	(179)	(0.5)	(173)	(0.5)
Leveraged lease tax expense	**140**	**0.4**	158	0.5	302	0.9
Other	**(506)**	**(1.5)**	(696)	(2.2)	(530)	(1.7)
Effective income tax expense and rate	**$ 10,365**	**31.2%**	$ 10,307	30.9%	$ 10,405	32.2%

The effective tax rate for 2015 includes net reductions in reserves for uncertain tax positions primarily due to audit resolutions of prior period matters with U.S. federal and state taxing authorities. The effective tax rate for 2014 included a net reduction in the reserve for uncertain tax positions primarily due to the resolution of prior period matters with state taxing authorities. The effective tax rate for 2013 included a net reduction in the reserve for uncertain tax positions primarily due to settlements with authorities regarding certain cross border transactions and tax benefits recognized from the realization for tax purposes of a previously written down investment.

Table 21.4 presents the change in unrecognized tax benefits.

Table 21.4: Change in Unrecognized Tax Benefits

	Year ended December 31,	
(in millions)	**2015**	2014
Balance at beginning of year	**$ 5,002**	5,528
Additions:		
For tax positions related to the current year	**196**	412
For tax positions related to prior years	**225**	324
Reductions:		
For tax positions related to prior years	**(413)**	(213)
Lapse of statute of limitations	**(22)**	(50)
Settlements with tax authorities	**(182)**	(999)
Balance at end of year	**$ 4,806**	5,002

Of the $4.8 billion of unrecognized tax benefits at December 31, 2015, approximately $3.0 billion would, if recognized, affect the effective tax rate. The remaining $1.8 billion of unrecognized tax benefits relates to income tax positions on temporary differences.

We recognize interest and penalties as a component of income tax expense. As of December 31, 2015 and 2014, we have accrued approximately $524 million and $660 million for the payment of interest and penalties, respectively. In 2015, we recognized in income tax expense a net tax benefit related to interest and penalties of $79 million. In 2014, we recognized in income tax expense a net tax benefit related to interest and penalties of $142 million.

We are subject to U.S. federal income tax as well as income tax in numerous state and foreign jurisdictions. We are routinely examined by tax authorities in these various jurisdictions. The IRS is currently examining the 2011 through 2014 consolidated federal income tax returns of Wells Fargo & Company and its subsidiaries. In addition, we are currently subject to examination by various state, local and foreign taxing authorities. With few exceptions, Wells Fargo and its subsidiaries are not subject to federal, state, local and foreign income tax examinations for taxable years prior to 2007. Wachovia Corporation and its subsidiaries are no longer subject to federal examination and, with limited exception, are no longer subject to state, local and foreign income tax examinations.

We are litigating or appealing various issues related to prior IRS examinations for the periods 2003 through 2010, and we are appealing various issues related to IRS examinations of Wachovia's 2006 through 2008 tax years. For the 2003 through 2006 Wells Fargo periods and the 2006 through 2008 Wachovia periods, we have paid the IRS the contested income tax and interest associated with these issues and refund claims have been filed for the respective years. It is possible that one or more of these examinations, appeals or litigation may be resolved within the next twelve months resulting in a decrease of up to $600 million to our gross unrecognized tax benefits.

Note 22: Earnings Per Common Share

Table 22.1 shows earnings per common share and diluted earnings per common share and reconciles the numerator and denominator of both earnings per common share calculations. See Note 1 (Summary of Significant Accounting Policies) for discussion of private share repurchases and the Consolidated Statement of Changes in Equity and Note 19 (Common Stock and Stock Plans) for information about stock and options activity and terms and conditions of warrants.

Table 22.1: Earnings Per Common Share Calculations

		Year ended December 31,		
(in millions, except per share amounts)		**2015**	2014	2013
Wells Fargo net income	$	**22,894**	23,057	21,878
Less: Preferred stock dividends and other		**1,424**	1,236	989
Wells Fargo net income applicable to common stock (numerator)	$	**21,470**	21,821	20,889
Earnings per common share				
Average common shares outstanding (denominator)		**5,136.5**	5,237.2	5,287.3
Per share	$	**4.18**	4.17	3.95
Diluted earnings per common share				
Average common shares outstanding		**5,136.5**	5,237.2	5,287.3
Add: Stock options		**26.7**	32.9	33.1
Restricted share rights		**32.8**	41.6	44.8
Warrants		**13.8**	12.7	6.0
Diluted average common shares outstanding (denominator)		**5,209.8**	5,324.4	5,371.2
Per share	$	**4.12**	4.10	3.89

Table 22.2 presents the outstanding options to purchase shares of common stock that were anti-dilutive (the exercise price was higher than the weighted-average market price), and therefore not included in the calculation of diluted earnings per common share.

Table 22.2: Outstanding Anti-Dilutive Options

	Weighted-average shares		
	Year ended December 31,		
(in millions)	**2015**	2014	2013
Options	**5.7**	8.0	11.1

Note 23: Other Comprehensive Income

Table 23.1 provides the components of other comprehensive income (OCI), reclassifications to net income by income statement line item, and the related tax effects.

Table 23.1: Summary of Other Comprehensive Income

	Year ended December 31,								
			2015			2014			2013
(in millions)	**Before tax**	**Tax effect**	**Net of tax**	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Investment securities:									
Net unrealized gains (losses) arising during the period	**$ (3,318)**	**1,237**	**(2,081)**	5,426	(2,111)	3,315	(7,661)	2,981	(4,680)
Reclassification of net (gains) losses to net income:									
Interest income on investment securities (1)	**(1)**	**—**	**(1)**	(37)	14	(23)	—	—	—
Net (gains) losses on debt securities	**(952)**	**356**	**(596)**	(593)	224	(369)	29	(11)	18
Net (gains) losses from equity investments	**(571)**	**213**	**(358)**	(901)	340	(561)	(314)	118	(196)
Other noninterest income	**(6)**	**3**	**(3)**	(1)	—	(1)	—	—	—
Subtotal reclassifications to net income	**(1,530)**	**572**	**(958)**	(1,532)	578	(954)	(285)	107	(178)
Net change	**(4,848)**	**1,809**	**(3,039)**	3,894	(1,533)	2,361	(7,946)	3,088	(4,858)
Derivatives and hedging activities:									
Net unrealized gains (losses) arising during the period	**1,549**	**(584)**	**965**	952	(359)	593	(32)	12	(20)
Reclassification of net (gains) losses to net income:									
Interest income on investment securities	**(3)**	**1**	**(2)**	(1)	—	(1)	—	—	—
Interest income on loans	**(1,103)**	**416**	**(687)**	(588)	222	(366)	(426)	156	(270)
Interest expense on long-term debt	**17**	**(6)**	**11**	44	(17)	27	91	(34)	57
Other noninterest income	**—**	**—**	**—**	—	—	—	35	(13)	22
Salaries expense	**—**	**—**	**—**	—	—	—	4	(2)	2
Subtotal reclassifications to net income	**(1,089)**	**411**	**(678)**	(545)	205	(340)	(296)	107	(189)
Net change	**460**	**(173)**	**287**	407	(154)	253	(328)	119	(209)
Defined benefit plans adjustments:									
Net actuarial gains (losses) arising during the period	**(512)**	**193**	**(319)**	(1,116)	420	(696)	1,533	(578)	955
Reclassification of amounts to net periodic benefit costs (2):									
Amortization of net actuarial loss	**122**	**(46)**	**76**	74	(28)	46	151	(57)	94
Settlements and other	**(8)**	**3**	**(5)**	—	—	—	125	(46)	79
Subtotal reclassifications to net periodic benefit costs	**114**	**(43)**	**71**	74	(28)	46	276	(103)	173
Net change	**(398)**	**150**	**(248)**	(1,042)	392	(650)	1,809	(681)	1,128
Foreign currency translation adjustments:									
Net unrealized losses arising during the period	**(137)**	**(12)**	**(149)**	(60)	(5)	(65)	(44)	(7)	(51)
Reclassification of net (gains) losses to net income:									
Net gains from equity investments	**(5)**	**—**	**(5)**	—	—	—	—	—	—
Other noninterest income	**—**	**—**	**—**	6	—	6	(12)	5	(7)
Subtotal reclassifications to net income	**(5)**	**—**	**(5)**	6	—	6	(12)	5	(7)
Net change	**(142)**	**(12)**	**(154)**	(54)	(5)	(59)	(56)	(2)	(58)
Other comprehensive income (loss)	**$ (4,928)**	**1,774**	**(3,154)**	3,205	(1,300)	1,905	(6,521)	2,524	(3,997)
Less: Other comprehensive income (loss) from noncontrolling interests, net of tax			**67**			(227)			267
Wells Fargo other comprehensive income (loss), net of tax			**$ (3,221)**			2,132			(4,264)

(1) Represents net unrealized gains and losses amortized over the remaining lives of securities that were transferred from the available-for-sale portfolio to the held-to-maturity portfolio.

(2) These items are included in the computation of net periodic benefit cost, which is recorded in employee benefits expense (see Note 20 (Employee Benefits and Other Expenses) for additional details).

Table 23.2: Cumulative OCI Balances

(in millions)	Investment securities	Derivatives and hedging activities	Defined benefit plans adjustments	Foreign currency translation adjustments	Cumulative other comprehensive income
Balance, December 31, 2012	$ 7,462	289	(2,181)	80	5,650
Net unrealized gains (losses) arising during the period	(4,680)	(20)	955	(51)	(3,796)
Amounts reclassified from accumulated other comprehensive income	(178)	(189)	173	(7)	(201)
Net change	(4,858)	(209)	1,128	(58)	(3,997)
Less: Other comprehensive income from noncontrolling interests	266	—	—	1	267
Balance, December 31, 2013	2,338	80	(1,053)	21	1,386
Net unrealized gains (losses) arising during the period	3,315	593	(696)	(65)	3,147
Amounts reclassified from accumulated other comprehensive income	(954)	(340)	46	6	(1,242)
Net change	2,361	253	(650)	(59)	1,905
Less: Other comprehensive loss from noncontrolling interests	(227)	—	—	—	(227)
Balance, December 31, 2014	4,926	333	(1,703)	(38)	3,518
Net unrealized gains (losses) arising during the period	**(2,081)**	**965**	**(319)**	**(149)**	**(1,584)**
Amounts reclassified from accumulated other comprehensive income	**(958)**	**(678)**	**71**	**(5)**	**(1,570)**
Net change	**(3,039)**	**287**	**(248)**	**(154)**	**(3,154)**
Less: Other comprehensive income (loss) from noncontrolling interests	**74**	**—**	**—**	**(7)**	**67**
Balance, December 31, 2015	**$ 1,813**	**620**	**(1,951)**	**(185)**	**297**

Note 24: Operating Segments

We have three reportable operating segments: Community Banking; Wholesale Banking; and Wealth and Investment Management (WIM) (formerly Wealth, Brokerage and Retirement). We define our operating segments by product type and customer segment and their results are based on our management accounting process, for which there is no comprehensive, authoritative guidance equivalent to GAAP for financial accounting. The management accounting process measures the performance of the operating segments based on our management structure and is not necessarily comparable with similar information for other financial services companies. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change. A number of business movements that impact operating segment reporting were implemented in 2015. We realigned our asset management business from Wholesale Banking to WIM; our reinsurance business from WIM to Wholesale Banking; and our strategic auto investment, business banking, and merchant payment services businesses from Community Banking to Wholesale Banking. Results for these operating segments were revised for prior periods to reflect the impact of these realignments.

Community Banking offers a complete line of diversified financial products and services to consumers and small businesses with annual sales generally up to $5 million in which the owner generally is the financial decision maker. Community Banking also offers investment management and other services to retail customers and securities brokerage through affiliates. These products and services include the *Wells Fargo Advantage Funds*℠, a family of mutual funds. Loan products include lines of credit, auto floor plan lines, equity lines and loans, equipment and transportation loans, education loans, origination and purchase of residential mortgage loans and servicing of mortgage loans and credit cards. Other credit products and financial services available to small businesses and their owners include equipment leases, real estate and other commercial financing, Small Business Administration financing, venture capital financing, cash management, payroll services, retirement plans, Health Savings Accounts, credit cards, and merchant payment processing. Community Banking also offers private label financing solutions for retail merchants across the United States and purchases retail installment contracts from auto dealers in the United States and Puerto Rico. Consumer and business deposit products include checking accounts, savings deposits, market rate accounts, Individual Retirement Accounts, time deposits, global remittance and debit cards.

Community Banking serves customers through a complete range of channels, including traditional banking stores, in-store banking centers, business centers, ATMs, Online and Mobile Banking, and *Wells Fargo Customer Connection,* a 24-hours a day, seven days a week telephone service.

The Community Banking segment also includes the results of our Corporate Treasury activities net of allocations in support of other segments and results of investments in our affiliated venture capital partnerships.

Wholesale Banking provides financial solutions to businesses across the United States with annual sales generally in excess of $5 million and to financial institutions globally. Wholesale Banking provides a complete line of business banking, commercial, corporate, capital markets, cash management and real estate banking products and services. These include traditional commercial loans and lines of credit, letters of credit, asset-based lending, equipment leasing, international trade facilities, trade financing, collection services, foreign exchange services, treasury management, merchant payment processing, institutional fixed-income sales, interest rate, commodity and equity risk management, online/electronic products such as the *Commercial Electronic Office*® (*CEO*®) portal, insurance, corporate trust fiduciary and agency services, and investment banking services. Wholesale Banking also supports the CRE market with products and services such as construction loans for commercial and residential development, land acquisition and development loans, secured and unsecured lines of credit, interim financing arrangements for completed structures, rehabilitation loans, affordable housing loans and letters of credit, permanent loans for securitization, CRE loan servicing and real estate and mortgage brokerage services.

Wealth and Investment Management (formerly Wealth, Brokerage and Retirement) provides a full range of personalized wealth management, investment and retirement products and services to clients across U.S. based businesses including Wells Fargo Advisors, The Private Bank, Abbot Downing, Wells Fargo Institutional Retirement and Trust, and Wells Fargo Asset Management. We deliver financial planning, private banking, credit, investment management and fiduciary services to high-net worth and ultra-high-net worth individuals and families. We also serve customers' brokerage needs, supply retirement and trust services to institutional clients and provide investment management capabilities delivered to global institutional clients through separate accounts and the Wells Fargo Funds.

Other includes items not assigned to a specific business segment and elimination of certain items that are included in more than one business segment, substantially all of which represents products and services for Wealth and Investment Management customers served through Community Banking distribution channels.

Note 24: Operating Segments *(continued)*

Table 24.1: Operating Segments

(income/expense in millions, average balances in billions)	Community Banking	Wholesale Banking	Wealth and Investment Management	Other (1)	Consolidated Company
2015					
Net interest income (2)	**$ 29,242**	**$ 14,350**	**$ 3,478**	**$ (1,769)**	**$ 45,301**
Provision (reversal of provision) for credit losses	**2,427**	**27**	**(25)**	**13**	**2,442**
Noninterest income	**20,099**	**11,554**	**12,299**	**(3,196)**	**40,756**
Noninterest expense	**26,981**	**14,116**	**12,067**	**(3,190)**	**49,974**
Income (loss) before income tax expense (benefit)	**19,933**	**11,761**	**3,735**	**(1,788)**	**33,641**
Income tax expense (benefit)	**6,202**	**3,424**	**1,420**	**(681)**	**10,365**
Net income (loss) before noncontrolling interests	**13,731**	**8,337**	**2,315**	**(1,107)**	**23,276**
Less: Net income (loss) from noncontrolling interests	**240**	**143**	**(1)**	**—**	**382**
Net income (loss) (3)	**$ 13,491**	**$ 8,194**	**$ 2,316**	**$ (1,107)**	**$ 22,894**
2014					
Net interest income (2)	$ 27,999	$ 14,073	$ 3,032	$ (1,577)	$ 43,527
Provision (reversal of provision) for credit losses	1,796	(382)	(50)	31	1,395
Noninterest income	20,159	11,325	12,237	(2,901)	40,820
Noninterest expense	26,290	13,831	11,993	(3,077)	49,037
Income (loss) before income tax expense (benefit)	20,072	11,949	3,326	(1,432)	33,915
Income tax expense (benefit)	6,049	3,540	1,262	(544)	10,307
Net income (loss) before noncontrolling interests	14,023	8,409	2,064	(888)	23,608
Less: Net income from noncontrolling interests	337	210	4	—	551
Net income (loss) (3)	$ 13,686	$ 8,199	$ 2,060	$ (888)	$ 23,057
2013					
Net interest income (2)	$ 27,123	$ 14,353	$ 2,797	$ (1,473)	$ 42,800
Provision (reversal of provision) for credit losses	2,841	(521)	(16)	5	2,309
Noninterest income	20,556	11,494	11,533	(2,603)	40,980
Noninterest expense	27,090	13,077	11,486	(2,811)	48,842
Income (loss) before income tax expense (benefit)	17,748	13,291	2,860	(1,270)	32,629
Income tax expense (benefit)	5,442	4,364	1,082	(483)	10,405
Net income (loss) before noncontrolling interests	12,306	8,927	1,778	(787)	22,224
Less: Net income from noncontrolling interests	159	175	12	—	346
Net income (loss) (3)	$ 12,147	$ 8,752	$ 1,766	$ (787)	$ 21,878
2015					
Average loans	**$ 475.9**	**397.3**	**60.1**	**(47.9)**	**885.4**
Average assets	**910.0**	**724.9**	**192.8**	**(84.8)**	**1,742.9**
Average deposits	**654.4**	**438.9**	**172.3**	**(71.5)**	**1,194.1**
2014					
Average loans	468.8	355.6	52.1	(42.1)	834.4
Average assets	853.2	636.5	186.1	(82.5)	1,593.3
Average deposits	614.3	404.0	163.5	(67.7)	1,114.1

(1) Includes tems not specif c to a business segment and the elimination of certain tems that are included in more than one business segment, substantially all of which represents products and services for Wealth and Investment Management customers served through Community Banking distribut on channels.
(2) Net interest income is the difference between interest earned on assets and the cost of liabilities to fund those assets. Interest earned includes actual interest earned on segment assets and, if the segment has excess liabil ties, interest credits for providing funding to other segments. The cost of liabil ties includes interest expense on segment liabilities and, if the segment does not have enough liabil ties to fund ts assets, a funding charge based on the cost of excess liabil ties from another segment.
(3) Represents segment net income (loss) for Commun ty Banking; Wholesale Banking; and Wealth and Investment Management segments and Wells Fargo net income for the consol dated company.

Note 25: Parent-Only Financial Statements

The following tables present Parent-only condensed financial statements.

Table 25.1: Parent-Only Statement of Income

		Year ended December 31,	
(in millions)	**2015**	2014	2013
Income			
Dividends from subsidiaries:			
Bank	**$ 13,804**	15,077	10,612
Nonbank	**542**	526	33
Interest income from subsidiaries	**907**	772	848
Other interest income	**199**	216	240
Other income	**576**	1,032	484
Total income	**16,028**	17,623	12,217
Expense			
Interest expense:			
Indebtedness to nonbank subsidiaries	**325**	357	334
Short-term borrowings	**1**	7	5
Long-term debt	**1,784**	1,540	1,546
Other	**4**	5	15
Noninterest expense	**932**	797	1,175
Total expense	**3,046**	2,706	3,075
Income before income tax benefit and equity in undistributed income of subsidiaries	**12,982**	14,917	9,142
Income tax benefit	**(870)**	(926)	(570)
Equity in undistributed income of subsidiaries	**9,042**	7,214	12,166
Net income	**$ 22,894**	23,057	21,878

Table 25.2: Parent-Only Statement of Comprehensive Income

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Net income	**$ 22,894**	23,057	21,878
Other comprehensive income (loss), net of tax:			
Investment securities	**52**	142	(248)
Derivatives and hedging activities	**—**	12	39
Defined benefit plans adjustment	**(254)**	(633)	1,136
Equity in other comprehensive income (loss) of subsidiaries	**(3,019)**	2,611	(5,191)
Other comprehensive income (loss), net of tax:	**(3,221)**	2,132	(4,264)
Total comprehensive income	**$ 19,673**	25,189	17,614

Table 25.3: Parent-Only Balance Sheet

	December 31,	
(in millions)	**2015**	2014
Assets		
Cash and cash equivalents due from:		
Subsidiary banks	**$ 36,162**	43,843
Nonaffiliates	**4**	3
Investment securities issued by:		
Subsidiary banks	**14,992**	10,001
Nonaffiliates	**8,201**	10,753
Loans to subsidiaries:		
Bank	**47,363**	18,166
Nonbank	**35,327**	35,783
Investments in subsidiaries:		
Bank	**169,081**	162,806
Nonbank	**25,638**	24,567
Other assets	**6,857**	6,225
Total assets	**$ 343,625**	312,147
Liabilities and equity		
Short-term borrowings	**$ —**	2,270
Accrued expenses and other liabilities	**8,135**	6,984
Long-term debt	**117,791**	97,275
Indebtedness to nonbank subsidiaries	**24,701**	21,224
Total liabilities	**150,627**	127,753
Stockholders' equity	**192,998**	184,394
Total liabilities and equity	**$ 343,625**	312,147

Table 25.4: Parent-Only Statement of Cash Flows

	Year ended December 31,		
(in millions)	**2015**	2014	2013
Cash flows from operating activities:			
Net cash provided by operating activities	**$ 12,337**	18,019	8,607
Cash flows from investing activities:			
Available-for-sale securities:			
Sales proceeds	**5,345**	1,196	3,606
Prepayments and maturities:			
Subsidiary banks	**7,750**	25	—
Nonaffiliates	**—**	—	12
Purchases:			
Subsidiary banks	**(12,750)**	(10,025)	—
Nonaffiliates	**(2,709)**	(14)	(6,016)
Loans:			
Net repayments from (advances to) subsidiaries	**460**	(2,199)	655
Capital notes and term loans made to subsidiaries	**(29,860)**	(11,275)	(6,700)
Principal collected on notes/loans made to subsidiaries	**301**	2,526	1,472
Net increase in investment in subsidiaries	**(1,283)**	(1,096)	(1,188)
Other, net	**714**	470	461
Net cash used by investing activities	**(32,032)**	(20,392)	(7,698)
Cash flows from financing activities:			
Net increase in short-term borrowings and indebtedness to subsidiaries	**2,084**	2,314	6,732
Long-term debt:			
Proceeds from issuance	**31,487**	22,627	18,714
Repayment	**(9,194)**	(8,659)	(13,096)
Preferred stock:			
Proceeds from issuance	**2,972**	2,775	3,145
Cash dividends paid	**(1,426)**	(1,235)	(1,017)
Common stock:			
Proceeds from issuance	**1,726**	1,840	2,224
Repurchased	**(8,697)**	(9,414)	(5,356)
Cash dividends paid	**(7,400)**	(6,908)	(5,953)
Excess tax benefits related to stock option payments	**453**	453	271
Other, net	**10**	37	114
Net cash provided by financing activities	**12,015**	3,830	5,778
Net change in cash and due from banks	**(7,680)**	1,457	6,687
Cash and due from banks at beginning of year	**43,846**	42,389	35,702
Cash and due from banks at end of year	**$ 36,166**	43,846	42,389

Note 26: Regulatory and Agency Capital Requirements

The Company and each of its subsidiary banks are subject to regulatory capital adequacy requirements promulgated by federal bank regulatory agencies. The Federal Reserve establishes capital requirements for the consolidated financial holding company, and the OCC has similar requirements for the Company's national banks, including Wells Fargo Bank, N.A. (the Bank).

Table 26.1 presents regulatory capital information for Wells Fargo & Company and the Bank using Basel III, which increased minimum required capital ratios, and introduced a minimum Common Equity Tier 1 (CET1) ratio. Beginning second quarter 2015, our capital ratios were calculated in accordance with the Basel III Standardized and Advanced Approaches. Accordingly, we must report the lower of our CET1, tier 1 and total capital ratios calculated under the Standardized Approach and under the Advanced Approach in the assessment of our capital adequacy. The information presented for 2015 reflects the transition to determining risk-weighted assets (RWAs) under the Basel III Standardized and Advanced Approaches with Transition Requirements from RWAs determined using general risk-based capital rules (General Approach) effective in 2014. The Standardized and General Approaches each apply assigned risk weights to broad risk categories but many of the risk categories and/or weights were changed by Basel III for the Standardized Approach and will generally result in higher risk-weighted assets than from those prescribed for the General Approach. Calculation of RWAs under the Advanced Approach differs by requiring applicable banks to utilize a risk-sensitive methodology, which relies upon the use of internal credit models, and includes an operational risk component. The Basel III revised definition of capital, and changes are being phased-in effective January 1, 2014, through the end of 2021.

The Bank is an approved seller/servicer of mortgage loans and is required to maintain minimum levels of shareholders' equity, as specified by various agencies, including the United States Department of Housing and Urban Development, GNMA, FHLMC and FNMA. At December 31, 2015, the Bank met these requirements. Other subsidiaries, including the Company's insurance and broker-dealer subsidiaries, are also subject to various minimum capital levels, as defined by applicable industry regulations. The minimum capital levels for these subsidiaries, and related restrictions, are not significant to our consolidated operations.

Table 26.1: Regulatory Capital Information

	Wells Fargo & Company			Wells Fargo Bank, N.A.			
	Advanced Approach	Standardized Approach	General Approach	Advanced Approach	Standardized Approach	General Approach	Advanced & Standardized Approach Minimum capital ratios (1)
							December 31,
(in billions, except ratios)	**2015**	**2015**	2014	**2015**	**2015**	2014	2015
Regulatory capital:							
Common equity tier 1	**$ 144.2**	**144.2**	137.1	**126.9**	**126.9**	119.9	
Tier 1	**164.6**	**164.6**	154.7	**126.9**	**126.9**	119.9	
Total	**195.2**	**205.6**	192.9	**140.5**	**150.0**	144.0	
Assets:							
Risk-weighted	**$ 1,263.2**	**1,303.1**	1,242.5	**1,100.9**	**1,197.6**	1,142.5	
Adjusted average (2)	**1,757.1**	**1,757.1**	1,637.0	**1,584.3**	**1,584.3**	1,487.6	
Regulatory capital ratios:							
Common equity tier 1 capital	**11.42%**	**11.07** *	11.04	**11.53**	**10.60** *	10.49	4.50
Tier 1 capital	**13.03**	**12.63** *	12.45	**11.53**	**10.60** *	10.49	6.00
Total capital	**15.45** *	**15.77**	15.53	**12.77**	**12.52** *	12.61	8.00
Tier 1 leverage (2)	**9.37**	**9.37**	9.45	**8.01**	**8.01**	8.06	4.00

*Denotes the lowest cap tal ratio as determined under the Basel III Advanced and Standardized Approaches.
(1) As defined by the regulations issued by the Federal Reserve, OCC and FDIC, wh ch apply to Wells Fargo & Company and Wells Fargo Bank, N.A.
(2) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items. The minimum leverage rat o gu deline is 3% for banking organizations that do not anticipate significant growth and that have well-diversified risk, excellent asset qual ty, high liqu d ty, good earnings, effective management and monitoring of market risk and, in general, are cons dered top-rated, strong banking organizations.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Wells Fargo & Company:

We have audited the accompanying consolidated balance sheet of Wells Fargo & Company and Subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 24, 2016, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

San Francisco, California
February 24, 2016

Quarterly Financial Data

Condensed Consolidated Statement of Income - Quarterly (Unaudited)

	2015 Quarter ended				2014 Quarter ended			
(in millions, except per share amounts)	**Dec 31,**	**Sep 30,**	**Jun 30,**	**Mar 31,**	Dec 31,	Sep 30,	Jun 30,	Mar 31,
Interest income	**$12,643**	**12,445**	**12,226**	**11,963**	12,183	11,964	11,793	11,612
Interest expense	**1,055**	**988**	**956**	**977**	1,003	1,023	1,002	997
Net interest income	**11,588**	**11,457**	**11,270**	**10,986**	11,180	10,941	10,791	10,615
Provision for credit losses	**831**	**703**	**300**	**608**	485	368	217	325
Net interest income after provision for credit losses	**10,757**	**10,754**	**10,970**	**10,378**	10,695	10,573	10,574	10,290
Noninterest income								
Service charges on deposit accounts	**1,329**	**1,335**	**1,289**	**1,215**	1,241	1,311	1,283	1,215
Trust and investment fees	**3,511**	**3,570**	**3,710**	**3,677**	3,705	3,554	3,609	3,412
Card fees	**966**	**953**	**930**	**871**	925	875	847	784
Other fees	**1,040**	**1,099**	**1,107**	**1,078**	1,124	1,090	1,088	1,047
Mortgage banking	**1,660**	**1,589**	**1,705**	**1,547**	1,515	1,633	1,723	1,510
Insurance	**427**	**376**	**461**	**430**	382	388	453	432
Net gains (losses) from trading activities	**99**	**(26)**	**133**	**408**	179	168	382	432
Net gains on debt securities	**346**	**147**	**181**	**278**	186	253	71	83
Net gains from equity investments	**423**	**920**	**517**	**370**	372	712	449	847
Lease income	**145**	**189**	**155**	**132**	127	137	129	133
Other	**52**	**266**	**(140)**	**286**	507	151	241	115
Total noninterest income	**9,998**	**10,418**	**10,048**	**10,292**	10,263	10,272	10,275	10,010
Noninterest expense								
Salaries	**4,061**	**4,035**	**3,936**	**3,851**	3,938	3,914	3,795	3,728
Commission and incentive compensation	**2,457**	**2,604**	**2,606**	**2,685**	2,582	2,527	2,445	2,416
Employee benefits	**1,042**	**821**	**1,106**	**1,477**	1,124	931	1,170	1,372
Equipment	**640**	**459**	**470**	**494**	581	457	445	490
Net occupancy	**725**	**728**	**710**	**723**	730	731	722	742
Core deposit and other intangibles	**311**	**311**	**312**	**312**	338	342	349	341
FDIC and other deposit assessments	**258**	**245**	**222**	**248**	231	229	225	243
Other	**3,105**	**3,196**	**3,107**	**2,717**	3,123	3,117	3,043	2,616
Total noninterest expense	**12,599**	**12,399**	**12,469**	**12,507**	12,647	12,248	12,194	11,948
Income before income tax expense	**8,156**	**8,773**	**8,549**	**8,163**	8,311	8,597	8,655	8,352
Income tax expense	**2,533**	**2,790**	**2,763**	**2,279**	2,519	2,642	2,869	2,277
Net income before noncontrolling interests	**5,623**	**5,983**	**5,786**	**5,884**	5,792	5,955	5,786	6,075
Less: Net income from noncontrolling interests	**48**	**187**	**67**	**80**	83	226	60	182
Wells Fargo net income	**$ 5,575**	**5,796**	**5,719**	**5,804**	5,709	5,729	5,726	5,893
Less: Preferred stock dividends and other	**372**	**353**	**356**	**343**	327	321	302	286
Wells Fargo net income applicable to common stock	**5,203**	**5,443**	**5,363**	**5,461**	5,382	5,408	5,424	5,607
Per share information								
Earnings per common share	**$ 1.02**	**1.06**	**1.04**	**1.06**	1.04	1.04	1.02	1.07
Diluted earnings per common share	**1.00**	**1.05**	**1.03**	**1.04**	1.02	1.02	1.01	1.05
Dividends declared per common share	**0.38**	**0.38**	**0.38**	**0.35**	0.35	0.35	0.35	0.30
Average common shares outstanding	**5,108.5**	**5,125.8**	**5,151.9**	**5,160.4**	5,192.5	5,225.9	5,268.4	5,262.8
Diluted average common shares outstanding	**5,177.9**	**5,193.8**	**5,220.5**	**5,243.6**	5,279.2	5,310.4	5,350.8	5,353.3
Market price per common share (1)								
High	**$ 56.34**	**58.77**	**58.26**	**56.29**	55.95	53.80	53.05	49.97
Low	**49.51**	**47.75**	**53.56**	**50.42**	46.44	49.47	46.72	44.17
Quarter-end	**54.36**	**51.35**	**56.24**	**54.40**	54.82	51.87	52.56	49.74

(1) Based on daily prices reported on the New York Stock Exchange Composite Transaction Reporting System.

Average Balances, Yields and Rates Paid (Taxable-Equivalent basis) - Quarterly (1)(2) - (Unaudited)

	Quarter ended December 31,					
	2015			2014		
(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	$ 274,589	0.28%	$ 195	268,109	0.28%	$ 188
Trading assets	68,833	3.33	573	60,383	3.21	485
Investment securities (3):						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	34,617	1.58	137	19,506	1.55	76
Securities of U.S. states and political subdivisions	49,300	4.37	539	43,891	4.30	472
Mortgage-backed securities:						
Federal agencies	102,281	2.79	712	109,270	2.78	760
Residential and commercial	21,502	5.51	297	24,711	5.89	364
Total mortgage-backed securities	123,783	3.26	1,009	133,981	3.36	1,124
Other debt and equity securities	52,701	3.35	444	44,980	3.87	438
Total available-for-sale securities	260,401	3.27	2,129	242,358	3.48	2,110
Held-to-maturity securities:						
Securities of U.S. Treasury and federal agencies	44,656	2.18	246	32,930	2.25	187
Securities of U.S. states and political subdivisions	2,158	6.07	33	902	4.92	11
Federal agency mortgage-backed securities	28,185	2.42	170	5,586	2.07	29
Other debt securities	4,876	1.77	22	6,118	1.81	27
Total held-to-maturity securities	79,875	2.35	471	45,536	2.22	254
Total investment securities	340,276	3.05	2,600	287,894	3.28	2,364
Mortgages held for sale (4)	19,189	3.66	176	19,191	3.90	187
Loans held for sale (4)	363	4.96	5	6,968	1.43	25
Loans:						
Commercial:						
Commercial and industrial - U.S.	250,445	3.25	2,048	218,297	3.32	1,825
Commercial and industrial - Non U.S.	47,972	1.97	239	43,049	2.03	221
Real estate mortgage	121,844	3.30	1,012	112,277	3.69	1,044
Real estate construction	21,993	3.27	182	18,336	4.33	200
Lease financing	12,241	4.48	136	12,268	5.35	164
Total commercial	454,495	3.16	3,617	404,227	3.39	3,454
Consumer:						
Real estate 1-4 family first mortgage	272,871	4.04	2,759	264,799	4.16	2,754
Real estate 1-4 family junior lien mortgage	53,788	4.28	579	60,177	4.28	648
Credit card	32,795	11.61	960	29,477	11.71	870
Automobile	59,505	5.74	862	55,457	6.08	849
Other revolving credit and installment	38,826	5.83	571	35,292	6.01	534
Total consumer	457,785	4.99	5,731	445,202	5.06	5,655
Total loans (4)	912,280	4.08	9,348	849,429	4.27	9,109
Other	5,166	4.82	61	4,829	5.30	64
Total earning assets	$ 1,620,696	3.18%	$ 12,958	1,496,803	3.31%	$ 12,422
Funding sources						
Deposits:						
Interest-bearing checking	$ 39,082	0.05%	$ 5	40,498	0.06%	$ 6
Market rate and other savings	640,503	0.06	93	593,940	0.07	99
Savings certificates	29,654	0.54	41	35,870	0.80	72
Other time deposits	49,806	0.52	64	56,119	0.39	55
Deposits in foreign offices	107,094	0.14	38	99,289	0.15	37
Total interest-bearing deposits	866,139	0.11	241	825,716	0.13	269
Short-term borrowings	102,915	0.05	12	64,676	0.12	19
Long-term debt	190,861	1.49	713	183,286	1.35	620
Other liabilities	16,453	2.14	88	15,580	2.44	96
Total interest-bearing liabilities	1,176,368	0.36	1,054	1,089,258	0.37	1,004
Portion of noninterest-bearing funding sources	444,328			407,545	—	—
Total funding sources	$ 1,620,696	0.26	1,054	1,496,803	0.27	1,004
Net interest margin and net interest income on a taxable-equivalent basis (5)		2.92%	$ 11,904		3.04%	$ 11,418
Noninterest-earning assets						
Cash and due from banks	$ 17,804			16,932		
Goodwill	25,580			25,705		
Other	123,207			124,320		
Total noninterest-earning assets	$ 166,591			166,957		
Noninterest-bearing funding sources						
Deposits	$ 350,670			324,080		
Other liabilities	65,224			65,672		
Total equity	195,025			184,750		
Noninterest-bearing funding sources used to fund earning assets	(444,328)			(407,545)		
Net noninterest-bearing funding sources	$ 166,591			166,957		
Total assets	$ 1,787,287			1,663,760		

(1) Our average prime rate was 3.29% and 3.25% for the quarters ended December 31, 2015 and 2014, respectively. The average three-month London Interbank Offered Rate (LIBOR) was 0.41% and 0.24% 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 $316 million and $238 million for the quarters ended December 31, 2015 and 2014, respectively, primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate was 35% for the periods presented.

Glossary of Acronyms

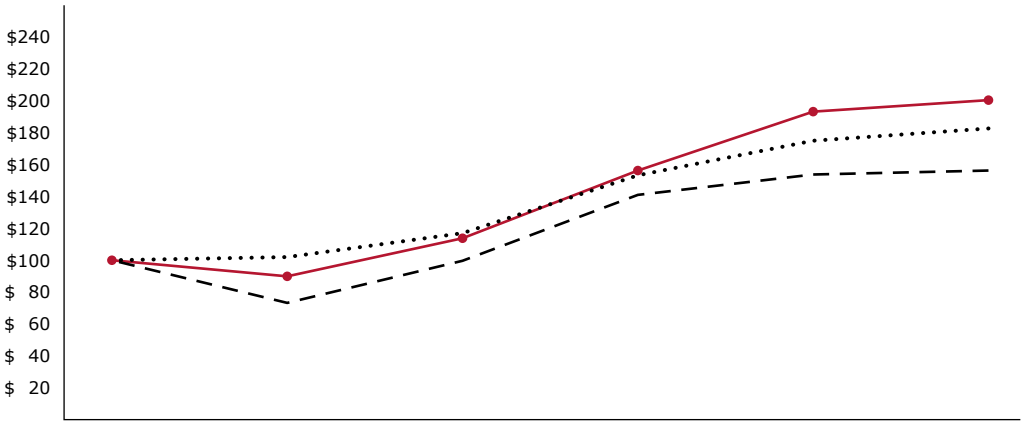
ABS	Asset-backed securities
ACL	Allowance for credit losses
ALCO	Asset/Liability Management Committee
ARM	Adjustable-rate mortgage
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
AUA	Assets under administration
AUM	Assets under management
AVM	Automated valuation model
BCBS	Basel Committee on Bank Supervision
BHC	Bank holding company
CCAR	Comprehensive Capital Analysis and Review
CD	Certificate of deposit
CDO	Collateralized debt obligation
CDS	Credit default swaps
CET1	Common Equity Tier 1
CFTC	U. S. Commodity Futures Trading Commission
CLO	Collateralized loan obligation
CLTV	Combined loan-to-value
CMBS	Commercial mortgage-backed securities
CPP	Capital Purchase Program
CRE	Commercial real estate
DOJ	U. S. Department of Justice
DPD	Days past due
ESOP	Employee Stock Ownership Plan
FAS	Statement of Financial Accounting Standards
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FFELP	Federal Family Education Loan Program
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICO	Fair Isaac Corporation (credit rating)
FNMA	Federal National Mortgage Association
FRB	Board of Governors of the Federal Reserve System
GAAP	Generally accepted accounting principles
GNMA	Government National Mortgage Association
GSE	Government-sponsored entity
G-SIB	Globally systemic important bank
HAMP	Home Affordability Modification Program
HUD	U.S. Department of Housing and Urban Development
LCR	Liquidity coverage ratio
LHFS	Loans held for sale
LIBOR	London Interbank Offered Rate
LIHTC	Low-Income Housing Tax Credit
LOCOM	Lower of cost or market value
LTV	Loan-to-value
MBS	Mortgage-backed security
MHA	Making Home Affordable programs
MHFS	Mortgages held for sale
MSR	Mortgage servicing right
MTN	Medium-term note
NAV	Net asset value
NPA	Nonperforming asset
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income
OTC	Over-the-counter
OTTI	Other-than-temporary impairment
PCI Loans	Purchased credit-impaired loans
PTPP	Pre-tax pre-provision profit
RBC	Risk-based capital
RMBS	Residential mortgage-backed securities
ROA	Wells Fargo net income to average total assets
ROE	Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity
RWAs	Risk-weighted assets
SEC	Securities and Exchange Commission
S&P	Standard & Poor's Ratings Services
SPE	Special purpose entity
TARP	Troubled Asset Relief Program
TDR	Troubled debt restructuring
VA	Department of Veterans Affairs
VaR	Value-at-Risk
VIE	Variable interest entity

Stock Performance

These graphs compare the cumulative total stockholder return and total compound annual growth rate (CAGR) for our common stock (NYSE: WFC) for the five- and ten-year periods ended December 31, 2015, with the cumulative total stockholder returns for the same periods for the Keefe, Bruyette and Woods (KBW) Total Return Bank Index (KBW Nasdaq Bank Index (BKX)) and the S&P 500 Index.

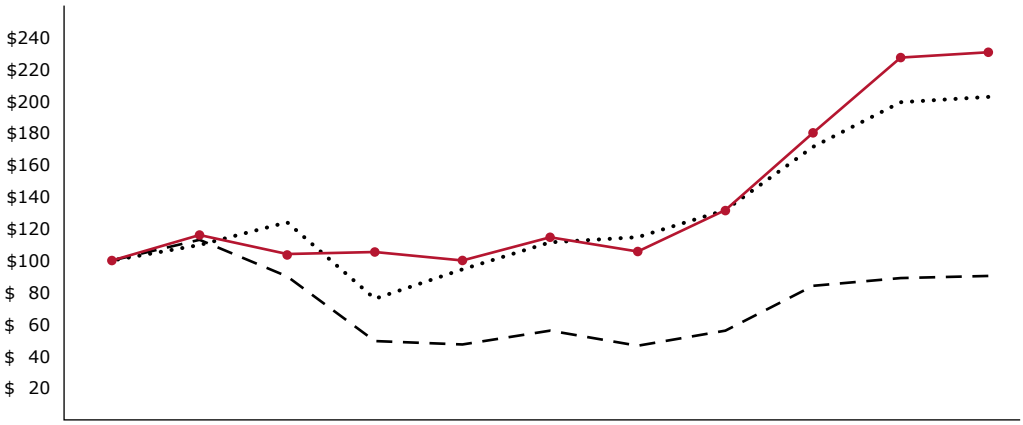
The cumulative total stockholder returns (including reinvested dividends) in the graphs assume the investment of $100 in Wells Fargo's common stock, the KBW Nasdaq Bank Index and the S&P 500 Index.

Five Year Performance Graph



	2010	2011	2012	2013	2014	2015	5-year CAGR	
	$100	**$91**	**$115**	**$158**	**$195**	**$199**	**15%**	**Wells Fargo**
	100	102	118	157	178	181	13%	S&P 500
	100	77	102	141	154	155	9%	KBW Nasdaq Bank Index

Ten Year Performance Graph



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10-year CAGR	
	$100	**$117**	**$103**	**$105**	**$100**	**$115**	**$104**	**$133**	**$182**	**$226**	**$230**	**9%**	**Wells Fargo**
	100	116	122	77	97	112	114	133	176	200	203	7%	S&P 500
	100	117	91	48	47	58	45	59	82	89	90	(1)%	KBW Nasdaq Bank Index

Wells Fargo & Company

Wells Fargo & Company (NYSE: WFC) is a diversified, community-based financial services company with $1.8 trillion in assets. Founded in 1852 and headquartered in San Francisco, Wells Fargo provides banking, insurance, investments, mortgage, and consumer and commercial finance through 8,700 locations, 13,000 ATMs, the internet (wellsfargo.com) and mobile banking, and has offices in 36 countries to support customers who conduct business in the global economy. With approximately 265,000 team members, Wells Fargo serves one in three households in the United States. Wells Fargo & Company was ranked No. 30 on *Fortune's* 2015 rankings of America's largest corporations. Wells Fargo's vision is to satisfy our customers' financial needs and help them succeed financially. Wells Fargo perspectives are also available at *Wells Fargo Blogs* and *Wells Fargo Stories.*

Common stock

Wells Fargo & Company is listed and trades on the New York Stock Exchange: WFC

5,092,128,810 common shares outstanding (12/31/15)

Stock purchase and dividend reinvestment

You can buy Wells Fargo stock directly from Wells Fargo, even if you're not a Wells Fargo stockholder, through optional cash payments or automatic monthly deductions from a bank account. You can also have your dividends reinvested automatically. It's a convenient, economical way to increase your Wells Fargo investment.

Call 1-877-840-0492 for an enrollment kit including a plan prospectus.

Form 10-K

We will send Wells Fargo's 2015 Annual Report on Form 10-K (including the financial statements filed with the Securities and Exchange Commission) free to any stockholder who asks for a copy in writing. Stockholders also can ask for copies of any exhibit to the Form 10-K. We will charge a fee to cover expenses to prepare and send any exhibits. Please send requests to: Corporate Secretary, Wells Fargo & Company, One Wells Fargo Center, MAC D1053-300, 301 S. College Street, 30th Floor, Charlotte, North Carolina 28202.

SEC filings

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge on our website (www.wellsfargo.com) as soon as practical after they are electronically filed with or furnished to the SEC. Those reports and amendments are also available free of charge on the SEC's website at www.sec.gov.

Forward-looking statements

This Annual Report contains forward-looking statements about our future financial performance and business. Because forward-looking statements are based on our current expectations and assumptions regarding the future, they are subject to inherent risks and uncertainties. Do not unduly rely on forward-looking statements as actual results could differ materially from expectations. Forward-looking statements speak only as of the date made, and we do not undertake to update them to reflect changes or events that occur after that date. For information about factors that could cause actual results to differ materially from our expectations, refer to the discussion under "Forward-Looking Statements" and "Risk Factors" in the Financial Review portion of this Annual Report.

Independent registered public accounting firm

KPMG LLP
San Francisco, California
1-415-963-5100

Contacts

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1-415-371-2921
investorrelations@wellsfargo.com

Shareowner Services and Transfer Agent
Wells Fargo Shareowner Services
P.O. Box 64854
St. Paul, Minnesota 55164-0854
1-877-840-0492
www.shareowneronline.com

Annual Stockholders' Meeting
8:00 a.m. Mountain Time
Tuesday, April 26, 2016
Hyatt Regency at Gainey Ranch
7500 East Doubletree Ranch Road
Scottsdale, Arizona 85258

Strong for our customers and communities

Company

10th
Biggest Public Company in the World [1] (2015) *Forbes*

7th
Most Respected Company in the World (2015) *Barron's*

30th
Biggest Company by Revenue in the U.S. (2015) *Fortune*

22nd
Most Admired Company in the World (2015) *Fortune*

2015 CEO of the Year
Morningstar Inc.

Best Global and U.S. Bank (2015)
The Banker magazine

Best Bank in the U.S.
(2012 – 2015) *Euromoney*

#1 in Overall Institutional Satisfaction among Global Financial Institutions
(2012 – 2015)
FImetrix Global Stats

Best Bank for Payments and Collections (North America)
(2010 – 2015)
Global Finance magazine

Brand

Most Valuable Bank Brand in World (2013 – 2015)
Brand Finance®

Innovation leadership

Best Digital Bank in North America
(World's Best Corporate/ Institutional Digital Banks, 2015)
Global Finance magazine

North America: Best in Mobile Banking, Best Investment Services, Best Website Design, Best Information Security Initiatives; Global: Best in Social Media
(World's Best Corporate/ Institutional Digital Banks in North America, 2015)
Global Finance magazine

#2 in Overall Mobile Performance, Ease of Use, and Quality & Availability
(3Q 2015)
Keynote Competitive Research

Diversity

Top Company
#1 for Lesbian, Gay, Bisexual, and Transgender (LGBT) Employees (2015) *DiversityInc*

7th Top Company
For Veterans (2015) *DiversityInc*

11th Top Company
For Diversity (2015) *DiversityInc*

8th Best Company For Latinas (2015) *LATINA Style*

Perfect Score – 100
Corporate Equality Index (2016, 13th year)
Human Rights Campaign

Among Top 50 Employers by Readers' Choice (2015)
CAREERS & the disABLED

Corporate social responsibility

#1
Largest workplace employee giving campaign in the U.S. for seventh consecutive year, based on 2015 donations
United Way Worldwide

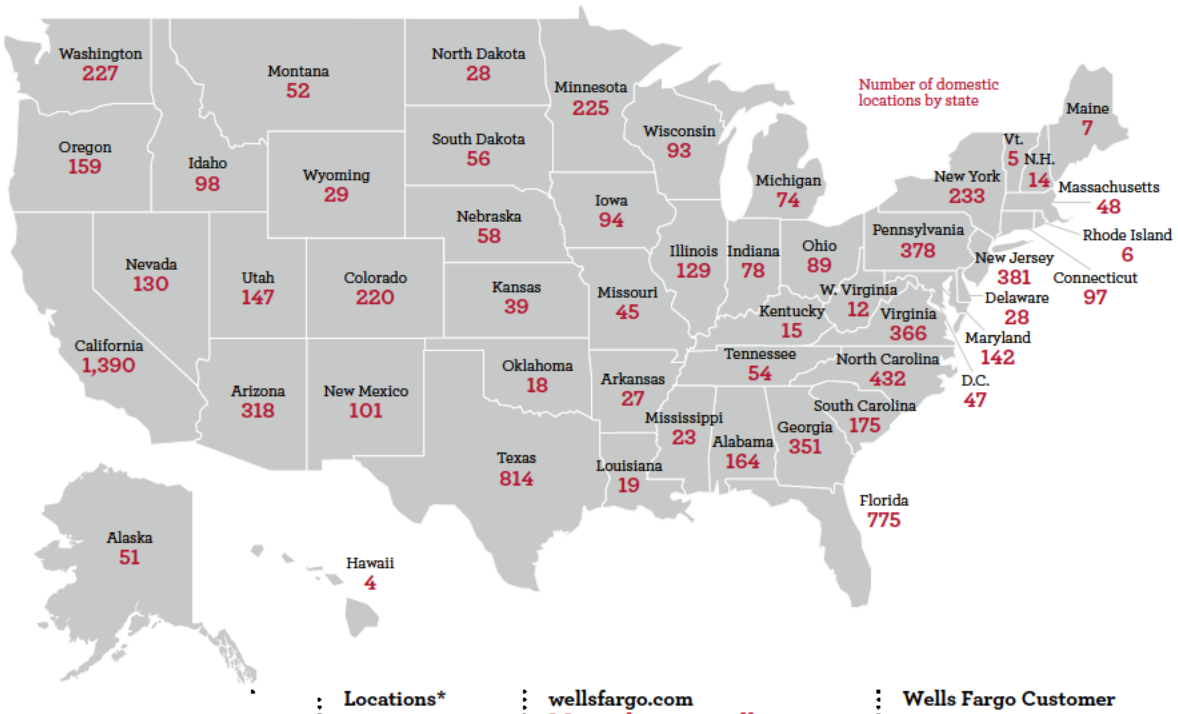
Perfect Score 100
S&P 500 Climate Disclosure Leadership Index (2015)
Carbon Disclosure Project

[1] *Based on sales, profits, assets, and market value.*

Wells Fargo's extensive network

Around the world:
Argentina
Australia
Bahamas
Bangladesh
Brazil
Canada
Cayman Islands
Chile
China
Colombia
Dominican Republic
Ecuador
France
Germany
Hong Kong
India
Indonesia
Ireland
Israel
Italy
Japan
Korea
Luxembourg
Malaysia
Mexico
Philippines
Singapore
South Africa
Spain
Taiwan
Thailand
Turkey
United Arab Emirates
United Kingdom
Vietnam

Number of domestic and global locations



Locations*
8,700

ATMs
13,000

Customers
70+ million

wellsfargo.com
More than 26 million active online customers

Mobile banking
More than 16 million active mobile customers

Wells Fargo Customer Connection
440 million customer contacts annually

In supporting homeowners and consumers

#1
Retail mortgage lender (2015)
Inside Mortgage Finance

#1
Home loan originator to minority and low- to moderate-income borrowers, and in low- to moderate-income neighborhoods (2014) HMDA data

#1
Mortgage servicer (2015)
Inside Mortgage Finance

#2
Overall auto lender (2015 excluding leases)
AutoCount

#1
Used auto lender (2015)
AutoCount

#1
Provider of private student loans among banks (2015)
Company and competitor reports

#2
Provider of student loans overall (2015) Company and competitor reports

In helping small businesses

#1
Small business lender (U.S., in dollars, 2014)
Community Reinvestment Act government data

#1
SBA 7(a) lender in dollars and units (2015) Small Business Administration federal fiscal year-end data

In insurance

Best Insurance Broker in the U.S. (2015) *Global Finance* magazine

In treasury management

#1
Fastest Wholesale Lockbox Network in the U.S. (Fall 2015)
Phoenix-Hecht Mail Study

In commercial banking

#1
Most new lead banking relationships with middle-market companies (2015)
TNS Choice Awards[2]

In commercial real estate

#1
In total commercial real estate originations in the U.S. (2015)
MBA Commercial/Multifamily Mortgage Origination Rankings

#1
Largest servicing portfolio of commercial real estate loans in the U.S. (Year-end 2015)
MBA Commercial/Multifamily Mortgage Servicer Rankings

#1
Affordable housing lender (2015)
MBA Commercial/Multifamily Originations Rankings

#1
U.S. Bank Lender of the Year (2014 – 2015) Real Estate Capital Awards

In wealth and investment management

#2 in U.S.
Annuity sales (2014)
Transamerica Roundtable Survey

#3 in U.S.
Full-service retail brokerage provider (4Q15) Company and competitor reports

#4 in U.S.
Wealth management provider, assets under management of accounts greater than $5 million (2015) *Barron's*

#6 in U.S.
IRA provider (4Q15)
Cerulli Associates

#8 in U.S.
Institutional retirement plan record keeper, based on assets as of 12/31/14 (2015)
PLANSPONSOR magazine

#9 internationally
Family wealth provider (2014)
Bloomberg

[2] 2015 TNS Choice Awards recognize banks and other financial service providers that outperform their competitors in acquiring, retaining, and developing customers.

Wells Fargo & Company
420 Montgomery Street
San Francisco, California 94104
1-866-878-5865 wellsfargo.com

Our Vision:
We want to satisfy our customers' financial needs and help them succeed financially.

Nuestra Visión:
Queremos satisfacer las necesidades financieras de nuestros clientes y ayudarles a alcanzar el éxito financiero.

我們的願景：
我們希望滿足客戶的理財需求，並協助他們取得財務上的成功。

Notre Vision:
Satisfaire les besoins financiers de nos clients et les aider à réussir financièrement.

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Deposit products offered through Wells Fargo Bank, N.A. Member FDIC.
CCM6469 (Rev 00, 1/each)

Together we'll go far

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2015 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: 1-866-878-5865

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $1-2/3	New York Stock Exchange (NYSE)
Warrants to purchase shares of Common Stock (expiring October 28, 2018)	NYSE
Depositary Shares, each representing a 1/40th interest in a share of 8.00% Non-Cumulative Perpetual Class A Preferred Stock, Series J	NYSE
7.5% Non-Cumulative Perpetual Convertible Class A Preferred Stock, Series L	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series N	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series O	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series P	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of 5.85% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series Q	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of 6.625% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series R	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series T	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series V	NYSE
Depositary Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series W	NYSE
Guarantee of 5.80% Fixed-to-Floating Rate Normal Wachovia Income Trust Securities of Wachovia Capital Trust III	NYSE

Securities registered pursuant to Section 12(g) of the Act:
Dividend Equalization Preferred Shares, no par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☑

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, and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
☑

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Act).
Yes ☐ No ☑

At June 30, 2015, the aggregate market value of common stock held by non-affiliates was approximately $288.4 billion, based on a closing price of $56.24. At January 29, 2016, 5,076,712,397 shares of common stock were outstanding.

Documents Incorporated by Reference in Form 10-K

Incorporated Documents	Where incorporated in Form 10-K
1. Portions of the Company's Annual Report to Stockholders for the year ended December 31, 2015 ("2015 Annual Report to Stockholders")	Part I – Items 1, 1A, 2 and 3; Part II – Items 5, 6, 7, 7A, 8 and 9A; and Part IV– Item 15.
2. Portions of the Company's Proxy Statement for the Annual Meeting of Stockholders to be held April 26, 2016 ("2016 Proxy Statement")	Part III – Items 10, 11, 12, 13 and 14

PART I.

ITEM 1. BUSINESS

Wells Fargo & Company is a corporation organized under the laws of Delaware and a financial holding company and a bank holding company registered under the Bank Holding Company Act of 1956, as amended (BHC Act). Its principal business is to act as a holding company for its subsidiaries. References in this report to "the Parent" mean the holding company. References to "we," "our," "us" or "the Company" mean the holding company and its subsidiaries that are consolidated for financial reporting purposes.

At December 31, 2015, we had assets of $1.8 trillion, loans of $917 billion, deposits of $1.2 trillion and stockholders' equity of $193 billion. Based on assets, we were the third largest bank holding company in the United States. At December 31, 2015, Wells Fargo Bank, N.A. was the Company's principal subsidiary with assets of $1.6 trillion, or 90% of the Company's assets.

At December 31, 2015, we had 264,700 active, full-time equivalent team members.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, are available for free at www.wellsfargo.com/about/investor-relations/filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (SEC). They are also available for free on the SEC's website at www.sec.gov.

DESCRIPTION OF BUSINESS

General

We are a diversified financial services company. We provide retail, commercial and corporate banking services through banking stores and offices, the internet and other distribution channels to individuals, businesses and institutions in all 50 states, the District of Columbia and in other countries. We provide other financial services through subsidiaries engaged in various businesses, principally: wholesale banking, mortgage banking, consumer finance, equipment leasing, agricultural finance, commercial finance, securities brokerage and investment banking, insurance agency and brokerage services, computer and data processing services, trust services, investment advisory services, mortgage-backed securities servicing and venture capital investment.

We have three operating segments for management reporting purposes: Community Banking; Wholesale Banking; and Wealth and Investment Management. The 2015 Annual Report to Stockholders includes financial information and descriptions of these operating segments.

Competition

The financial services industry is highly competitive. Our subsidiaries compete with financial services providers such as banks, savings and loan associations, credit unions, finance companies, mortgage banking companies, insurance companies, investment banks and mutual fund companies. They also face increased competition from nonbank institutions such as brokerage houses, private equity firms and online lending companies, as well as from financial services subsidiaries of commercial and manufacturing companies. Many of these competitors enjoy fewer regulatory constraints and some may have lower cost structures.

Securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. Combinations of this type could significantly change the competitive environment in which we conduct business. The financial services industry is also likely to become more competitive as further technological advances enable more companies to provide financial services. These technological advances may diminish the importance of depository institutions and other financial intermediaries in the transfer of funds between parties.

REGULATION AND SUPERVISION

We describe below, and in Note 3 (Cash, Loan and Dividend Restrictions) and Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements included in the 2015 Annual Report to Stockholders, the material elements of the regulatory framework applicable to us. Banking statutes, regulations and policies are continually under review by Congress and state legislatures and federal and state regulatory agencies, as well as foreign governments and financial regulators, and a change in them, including changes in how they are interpreted or implemented, could have a material effect on our business. The regulatory framework applicable to bank holding companies is intended to protect depositors, federal deposit insurance funds, consumers and the banking system as a whole, and not necessarily investors in bank holding companies such as the Company.

Statutes, regulations and policies could restrict our ability to diversify into other areas of financial services, acquire depository institutions, and pay dividends on our capital stock. They may also require us to provide financial support to one or more of our subsidiary banks, maintain capital balances in excess of amounts desired by management, and pay higher deposit insurance premiums as a result of a general deterioration in the financial condition of depository institutions. See the “Regulatory Reform” and "Risk Factors" sections in the 2015 Annual Report to Stockholders for additional information.

General

Parent Bank Holding Company. As a bank holding company, the Parent is subject to regulation under the BHC Act and to inspection, examination and supervision by its primary regulator, the Board of Governors of the Federal Reserve System (Federal Reserve Board or FRB). The Parent is also subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, both as administered by the SEC. As a company with securities listed on the New York Stock Exchange (NYSE), the Parent is subject to the rules of the NYSE for listed companies.

Subsidiary Banks. Our subsidiary national banks, and their subsidiaries, are subject to regulation and examination primarily by the Office of the Comptroller of the Currency (OCC) and also by the Federal Deposit Insurance Corporation (FDIC), the FRB, the Consumer Financial Protection Bureau (CFPB), the SEC and the Commodities Futures Trading Commission (CFTC). The foreign branches and representative offices of our subsidiary national banks are subject to regulation and examination by their respective foreign financial regulators as well as by the OCC and the FRB. Foreign subsidiaries of our national bank subsidiaries may be subject to the laws and regulations of the foreign countries in which they conduct business. Our state-chartered bank is subject to primary federal regulation and examination by the FDIC and, in addition, is regulated and examined by its state banking department.

Nonbank Subsidiaries. Many of our nonbank subsidiaries are also subject to regulation by the FRB and other applicable federal and state agencies. Our insurance subsidiaries are subject to regulation by applicable state insurance regulatory agencies, as well as the FRB. Our brokerage subsidiaries are regulated by the SEC, the Financial Industry Regulatory Authority (FINRA) and, in some cases, the CFTC and the Municipal Securities Rulemaking Board, and state securities regulators. Our other nonbank subsidiaries may be subject to the laws and regulations of the federal government and/or the various states as well as foreign countries in which they conduct business.

Parent Bank Holding Company Activities

“Financial in Nature” Requirement. We became a financial holding company effective March 13, 2000. We continue to maintain our status as a bank holding company for purposes of other FRB regulations. As a bank holding company that has elected to become a financial holding company pursuant to the BHC Act, we may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature. “Financial in nature” activities include securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking; and activities that the FRB, in consultation with the Secretary of the U.S. Treasury, determines to be financial in nature or incidental to such financial activity. “Complementary activities” are activities that the FRB determines upon application to be complementary to a financial activity and do not pose a safety and soundness risk.

FRB approval is generally not required for us to acquire a company (other than a bank holding company, bank or savings association) engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the FRB. Prior notice to the FRB may be required, however, if the company to be acquired has total consolidated assets of $10 billion or more. Prior FRB approval is required before we may acquire the beneficial ownership or control of more than 5% of the voting shares or substantially all of the assets of a bank holding company, bank or savings association. In addition, the FRB has implemented a final rule under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that also prohibits our ability to merge, acquire all or substantially all of the assets of, or acquire control of another company if our total resulting consolidated liabilities would exceed 10% of the aggregate consolidated liabilities of all financial companies.

Because we are a financial holding company, if any of our subsidiary banks receives a rating under the Community Reinvestment Act of 1977, as amended (CRA), of less than satisfactory, we will be prohibited, until the rating is raised to satisfactory or better, from engaging in new activities or acquiring companies other than bank holding companies, banks or savings associations, except that we could engage in new activities, or acquire companies engaged in activities, that are closely related to banking under the BHC Act. In addition, if the FRB finds that the Company or any one of our subsidiary banks is not well capitalized or well managed, we would be required to enter into an agreement with the FRB to comply with all applicable capital and management requirements and which may contain additional limitations or conditions. Until corrected, we could be prohibited from engaging in any new activity or acquiring companies engaged in activities that are not closely related to banking under the BHC Act without prior FRB approval. If we fail to correct any such condition within a prescribed period, the FRB could order us to divest our banking subsidiaries or, in the alternative, to cease engaging in

activities other than those closely related to banking under the BHC Act.

Interstate Banking. Under the Riegle-Neal Interstate Banking and Branching Act (Riegle-Neal Act), a bank holding company may acquire banks in states other than its home state, subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company not control, prior to or following the proposed acquisition, more than 10% of the total amount of deposits of insured depository institutions nationwide or, unless the acquisition is the bank holding company's initial entry into the state, more than 30% of such deposits in the state (or such lesser or greater amount set by the state). The Riegle-Neal Act also authorizes banks to merge across state lines, subject to the same deposit limits noted above, thereby creating interstate branches. Banks are also permitted to acquire and to establish new branches in other states.

Regulatory Approval. In determining whether to approve a proposed bank acquisition, federal banking regulators will consider, among other factors, the effect of the acquisition on competition, financial condition, and future prospects including current and projected capital ratios and levels, the competence, experience, and integrity of management and record of compliance with laws and regulations, the convenience and needs of the communities to be served, including the acquiring institution's record of compliance under the CRA, the effectiveness of the acquiring institution in combating money laundering activities and the risk to the stability of the United States banking system.

Dividend Restrictions

The Parent is a legal entity separate and distinct from its subsidiary banks and other subsidiaries. A significant source of funds to pay dividends on our common and preferred stock and principal and interest on our debt is dividends from the Parent's subsidiaries. Various federal and state statutory provisions and regulations limit the amount of dividends the Parent's subsidiary banks and certain other subsidiaries may pay without regulatory approval. Federal banking regulators have the authority to prohibit the Parent's subsidiary banks from engaging in unsafe or unsound practices in conducting their businesses. The payment of dividends, depending on the financial condition of the bank in question, could be deemed an unsafe or unsound practice. The ability of the Parent's subsidiary banks to pay dividends in the future is currently, and could be further, influenced by bank regulatory policies and capital guidelines. For information about the restrictions applicable to the Parent's subsidiary banks, see Note 3 (Cash, Loan and Dividend Restrictions) to Financial Statements included in the 2015 Annual Report to Stockholders.

In addition to these restrictions on the ability of our subsidiary banks to pay dividends to us, the FRB requires large bank holding companies (BHCs), including Wells Fargo, to submit annual capital plans and to obtain regulatory approval before making capital distributions, such as the payment of dividends. The FRB also finalized rules implementing in the United States the Basel Committee on Banking Supervision's regulatory capital guidelines, including the reforms known as Basel III, which established various capital requirements for U.S. banking organizations. Moreover, federal banking regulators have finalized a rule that enhances the supplementary leverage ratio requirements for large BHCs, like Wells Fargo, and their insured depository institutions. The rule, which becomes effective on January 1, 2018, will require a covered BHC to maintain a supplementary leverage ratio of at least 5% (comprised of a 3% minimum requirement and a supplementary leverage buffer of 2%) to avoid restrictions on capital distributions and discretionary bonus payments. The rule will also require that all of our insured depository institutions maintain a supplementary leverage ratio of 6% under applicable regulatory capital adequacy guidelines. We are also subject to the FRB's rule implementing an additional capital surcharge on those U.S. banking organizations, such as the Company, that are designated as global systemically important banks (G-SIBs). The failure to maintain any of these minimum capital ratios and capital buffers could result in limitations or restrictions on our ability to make capital distributions.

In addition, the FRB's enhanced supervision regulations for large BHCs, like Wells Fargo, impose capital distribution restrictions, including on the payment of dividends, upon the occurrence of capital, stress test, risk management, or liquidity risk management triggers.

Holding Company Structure

Transfer of Funds from Subsidiary Banks. The Parent's subsidiary banks are subject to restrictions under federal law that limit the transfer of funds or other items of value from such subsidiaries to the Parent and its nonbank subsidiaries (including affiliates) in so-called "covered transactions." In general, covered transactions include loans and other extensions of credit, investments and asset purchases, as well as certain other transactions involving the transfer of value from a subsidiary bank to an affiliate or for the benefit of an affiliate. Unless an exemption applies, covered transactions by a subsidiary bank with a single affiliate are limited to 10% of the subsidiary bank's capital and surplus and, with respect to all covered transactions with affiliates in the aggregate, to 20% of the subsidiary bank's capital and surplus. Also, loans and extensions of credit to affiliates generally are required to be secured by qualifying collateral. A bank's transactions with its nonbank affiliates are also generally required to be on arm's length terms.

Source of Strength. The FRB has a policy that a BHC is expected to act as a source of financial and managerial strength to each of its subsidiary banks and, under appropriate circumstances, to commit resources to support each such subsidiary bank. This support may be required at times when the BHC may not have the resources to provide the support.

The OCC may order an assessment of the Parent if the capital of one of its national bank subsidiaries were to become impaired. If the Parent failed to pay the assessment within three months, the OCC could order the sale of the Parent's stock in the national bank to cover the deficiency.

Depositor Preference. In the event of the "liquidation or other resolution" of an insured depository institution, the claims of deposits payable in the United States (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver will have priority over other general unsecured claims against the institution. If an insured depository institution fails, claims of insured and uninsured U.S. depositors, along with claims of the FDIC, will have priority in payment ahead of unsecured

creditors, including the Parent, and depositors whose deposits are solely payable at such insured depository institution's non-U.S. offices.

Liability of Commonly Controlled Institutions. All of the Company's subsidiary banks are insured by the FDIC. FDIC-insured depository institutions can be held liable for any loss incurred, or reasonably expected to be incurred, by the FDIC due to the default of an FDIC-insured depository institution controlled by the same bank holding company, and for any assistance provided by the FDIC to an FDIC-insured depository institution that is in danger of default and that is controlled by the same bank holding company. "Default" means generally the appointment of a conservator or receiver. "In danger of default" means generally the existence of certain conditions indicating that a default is likely to occur in the absence of regulatory assistance.

Dodd-Frank Act

The Dodd-Frank Act, enacted on July 21, 2010, has resulted in broad changes to the U.S. financial system and is the most significant financial reform legislation since the 1930s. Federal regulatory agencies have issued numerous rulemakings to implement its provisions, but a number of the provisions of the Dodd-Frank Act still require final rulemaking or additional guidance and interpretation by these agencies or will be implemented over time. As a result, the ultimate impact of the Dodd-Frank Act is not yet known, but it has affected, and we expect it will continue to affect most of our businesses in some way, either directly through regulation of specific activities or indirectly through regulation of concentration risks, capital or liquidity. At the enterprise level, the FRB has finalized a number of regulations designed to prevent or mitigate the risks that may arise from the material distress or failure of a large BHC. These rules implement enhanced prudential requirements for large BHCs like Wells Fargo regarding risk-based capital and leverage, risk and liquidity management, and stress testing and would impose debt-to-equity limits on any BHC that regulators determine poses a grave threat to the financial stability of the United States. The FRB has also proposed, but not yet finalized, additional enhanced prudential standards that would implement single counterparty credit limits and establish remediation requirements for large BHCs experiencing financial distress. The OCC, under separate authority, has also finalized guidelines establishing heightened governance and risk management standards for large national banks such as Wells Fargo Bank, N.A.

In addition to rules for the enhanced supervision and regulation of large BHCs and other systemically important firms, the FDIC and FRB have implemented rules under the Dodd-Frank Act requiring large BHCs like Wells Fargo to prepare and submit resolution plans, known as "living wills," to facilitate the rapid and orderly resolution of the Company in the event of material distress or its failure. We must also prepare and submit to the FRB on an annual basis a recovery plan that identifies a range of options that we may consider during times of idiosyncratic or systemic economic stress to remedy any financial weaknesses and restore market confidence without extraordinary government support, and the OCC has published a notice of proposed rulemaking on guidelines to establish standards for recovery planning by large insured national banks, such as Wells Fargo Bank, N.A. The FDIC also released a notice regarding a proposed resolution strategy, known as "single point of entry," designed to resolve a large financial institution in a manner that holds management responsible for its failure, maintains market stability, and imposes losses on shareholders and creditors in accordance with statutory priorities, without imposing a cost on U.S. taxpayers.

Federal regulatory agencies have also finalized rules to implement the provisions of the Dodd-Frank Act known as the "Volcker Rule." The Volcker Rule substantially restricts banking entities from engaging in proprietary trading or owning any interest in or sponsoring or having certain relationships with a hedge fund, a private equity fund or certain structured transactions that are deemed covered funds.

With respect to consumer protection maters, the Dodd-Frank Act established the CFPB to ensure consumers receive clear and accurate disclosures regarding financial products and to protect consumers from hidden fees and unfair or abusive practices. The CFPB concentrated much of its initial rulemaking efforts on a variety of mortgage-related topics required under the Dodd-Frank Act, including ability-to-repay and qualified mortgage standards, mortgage servicing standards, loan originator compensation standards, high-cost mortgage requirements, appraisal and escrow standards and requirements for higher-priced mortgages. The CFPB finalized rules integrating disclosures required of lenders and settlement agents under the Truth in Lending Act and the Real Estate Settlement Procedures Act. In addition to the exercise of its rulemaking authority, the CFPB is continuing its on-going examination activities with respect to a number of consumer businesses and products, including mortgage lending and servicing, fair lending requirements, student lending activities, and auto finance.

Federal regulatory agencies issued numerous other rules and proposals to implement various other requirements of the Dodd-Frank Act. For example, federal regulatory agencies have adopted rules establishing a comprehensive framework for regulating over-the-counter derivatives. In addition, federal regulatory agencies have issued rules to implement the Dodd-Frank Act's requirement that sponsors of asset-backed securities (ABS) retain at least a 5% ownership stake in the ABS. The SEC has also adopted a rule governing money market mutual funds that, among other things, requires significant structural changes to these funds, including requiring non-governmental institutional money market funds to maintain a variable net asset value and providing for the imposition of liquidity fees and redemption gates for all non-governmental money market funds during periods in which they experience liquidity impairments of a certain magnitude.

For more information about the Dodd-Frank Act and its effect on our business, see the "Regulatory Reform" section of the 2015 Annual Report to Stockholders.

Capital Requirements and Planning

The Company and each of our insured depository institutions are subject to various regulatory capital adequacy requirements administered by federal banking regulators. These capital rules, among other things, establish required minimum ratios relating capital to different categories of assets and exposures. Federal banking regulators have also finalized rules to impose a supplementary leverage ratio on large BHCs like Wells Fargo and our insured depository institutions and to implement a liquidity coverage ratio. The FRB has also proposed rules to address the amount of equity and unsecured long-term debt a G-SIB must hold to improve its resolvability and resiliency, often referred to as total loss absorbing capacity.

From time to time, the FRB and the Federal Financial Institutions Examination Council (FFIEC) propose changes and amendments to, and issue interpretations of, risk-based capital guidelines and related reporting instructions. In addition, the FRB closely monitors capital levels of the institutions it supervises and may require such institutions to modify capital levels based on FRB determinations. Such determinations, proposals or interpretations could, if implemented in the future, affect our reported capital ratios and net risk-adjusted assets.

As an additional means to identify problems in the financial management of depository institutions, the Federal Deposit Insurance Act (FDI Act) requires federal banking regulators to establish certain non-capital safety and soundness standards for institutions for which they are the primary federal regulator. The standards relate generally to operations and management, asset quality, interest rate exposure, executive compensation and risk management. The agencies are authorized to take action against institutions that fail to meet such standards.

The FDI Act requires federal banking regulators to take "prompt corrective action" with respect to FDIC-insured depository institutions that do not meet minimum capital requirements. A depository institution's treatment for purposes of the prompt corrective action provisions will depend upon how its capital levels compare to various capital measures and certain other factors, as established by regulation.

In addition, the FRB's capital plan rule requires large BHCs to submit capital plans annually for review to determine if the FRB has any objections before making any capital distributions. The rule requires updates to capital plans in the event of material changes in a BHC's risk profile, including as a result of any significant acquisitions. Federal banking regulators also require stress tests to evaluate whether an institution has sufficient capital to continue to operate during periods of adverse economic and financial conditions.

For more information on our capital requirements and planning, see the "Capital Management" section of the 2015 Annual Report to Stockholders.

Deposit Insurance Assessments

Our subsidiary banks, including Wells Fargo Bank, N.A., are members of the Deposit Insurance Fund (DIF) maintained by the FDIC. Through the DIF, the FDIC insures the deposits of our banks up to prescribed limits for each depositor and funds the DIF through assessments on member banks. To maintain the DIF, member institutions are assessed an insurance premium based on an assessment base and an assessment rate.

The Dodd-Frank Act gave the FDIC greater discretion to manage the DIF, changed the assessment base from domestic deposits to consolidated average assets less average tangible equity, and mandated a minimum Designated Reserve Ratio (reserve ratio or DRR) of 1.35%. The FDIC Board adopted a Restoration Plan to ensure that the DIF reserve ratio reaches 1.35% by September 30, 2020, as required by the Dodd-Frank Act, and, in October 2015, issued a proposed rule to meet this DRR level. The proposed rule would impose on insured depository institutions with $10 billion or more in assets, such as Wells Fargo, a surcharge of 4.5 cents per $100 of their assessment base, after making certain adjustments. The proposed surcharge would be in addition to the base assessments paid by the affected institutions and could significantly increase the overall amount of their deposit insurance assessments. The FDIC Board has also finalized a comprehensive, long-range plan for DIF management, whereby the FDIC Board set the DRR at 2%.

In addition to the base assessments and any proposed surcharge, all FDIC-insured depository institutions must also pay a quarterly assessment towards interest payments on bonds (commonly referred to as FICO bonds) issued by the Financing Corporation, a federal corporation chartered under the authority of the Federal Housing Finance Board. This assessment was 0.60% of the assessable deposit base for the first, second and fourth quarters of 2015, and was 0.58% for third quarter 2015. The assessment is 0.58% of the assessable deposit base for first quarter 2016. For the year ended December 31, 2015, the Company's FDIC deposit insurance assessments, including FICO assessments, totaled $973 million.

The FDIC may terminate a depository institution's deposit insurance upon a finding that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices or has violated any applicable rule, regulation, order or condition enacted or imposed by the institution's regulatory agency. The termination of deposit insurance for one or more of our bank subsidiaries could have a material adverse effect on our earnings, depending on the collective size of the particular banks involved.

Fiscal and Monetary Policies

Our business and earnings are affected significantly by the fiscal and monetary policies of the federal government and its agencies. We are particularly affected by the policies of the FRB, which regulates the supply of money and credit in the United States. Among the instruments of monetary policy available to the FRB are (a) conducting open market operations in United States government securities, (b) changing the discount rates of borrowings of depository institutions, (c) imposing or changing reserve requirements against depository institutions' deposits, and (d) imposing or changing reserve requirements against certain borrowings by banks and their affiliates. These methods are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. The policies of the FRB may have a material effect on our business, results of operations and financial condition.

Privacy Provisions of the Gramm-Leach-Bliley Act and Restrictions on Affiliate Marketing

Federal banking regulators, as required under the Gramm-Leach-Bliley Act (the GLB Act), have adopted rules limiting the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties. The rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to nonaffiliated third parties. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial services companies and conveyed to outside vendors. Federal financial regulators have issued regulations under the Fair and Accurate Credit Transactions Act that have the effect of increasing the length of the waiting period, after privacy disclosures are provided to new customers, before information can be shared among different

affiliated companies for the purpose of marketing products and services by those affiliated companies.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) implemented a broad range of corporate governance and accounting measures to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies, and to protect investors by improving the accuracy and reliability of disclosures under federal securities laws. We are subject to Sarbanes-Oxley because we are required to file periodic reports with the SEC under the Securities Exchange Act of 1934. Among other things, Sarbanes-Oxley and/or its implementing regulations established membership requirements and additional responsibilities for our audit committee, imposed restrictions on the relationship between us and our outside auditors (including restrictions on the types of non-audit services our auditors may provide to us), imposed additional responsibilities for our external financial statements on our chief executive officer and chief financial officer, expanded the disclosure requirements for our corporate insiders, required our management to evaluate our disclosure controls and procedures and our internal control over financial reporting, and required our independent registered public accounting firm to issue a report on our internal control over financial reporting.

Patriot Act

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Patriot Act) is intended to strengthen the ability of U.S. law enforcement agencies and intelligence communities to work together to combat terrorism on a variety of fronts. The Patriot Act has significant implications for depository institutions, brokers, dealers and other businesses involved in the transfer of money. The Patriot Act required us to implement new or revised policies and procedures relating to anti-money laundering, compliance, suspicious activities, and currency transaction reporting and due diligence on customers. The Patriot Act also requires federal banking regulators to evaluate the effectiveness of an applicant in combating money laundering in determining whether to approve a proposed bank acquisition.

Future Legislation or Regulation

In light of recent conditions in the U.S. and global financial markets and the U.S. and global economy, legislators, the presidential administration and regulators have continued their increased focus on regulation of the financial services industry. Proposals that further increase regulation of the financial services industry have been and are expected to continue to be introduced in the U.S. Congress, in state legislatures and abroad. In addition, not all regulations authorized or required under the Dodd-Frank Act have been proposed, finalized or implemented. Further legislative changes and additional regulations may change our operating environment in substantial and unpredictable ways. Such legislation and regulations could increase our cost of doing business, affect our compensation structure, restrict or expand the activities in which we may engage or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether future legislative proposals will be enacted and, if enacted, the effect that they, or any implementing regulations, would have on our business, results of operations or financial condition. The same uncertainty exists with respect to regulations authorized or required under the Dodd-Frank Act but that have not yet been proposed or finalized.

ADDITIONAL INFORMATION

Additional information in response to this Item 1 can be found in the 2015 Annual Report to Stockholders under “Financial Review” and under “Financial Statements.” That information is incorporated into this item by reference.

ITEM 1A. RISK FACTORS

Information in response to this Item 1A can be found in this report on pages 2-6 and in the 2015 Annual Report to Stockholders under “Financial Review – Risk Factors.” That information is incorporated into this item by reference.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

	City	State
We own our corporate headquarters building in:	San Francisco	California
We own administrative facilities in:	Anchorage	Alaska
	Chandler	Arizona
	Glendale	Arizona
	Mesa	Arizona
	Phoenix	Arizona
	Tempe	Arizona
	Tucson	Arizona
	Irvine	California
	Millbrae	California
	Sacramento	California
	San Francisco	California
	San Jose	California
	Santa Clara	California
	Walnut Creek	California
	Greenwood Village	Colorado
	Littleton	Colorado
	Coeur D'Alene	Idaho
	West Des Moines	Iowa
	Marquette	Michigan
	Anoka	Minnesota
	Maplewood	Minnesota
	Minneapolis	Minnesota
	Minnetonka	Minnesota
	Rochester	Minnesota
	St. Louis	Missouri
	Omaha	Nebraska
	Summit	New Jersey
	Las Vegas	Nevada
	Charlotte	North Carolina
	Fargo	North Dakota
	Eugene	Oregon
	Portland	Oregon
	Austin	Texas
	Houston	Texas
	Round Rock	Texas
	San Antonio	Texas
	Clearfield	Utah
	Salt Lake City	Utah
	Menomonee Falls	Wisconsin

	State	
We lease office space for various administrative departments in major locations in:	Alabama	New Jersey
	Arizona	New York
	California	North Carolina
	Colorado	Ohio
	Delaware	Oregon
	Florida	Pennsylvania
	Georgia	South Carolina
	Idaho	South Dakota
	Illinois	Texas
	Indiana	Utah
	Iowa	Virginia
	Maryland	Washington
	Massachusetts	West Virginia
	Minnesota	Wisconsin
	Nebraska	Washington, DC
	Nevada	Puerto Rico
	New Mexico	
We lease office space for various operations/ servicing centers in:	Alaska	Nevada
	Arizona	New York
	California	Oregon
	Colorado	Pennsylvania
	Florida	South Carolina
	Georgia	South Dakota
	Iowa	Tennessee
	Kentucky	Texas
	Maryland	Virginia
	Minnesota	Washington
	Missouri	Wisconsin
	North Carolina	Puerto Rico
	North Dakota	

	City	State
We are also a joint venture partner in an office building in:	Minneapolis	Minnesota

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	City	State
We own operations/servicing centers in:	Anchorage	Alaska
	Birmingham	Alabama
	Homewood	Alabama
	Chandler	Arizona
	Phoenix	Arizona
	Tempe	Arizona
	Tucson	Arizona
	El Monte	California
	Fremont	California
	Fresno	California
	Irvine	California
	Pleasant Hill	California
	Sacramento	California
	San Diego	California
	San Francisco	California
	San Leandro	California
	Walnut Creek	California
	Denver	Colorado
	Orlando	Florida
	Riviera Beach	Florida
	Boise	Idaho
	Springfield	Illinois
	Clive	Iowa
	Des Moines	Iowa
	West Des Moines	Iowa
	Columbia	Maryland
	Minneapolis	Minnesota
	Shoreview	Minnesota
	St. Louis	Missouri
	Billings	Montana
	Omaha	Nebraska
	Albuquerque	New Mexico
	Las Vegas	Nevada
	Reno	Nevada
	Charlotte	North Carolina
	Winston-Salem	North Carolina
	Winterville	North Carolina
	Portland	Oregon
	Salem	Oregon
	Sioux Falls	South Dakota
	Irving	Texas
	Lubbock	Texas
	San Antonio	Texas
	Salt Lake City	Utah
	Glen Allen	Virginia
	Tukwila	Washington

	Country	
We lease office space for international operations in:	Argentina	Italy
	Australia	Japan
	Bahamas	Malaysia
	Bangladesh	Mexico
	Brazil	Netherlands
	Canada	Philippines
	Chile	Russia
	China	Singapore
	Colombia	South Africa
	Dominican Republic	South Korea
	Ecuador	Spain
	France	Taiwan
	Germany	Thailand
	India	Turkey
	Indonesia	United Arab Emirates
	Ireland	United Kingdom
	Israel	Vietnam

As of December 31, 2015, we provided banking, insurance, investments, mortgage and consumer and commercial finance through 8,700 locations under ownership and lease agreements.

ADDITIONAL INFORMATION

Additional information in response to this Item 2 can be found in the 2015 Annual Report to Stockholders under “Financial Statements – Notes to Financial Statements – Note 7 (Premises, Equipment, Lease Commitments and Other

Assets).” That information is incorporated into this item by reference.

ITEM 3. LEGAL PROCEEDINGS

Information in response to this Item 3 can be found in the 2015 Annual Report to Stockholders under “Financial Statements – Notes to Financial Statements – Note 15 (Legal Actions).” That information is incorporated into this item by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

The Company’s common stock is listed on the NYSE (symbol “WFC”). The Quarterly Financial Data table of the 2015 Annual Report to Stockholders provides the quarterly prices of, and quarterly dividends paid on, the Company’s common stock for the two-year period ended December 31, 2015, and is incorporated herein by reference. Prices shown represent the daily high and low, and the quarter-end sale prices of the Company’s common stock as reported on the NYSE Composite Transaction Reporting System for the periods indicated. The “Stock Performance” section of the 2015 Annual Report to Stockholders provides stockholder return comparisons and is incorporated herein by reference. At January 31, 2016, there were 183,833 holders of record of the Company’s common stock.

DIVIDENDS

The dividend restrictions discussions on page 3 of this report and in the 2015 Annual Report to Stockholders under “Financial Statements – Notes to Financial Statements – Note 3 (Cash, Loan and Dividend Restrictions)” are incorporated into this item by reference.

REPURCHASES OF EQUITY SECURITIES

In March 2014, our Board of Directors authorized the repurchase of 350 million shares of our common stock. In January 2016, our Board of Directors authorized the repurchase of an additional 350 million shares of our common stock. The authorizations cover shares repurchased to meet team member benefit plan requirements. The Company maintains a variety of retirement plans for its team members and typically is a net issuer of shares of common stock to these plans. From time to time, it also purchases shares of common stock from these plans to accommodate team member preferences. Share repurchases are subtracted from the Company’s repurchase authority without offset for share issuances. Shares may be repurchased as part of employee stock option exercises, from the different benefit plans or in the open market, subject to regulatory approval.

The amount and timing of stock repurchases will be based on various factors, 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. In June 2010, our Board of Directors also authorized the repurchase of up to $1 billion of warrants to purchase our common stock. The warrants are listed on the NYSE under the symbol “WFCWS.” The amount and timing of warrant repurchases will be based on various factors including market conditions. See the “Capital Management” section in the 2015 Annual Report to Stockholders for additional information about our common stock and warrant repurchases.

The following table shows Company repurchases of its common stock for each calendar month in the quarter ended December 31, 2015.

Calendar month	Total number of shares repurchased (1)	Weighted-average price paid per share	Maximum number of shares that may yet be repurchased under the authorization
October	1,881,955	$ 53.20	102,134,773
November	4,975,556	55.21	97,159,217
December (2)	20,179,945	54.46	76,979,272
Total	27,037,456		

(1) All shares were repurchased under an authorization covering up to 350 million shares of common stock approved by the Board of Directors and publicly announced by the Company on March 26, 2014. In addition, the Company publ cly announced on January 26, 2016, that the Board of Directors authorized the repurchase of an additional 350 million shares of common stock. Unless modified or revoked by the Board, these authorizations do not expire.
(2) Includes a private repurchase transaction of 4,633,760 shares at a weighted-average pr ce paid per share of $53.95.

The following table shows Company repurchases of the warrants for each calendar month in the quarter ended December 31, 2015.

Calendar month	Total number of warrants repurchased (1)	Average price paid per warrant	Maximum dollar value of warrants that may yet be purchased
October	—	$ —	451,944,402
November	—	—	451,944,402
December	—	—	451,944,402
Total	—		

(1) Warrants are purchased under the authorization covering up to $1 billion in warrants approved by the Board of Directors (ratified and approved on June 22, 2010). Unless modified or revoked by the Board, this authorization does not expire.

ITEM 6. SELECTED FINANCIAL DATA

Information in response to this Item 6 can be found in the 2015 Annual Report to Stockholders under “Financial Review” in Table 1. That information is incorporated into this item by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANACIAL CONDITION AND RESULTS OF OPERATIONS

Information in response to this Item 7 can be found in the 2015 Annual Report to Stockholders under “Financial Review.” That information is incorporated into this item by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information in response to this Item 7A can be found in the 2015 Annual Report to Stockholders under “Financial Review – Risk Management – Asset/Liability Management.” That information is incorporated into this item by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information in response to this Item 8 can be found in the 2015 Annual Report to Stockholders under “Financial Statements,” under “Notes to Financial Statements” and under “Quarterly Financial Data.” That information is incorporated into this item by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Information in response to this Item 9A can be found in the 2015 Annual Report to Stockholders under "Controls and Procedures." That information is incorporated into this item by reference.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

EXECUTIVE OFFICERS OF THE REGISTRANT

David M. Carroll (age 58)
Senior Executive Vice President (Wealth and Investment Management) since January 2009.
Mr. Carroll has served with the Company or its predecessors for 34 years.

Hope A. Hardison (age 51)
Senior Executive Vice President, Chief Administrative Officer, and Human Resources Director since September 2015;
Executive Vice President (Human Resources) from September 2010 to September 2015.
Ms. Hardison has served with the Company or its predecessors for 23 years.

Richard D. Levy (age 58)
Executive Vice President and Controller since February 2007.
Mr. Levy has served with the Company for 13 years.

Michael J. Loughlin (age 60)
Senior Executive Vice President and Chief Risk Officer since July 2011;
Executive Vice President and Chief Risk Officer from November 2010 to July 2011.
Mr. Loughlin has served with the Company or its predecessors for 34 years.

Avid Modjtabai (age 54)
Senior Executive Vice President (Consumer Lending) since July 2011;
Executive Vice President and Chief Information Officer from April 2007 to July 2011.
Ms. Modjtabai has served with the Company or its predecessors for 22 years.

Kevin A. Rhein (age 62)
Senior Executive Vice President and Chief Information Officer since July 2011;
Executive Vice President (Card Services and Consumer Lending) from January 2009 to July 2011.
Mr. Rhein has served with the Company or its predecessors for 37 years.

John R. Shrewsberry (age 50)
Senior Executive Vice President and Chief Financial Officer since May 2014;
President and Chief Executive Officer of Wells Fargo Securities, LLC from November 2009 to May 2014.
Mr. Shrewsberry has served with the Company or its predecessors for 17 years.

Timothy J. Sloan (age 55)

President and Chief Operating Officer since November 2015;
Senior Executive Vice President (Wholesale Banking) from May 2014 to November 2015;
Senior Executive Vice President and Chief Financial Officer from February 2011 to May 2014;
Senior Executive Vice President and Chief Administrative Officer from September 2010 to February 2011.
Mr. Sloan has served with the Company or its predecessors for 28 years.

James M. Strother (age 64)

Senior Executive Vice President and General Counsel since July 2011;
Executive Vice President and General Counsel from January 2004 to July 2011.
Mr. Strother has served with the Company or its predecessors for 29 years.

John G. Stumpf (age 62)

Chairman and Chief Executive Officer since November 2015;
Chairman, President and Chief Executive Officer from January 2010 to November 2015.
Mr. Stumpf has served with the Company or its predecessors for 34 years.

Carrie L. Tolstedt (age 56)

Senior Executive Vice President (Community Banking) since June 2007.
Ms. Tolstedt has served with the Company or its predecessors for 26 years.

There is no family relationship between any of the Company's executive officers or directors. All executive officers serve at the pleasure of the Board of Directors.

AUDIT COMMITTEE INFORMATION

The Audit and Examination Committee is a standing audit committee of the Board of Directors established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Committee has six members: John D. Baker II, Enrique Hernandez, Jr., Federico F. Peña, James H. Quigley (Chair), Susan G. Swenson, and Suzanne M. Vautrinot. Each member is independent, as independence for audit committee members is defined by NYSE rules. The Board of Directors has determined, in its business judgment, that each member of the Audit and Examination Committee is financially literate, as required by NYSE rules, and that each of Messrs. Baker, Hernandez, Peña, and Quigley and Ms. Swenson qualifies as an "audit committee financial expert" as defined by SEC regulations.

CODE OF ETHICS AND BUSINESS CONDUCT

The Company's Code of Ethics and Business Conduct applicable to team members (including executive officers) as well as directors, the Company's corporate governance guidelines, and the charters for the Audit and Examination, Governance and Nominating, Human Resources, Corporate Responsibility, Credit, Finance, and Risk Committees are available at www.wellsfargo.com/about/corporate/governance. This information is also available in print to any stockholder upon written request to the Office of the Corporate Secretary, Wells Fargo & Company, MAC D1053-300, 301 S. College Street, Charlotte, North Carolina 28202.

ADDITIONAL INFORMATION

Additional information in response to this Item 10 can be found in the Company's 2016 Proxy Statement under "Ownership of Our Common Stock – Directors and Executive Officers – Section 16(a) Beneficial Ownership Reporting Compliance," under "Corporate Governance – Item 1 – Election of Directors – Director Nominees for Election," "Corporate Governance – Additional Information – Other Matters Relating to Directors," and "Corporate Governance – Director Election Standard and Nomination Process – Director Nomination Process." That information is incorporated into this item by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information in response to this Item 11 can be found in the Company's 2016 Proxy Statement under "Corporate Governance – Additional Information – Compensation Committee Interlocks and Insider Participation," under "Corporate Governance – Director Compensation," under "Information About Related Persons – Related Person Transactions," and under "Executive Compensation – Compensation Committee Report," "Executive Compensation – Compensation Discussion & Analysis," "Executive Compensation – Executive Compensation Tables," and "Executive Compensation – Compensation Governance and Risk Management." That information is incorporated into this item by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about our equity compensation plans in effect on December 31, 2015, separately aggregated for plans approved by stockholders and for plans not approved by stockholders. A description of the material features of each equity compensation plan not approved by stockholders follows the table. All outstanding awards relate to shares of our common stock. Information is as of December 31, 2015, unless otherwise indicated.

Equity Compensation Plan Information (1)

Plan category	(a) # of shares to be issued upon exercise of outstanding options, warrants and rights		(b) Weighted-average exercise price of outstanding options, warrants and rights (2)	(c) # of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))	
Equity compensation plans approved by security holders	120,926,070	(3)	$ 27.29	216,647,712	(4)
Equity compensation plans not approved by security holders	14,957,377	(5)	137.26	2,638,882	(6)
Total	135,883,447		40.64	219,286,594	

(1) The table above does not include informat on about equity compensat on plans assumed in mergers that we froze at the time of the merger. Under these assumed plans a total of 148,613 shares of common stock were issuable upon exercise of options. The weighted average exercise price per share of our common stock of the outstanding options was $186.77. We assumed the amended and restated Wachovia Corporat on 2003 Stock Incentive Plan (2003 SIP) in the Wachovia merger and in February 2009 used substantially all remaining available shares for stock opt on grants to legacy Wachovia team members. Information for the 2003 SIP is included in the table above under the plan category for equity compensation plans not approved by security holders. No awards have been granted since February 2009, and no future awards will be granted under the 2003 SIP.

(2) Does not reflect restricted share rights (RSRs), restricted share units (RSUs), or restr cted share awards (RSAs) or deferred compensation benefits because they have no exercise price.

(3) For the Long-Term Incentive Compensat on Plan (LTICP), consists of 66,010,260 shares subject to options, 40,634,792 shares subject to unvested RSRs, and a maximum of 10,257,980 performance shares. For the Supplemental 401(k) Plan, consists of 3,045,445 shares issuable upon distribut on of benefits. For the Directors Stock Compensation and Deferral Plan (Directors Plan), consists of 306,890 shares subject to options, 315,594 shares issuable upon distribution of vested but deferred stock awards, and 355,109 shares issuable upon distribution of deferred compensat on benef ts.

(4) We could have issued the number of shares of our common stock ind cated in the following table pursuant to any of the award types listed for the plan or, if indicated for the plan, pursuant to distribut ons of deferred compensation benefits. Each share of common stock issued under the LTICP pursuant to awards other than options or SARs counts as two shares.

Plan	# of shares	Award types
LTICP	214,108,716	Stock options, stock, SARs, restricted stock, RSRs, performance shares, performance units
Supplemental 401(k) Plan	2,020,018	Deferral distribution
Directors Plan	518,978	Stock options, deferral distribution

(5) For the 2003 SIP, consists of 9,160,887 shares subject to options. For the other plans, consists of 5,796,490 shares of common stock issuable upon distribution of deferred compensation benefits.

(6) We could have issued the number of shares of our common stock ind cated in the following table pursuant to distributions of deferred compensat on benef ts. No informat on is provided for the 2003 SIP, the Norwest Corporation Directors' Formula Stock Award Plan or the Norwest Corporat on Directors' Stock Deferral Plan because no future awards or deferrals will be made under these plans and because column (a) reflects all shares issuable under those plans upon exercise or distribution of outstanding awards or deferred compensation benefits.

Plan	# of shares	Award types
Deferred Compensation Plan	2,400,732	Deferral distribution
Non-Qualified Deferred Compensation Plan for Independent Contractors	238,150	Deferral distribution

Material Features of Equity Compensation Plans Not Approved by Stockholders

The 2003 SIP. The amended and restated Wachovia Corporation 2003 Stock Incentive Plan (2003 SIP) was originally approved by Wachovia's shareholders in 2003 and prior to the merger had been used for equity awards to Wachovia's executive officers and other key employees. We assumed the 2003 SIP in the merger and in February 2009 used substantially all remaining available shares for stock option grants to legacy Wachovia team members. No awards have been granted since then, and no future awards will be granted under the 2003 SIP.

At December 31, 2015, only options were outstanding under the 2003 SIP. The options generally expire on the tenth anniversary of the grant date and vest ratably over a three-year period from the grant date. The option price is payable to us in full by methods the Board's Human Resources Committee (HRC) designates, including, but not limited to, in cash or its equivalent, by tendering or withholding shares of our common stock having a fair market value at the time of exercise equal to the total option price, or by a combination of the foregoing. Unless the HRC determines otherwise or except as prohibited by applicable law, options may also be exercised by a "cashless exercise" where the participant gives irrevocable instructions to a broker to promptly deliver to us the amount of sale proceeds from the shares covered by the option exercised, together with any withholding taxes due to the Company. The proceeds from any cash payments upon option exercise are added to our general funds and used for general corporate purposes.

Deferred Compensation Plan. Under the Deferred Compensation Plan eligible team members may defer receipt of salary, bonuses and certain other compensation subject to the terms of the plan. Deferral elections are irrevocable once made except for limited re-deferral opportunities. We treat amounts deferred by a participant as if invested in the earnings options selected by the participant, and determine the deferred compensation benefit payable to the participant based on the performance of those earnings options. The plan offers a number of earnings options, including one based on our common stock with dividends reinvested. We generally distribute amounts allocated to the common stock option in shares of common stock. Participants have no direct interest in any of the earnings options and are general unsecured creditors of the Company with respect to their deferred compensation benefits under the plan.

Non-Qualified Deferred Compensation Plan for Independent Contractors. Under the Non-Qualified Deferred Compensation Plan for Independent Contractors participants who performed qualifying investment or other financial services for participating affiliates as independent contractors were able to defer all or part of their eligible compensation payable to them by the affiliate subject to the terms of the plan. Deferral elections were irrevocable once made. Amounts deferred by a participant were treated as if invested in the earnings options selected by the participant, which determine the deferred compensation benefit payable to the participant. The plan offered a number of earnings options, including one based on our common stock with dividends reinvested. We generally distribute amounts allocated to the common stock option in shares of common stock. No future deferrals may be made under this plan and participants may no longer reallocate their existing account balances under the plan among different investment options. Shares remaining available for issuance under the plan consist of shares issuable as a result of amounts credited to participant accounts denominated in our common stock to reflect cash dividends paid on the common stock. The plan is sponsored by a wholly owned subsidiary, WF Deferred Compensation Holdings, Inc. We have guaranteed its obligations under the plan. Participants have no direct interest in any of the earnings options and are general unsecured creditors of the plan sponsor and the Company with respect to their deferred compensation benefits under the plan.

Norwest Corporation Directors' Formula Stock Award Plan. Under the Norwest Corporation Directors' Formula Stock Award Plan we awarded shares of common stock to non-employee directors. The plan allowed participants to defer receipt of all or a portion of their awards, with dividends reinvested, until a future year or years as selected by the participants subject to the terms of the plan. Participants can elect one time to defer commencement of distribution of their deferral accounts if the election is made sufficiently in advance of the original distribution commencement date and the new distribution commencement date is sufficiently beyond the original distribution commencement date. Participants have no direct interest in the shares deferred under the plan and are general unsecured creditors of the Company with respect to payment of their deferred stock awards under the plan. No future stock awards or deferrals may be made under this plan.

Norwest Corporation Directors' Stock Deferral Plan. Under the Norwest Corporation Directors' Stock Deferral Plan a participating director could defer receipt of all or part of the annual cash retainer and meeting fees payable to the director until a future year or years as selected by the director subject to the terms of the plan. A participating director could elect distribution of his or her deferral account in a lump sum in either cash or whole shares of common stock, or a combination of both. Alternatively, the director could elect to receive the distribution in up to ten annual installments of cash. A participant can elect one time to defer commencement of distribution of his or her deferral account if the election is made sufficiently in advance of the original distribution commencement date and the new distribution commencement date is sufficiently beyond the original distribution commencement date. No future deferrals may be made under this plan.

ADDITIONAL INFORMATION

Additional information in response to this Item 12 can be found in the Company's 2016 Proxy Statement under "Ownership of Our Common Stock – Directors and Executive Officers – Director and Executive Officer Stock Ownership Table" and "Ownership of Our Common Stock – Principal Stockholders." That information is incorporated into this item by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information in response to this Item 13 can be found in the Company's 2016 Proxy Statement under "Corporate Governance – Director Independence" and under "Information About Related Persons." That information is incorporated into this item by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information in response to this Item 14 can be found in the Company's 2016 Proxy Statement under "Audit Matters – Item 3 – Appointment of Independent Registered Public Accounting Firm for 2016 – KPMG Fees" and "Audit Matters – Item 3 – Appointment of Independent Registered Public Accounting Firm for 2016 – Audit and Examination Committee Pre-Approval Policies and Procedures." That information is incorporated into this item by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. FINANCIAL STATEMENTS

The Company's consolidated financial statements, including the notes thereto, and the report of the independent registered public accounting firm thereon, are set forth in the 2015 Annual Report to Stockholders, and are incorporated into this item by reference.

2. FINANCIAL STATEMENT SCHEDULES

All financial statement schedules for the Company have been included in the consolidated financial statements or the related footnotes, or are either inapplicable or not required.

3. EXHIBITS

A list of exhibits to this Form 10-K is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated into this item by reference.

Stockholders may obtain a copy of any of the following exhibits, upon payment of a reasonable fee, by writing to Wells Fargo & Company, Office of the Corporate Secretary, MAC D1053-300, 301 S. College Street, Charlotte, North Carolina 28202.

The Company's SEC file number is 001-2979. On and before November 2, 1998, the Company filed documents with the SEC under the name Norwest Corporation. The former Wells Fargo & Company filed documents under SEC file number 001-6214. The former Wachovia Corporation filed documents under SEC file number 001-10000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 24, 2016.

WELLS FARGO & COMPANY

By: [redacted]
John G. Stumpf
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: [redacted]
John G. Stumpf
Chairman and Chief Executive Officer
(Principal Executive Officer)
February 24, 2016

By: [redacted]
John R. Shrewsberry
Senior Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
February 24, 2016

By: [redacted]
Richard D. Levy
Executive Vice President and Controller
(Principal Accounting Officer)
February 24, 2016

The Directors of Wells Fargo & Company listed below have duly executed powers of attorney empowering James H. Quigley to sign this document on their behalf.

John D. Baker II	Elizabeth A. Duke	Cynthia H. Milligan	John G. Stumpf
Elaine L. Chao	Susan E. Engel	Federico F. Peña	Susan G. Swenson
John S. Chen	Enrique Hernandez, Jr.	James H. Quigley	Suzanne M. Vautrinot
Lloyd H. Dean	Donald M. James	Stephen W. Sanger	

By: [redacted]
James H. Quigley
Director and Attorney-in-fact
February 24, 2016

EXHIBIT INDEX

Exhibit Number	Description	Location
3(a)	Restated Certificate of Incorporation, as amended and in effect on the date hereof.	Filed herewith.
3(b)	By-Laws.	Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed December 22, 2015.
4(a)	See Exhibits 3(a) and 3(b).	
4(b)	The Company agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of the Company.	
10(a)*	Long-Term Incentive Compensation Plan (as amended and restated on April 23, 2013), which includes Performance-Based Compensation Policy.	Incorporated by reference to Exhibit 10(b) to the Company's Current Report on Form 8-K filed April 26, 2013.
	Amendment to Long-Term Incentive Compensation Plan, effective January 1, 2016.	Filed herewith.
	Long-Term Incentive Compensation Plan.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
	Forms of Performance Share Award Agreement:	
	For grants on or after February 23, 2016;	Filed herewith.
	For grants on or after February 24, 2015;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
	For grants on or after February 26, 2013;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
	For grants on February 28, 2012;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.
	For grants on February 22, 2011; and	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010.
	For grants to John G. Stumpf, David M. Carroll, David A. Hoyt, and Carrie L. Tolstedt on June 22, 2010.	Incorporated by reference to Exhibit 10(a) to the Company's Current Report on Form 8-K filed June 25, 2010.
	Forms of Award Agreement for grants of stock awards to John G. Stumpf and David A. Hoyt.	Incorporated by reference to Exhibits 10(a) and 10(c) to the Company's Current Report on Form 8-K filed August 6, 2009.
	Forms of Restricted Share Rights Award Agreement:	
	For grants on or after February 23, 2016, including grants to John G. Stumpf, John R. Shrewsberry, David M. Carroll, Avid Modjtabai, Timothy J. Sloan, and Carrie L. Tolstedt;	Filed herewith.
	For grants on or after February 24, 2015, including grants to John G. Stumpf, John R. Shrewsberry, David M. Carroll, Avid Modjtabai, Timothy J. Sloan, and Carrie L. Tolstedt;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
	For grants on or after February 26, 2013, including grants to John G. Stumpf, Timothy J. Sloan, David M. Carroll, David A. Hoyt, and Carrie L. Tolstedt;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
	For grants on February 28, 2012, including grants to John G. Stumpf, Timothy J. Sloan, David M. Carroll, David A. Hoyt, and Carrie L. Tolstedt;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

* Management contract or compensatory plan or arrangement.

Exhibit Number	Description	Location
	For grants on February 22, 2011, including grants to John G. Stumpf, David M. Carroll, David A. Hoyt, Timothy J. Sloan, and Carrie L. Tolstedt;	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010.
	For grants prior to February 22, 2011, including grants to John G. Stumpf, David M. Carroll, David A. Hoyt, Timothy J. Sloan, and Carrie L. Tolstedt; and	Incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
	For grants to David A. Hoyt and Carrie L. Tolstedt on February 24, 2009, as amended on November 16, 2010.	Incorporated by reference to Exhibit 10(a) to the Company's Current Report on Form 8-K filed February 27, 2009, and Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010.
	Form of Non-Qualified Stock Option Agreement, including grants to John G. Stumpf, David M. Carroll, David A. Hoyt, Timothy J. Sloan, and Carrie L. Tolstedt.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.
10(b)*	Long-Term Incentive Plan.	Incorporated by reference to Exhibit A to the former Wells Fargo's Proxy Statement filed March 14, 1994.
10(c)*	Wells Fargo Bonus Plan, as amended effective January 1, 2015.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.
10(d)*	Performance-Based Compensation Policy.	Incorporated by reference to Exhibit 10(b) to the Company's Current Report on Form 8-K filed May 5, 2008.
10(e)*	Deferred Compensation Plan, as amended effective January 1, 2008.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
	Amendment to Deferred Compensation Plan, effective January 1, 2016.	Filed herewith.
	Amendment to Deferred Compensation Plan, effective January 1, 2015.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.
	Amendment to Deferred Compensation Plan, effective January 1, 2013.	Incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
	Amendment to Deferred Compensation Plan, effective January 1, 2011.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.
	Amendment to Deferred Compensation Plan, effective December 1, 2009.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
10(f)*	Directors Stock Compensation and Deferral Plan.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.
	Amendment to Directors Stock Compensation and Deferral Plan, effective April 1, 2013.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.
	Amendment to Directors Stock Compensation and Deferral Plan, effective January 1, 2013.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.
	Amendment to Directors Stock Compensation and Deferral Plan, effective January 24, 2012.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Exhibit Number	Description	Location
	Amendment to Directors Stock Compensation and Deferral Plan, effective January 25, 2011.	Incorporated by reference to Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.
	Amendment to Directors Stock Compensation and Deferral Plan, effective February 24, 2009.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
	Amendments to Directors Stock Compensation and Deferral Plan, effective September 23, 2008.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.
	Amendment to Directors Stock Compensation and Deferral Plan, effective January 22, 2008.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.
	Action of Governance and Nominating Committee Increasing Amount of Formula Stock and Option Awards Under Directors Stock Compensation and Deferral Plan, effective January 1, 2007.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2006.
	Form of Non-Qualified Stock Option Agreement for grants to directors on or before April 29, 2008.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.
10(g)*	Deferred Compensation Plan for Non-Employee Directors of the former Norwest.	Incorporated by reference to Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
	Amendment to Deferred Compensation Plan for Non-Employee Directors, effective November 1, 2000.	Filed as paragraph (4) of Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.
	Amendment to Deferred Compensation Plan for Non-Employee Directors, effective January 1, 2004.	Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(h)*	Directors' Stock Deferral Plan for directors of the former Norwest.	Incorporated by reference to Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
	Amendment to Directors' Stock Deferral Plan, effective November 1, 2000.	Filed as paragraph (5) of Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.
	Amendment to Directors' Stock Deferral Plan, effective January 1, 2004.	Incorporated by reference to Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(i)*	Directors' Formula Stock Award Plan for directors of the former Norwest.	Incorporated by reference to Exhibit 10(e) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
	Amendment to Directors' Formula Stock Award Plan, effective November 1, 2000.	Filed as paragraph (6) of Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.
	Amendment to Directors' Formula Stock Award Plan, effective January 1, 2004.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(j)*	Deferral Plan for Directors of the former Wells Fargo.	Incorporated by reference to Exhibit 10(b) to the former Wells Fargo's Annual Report on Form 10-K for the year ended December 31, 1997.

Exhibit Number	Description	Location
	Amendment to Deferral Plan, effective January 1, 2004.	Incorporated by reference to Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(k)*	Supplemental 401(k) Plan.	Incorporated by reference to Exhibit 10(c) to the Company's Current Report on Form 8-K filed May 4, 2009.
	Amendment to Supplemental 401(k) Plan, effective January 1, 2015.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.
10(l)*	Supplemental Cash Balance Plan.	Incorporated by reference to Exhibit 10(b) to the Company's Current Report on Form 8-K filed May 4, 2009.
10(m)*	Supplemental Long-Term Disability Plan.	Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 1990.
	Amendment to Supplemental Long-Term Disability Plan.	Incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.
10(n)*	Description of Relocation Program.	Incorporated by reference to Exhibit 10(y) to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.
10(o)	Non-Qualified Deferred Compensation Plan for Independent Contractors.	Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.
	Amendment to Non-Qualified Deferred Compensation Plan for Independent Contractors, effective January 1, 2014.	Incorporated by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
	Amendment to Non-Qualified Deferred Compensation Plan for Independent Contractors, effective January 1, 2009.	Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
10(p)*	Description of Chairman/CEO Post-Retirement Policy.	Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(q)*	Description of the Company's Non-Employee Director Equity Compensation Program, effective January 1, 2016.	Filed herewith.
10(r)*	Description of the Company's Non-Employee Director Equity Compensation Program, effective January 1, 2015.	Incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
10(s)*	Description of Wells Fargo Bank, N.A. Director Compensation Program, effective January 1, 2015.	Incorporated by reference to Exhibit 10(s) to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
10(t)*	Amended and Restated Wachovia Corporation Deferred Compensation Plan for Non-Employee Directors.	Incorporated by reference to Exhibit (10)(f) to Wachovia Corporation's Current Report on Form 8-K filed December 29, 2008.
	Amendment to Amended and Restated Wachovia Corporation Deferred Compensation Plan for Non-Employee Directors, effective June 1, 2009.	Incorporated by reference to Exhibit 10(aa) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
10(u)*	Wachovia Corporation Executive Deferred Compensation Plan.	Incorporated by reference to Exhibit (10)(d) to Wachovia Corporation's Annual Report on Form 10-K for the year ended December 31, 1997.
10(v)*	Wachovia Corporation Supplemental Executive Long-Term Disability Plan, as amended and restated.	Incorporated by reference to Exhibit (99) to Wachovia Corporation's Current Report on Form 8-K filed January 5, 2005.
10(w)*	Wachovia Corporation Savings Restoration Plan.	Incorporated by reference to Exhibit (10)(gg) to Wachovia Corporation's Annual Report on Form 10-K for the year ended December 31, 2002.
10(x)*	Amendment 2007-1 to Wachovia Corporation Savings Restoration Plan.	Incorporated by reference to Exhibit (10)(b) to Wachovia Corporation's Current Report on Form 8-K filed December 20, 2007.

Exhibit Number	Description	Location
	Amendment 2008-1 to Wachovia Corporation Savings Restoration Plan.	Incorporated by reference to Exhibit (10)(c) to Wachovia Corporation's Current Report on Form 8-K filed December 29, 2008.
10(y)*	Amended and Restated Wachovia Corporation Savings Restoration Plan.	Incorporated by reference to Exhibit (10)(b) to Wachovia Corporation's Current Report on Form 8-K filed December 29, 2008.
10(z)*	Form of stock award agreement for Executive Officers of Wachovia Corporation, including David M. Carroll.	Incorporated by reference to Exhibit (10)(ss) to Wachovia Corporation's Annual Report on Form 10-K for the year ended December 31, 2004.
10(aa)*	Amended and Restated Wachovia Corporation 2003 Stock Incentive Plan.	Incorporated by reference to Appendix E to Wachovia Corporation's Registration Statement on Form S-4 (Reg. No. 333-134656) filed on July 24, 2006.
	Amendment to Amended and Restated Wachovia Corporation 2003 Stock Incentive Plan, effective February 24, 2009.	Incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
10(bb)*	Amended and Restated SouthTrust Corporation Additional Retirement Benefit Plan (Pension) effective July 15, 1992, Addendum thereto dated April 20, 1994, and Amendment 2008-1 thereto dated December 29, 2008.	Incorporated by reference to Exhibit 10(bb) to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
12(a)	Computation of Ratios of Earnings to Fixed Charges:	Filed herewith.

	Year ended December 31,				
	2015	2014	2013	2012	2011
Including interest on deposits	**8.60**	8.56	7.91	6.08	4.32
Excluding interest on deposits	**10.74**	11.05	10.68	8.40	5.92

12(b)	Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends:	Filed herewith.

	Year ended December 31,				
	2015	2014	2013	2012	2011
Including interest on deposits	**5.84**	6.27	5.99	4.90	3.67
Excluding interest on deposits	**6.68**	7.44	7.36	6.21	4.69

13	2015 Annual Report to Stockholders.	Filed herewith.
21	Subsidiaries of the Company.	Filed herewith.
23	Consent of Independent Registered Public Accounting Firm.	Filed herewith.
24	Powers of Attorney.	Filed herewith.
31(a)	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31(b)	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32(a)	Certification of Periodic Financial Report by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.	Furnished herewith.
32(b)	Certification of Periodic Financial Report by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.	Furnished herewith.
99	Description of Replacement Capital Covenants of Wells Fargo and Wachovia.	Incorporated by reference to Exhibit 99 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013.
101.INS	XBRL Instance Document.	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document.	Filed herewith.

Tab 8 – Pricing

Tab 8 - Pricing: Pricing must be submitted separately.

Pricing submitted separately in a separate, sealed envelope with disc in Packet #2.

Tab 9 – Deal Lists, Resumes and References

Tab 9 – Deal Lists

Wells Fargo Securities Ground Transportation Clients | 2014 - Present		
Client	**Use of Proceeds**	**Role**
Alaska Railroad Corporation	Mass Transportation	Co-Mgr
Arizona Transportation Board	Mass Transportation, Toll Roads, Highways & Streets	Sr Mgr/Co-Mgr
Pima Co Reg Transportation Auth	Mass Transportation	Sr Mgr
Tucson City-Arizona	Toll Roads, Highways & Streets	Sole*
Bay Area Toll Authority (BATA)	Bridges	Co-Mgr/Deriv
California	Mass Transportation, Toll Roads, Highways & Streets	Sole*
Contra Costa Transportation Auth	Mass Transportation	Co-Mgr
Los Angeles Co Metro Trans Auth	Mass Transportation	Sole*/Co-Mgr
San Diego Co Reg Trans Comm	Mass Transportation	Co-Mgr
San Fran Bay Area Rapid Trans Dt	Mass Transportation	Sr Mgr/Deriv
San Joaquin Hills Trans Corridor Agy	Toll Roads, Highways & Streets	Co-Mgr
Colorado Dept of Transportation	Mass Transportation	Sr Mgr
Colorado Reg Transportation Dt	Mass Transportation	Sr Mgr
Connecticut	Mass Transportation, Toll Roads, Highways & Streets	Co-Mgr
Washington Metro Area Transit Au	Mass Transportation	Co-Mgr
Central Florida Expressway Au	Toll Roads, Highways & Streets	Sole*/Co-Sr/DP
Florida Dept of Transportation	Toll Roads, Highways & Streets	Sole*
Jacksonville City-Florida	Mass Transportation	Sole*
Metro Atlanta Rapid Transit Auth	Mass Transportation	Sole*/DP
Hawaii	Toll Roads, Highways & Streets	Co-Sr
Idaho Housing & Fin Assoc	Toll Roads, Highways & Streets	Co-Mgr
Illinois State Toll Highway Auth	Toll Roads, Highways & Streets	Sr Mgr/Co-Sr
Regional Transportation Auth	Mass Transportation	Sole*
Indiana Finance Authority	Toll Roads, Highways & Streets	Co-Mgr
Kansas Dept of Transportation	Toll Roads, Highways & Streets	Sr Mgr/Co-Mgr/RA
Louisiana	Mass Transportation	Sole*
Massachusetts Bay Transportation Authority	Transportation	RA
Massachusetts	Mass Transportation & Bridges	Co-Sr
Massachusetts Department of Transportation	Highways	RA
Maine Municipal Bond Bank	Mass Trans., Bridges, Toll Roads, Highways & Streets	Sr Mgr
Maine Turnpike Authority	Toll Roads, Highways & Streets	Co-Mgr
Minnesota	Mass Transportation	Sole*
St Paul City-Minnesota	Toll Roads, Highways & Streets	Sole*
Missouri Highway & Transport Com	Toll Roads, Highways & Streets	Co-Sr
Charlotte City-North Carolina	Mass Transportation	Co-Sr
North Carolina	Toll Roads, Highways & Streets	Co-Mgr
North Carolina Turnpike Authority	Toll Roads, Highways & Streets	Co-Mgr
New Jersey Trans Trust Fund Au	Toll Roads, Highways & Streets	Co-Mgr
New Jersey Transit Corporation	Mass Transportation	Co-Sr
New Jersey Turnpike Authority	Toll Roads, Highways & Streets	Co-Mgr/Deriv
Albuquerque City-New Mexico	Toll Roads, Highways & Streets	Sole*
New Mexico Finance Auth (NMFA)	Toll Roads, Highways & Streets	Co-Mgr
Clark Co-Nevada	Mass Transportation, Toll Roads, Highways & Streets	Sole*/Co-Mgr
Nevada	Toll Roads, Highways & Streets	Sole*
Empire State Development Corp	Toll Roads, Highways & Streets	Co-Mgr
Metropolitan Transport Auth (MTA)	Mass Transportation	Sole*/Sr Mgr/Co-Mgr/DP
NYS Dorm Authority	Toll Roads, Highways & Streets	Co-Mgr
NYS Thruway Authority	Bridges, Toll Roads, Highways & Streets	Co-Sr/Co-Mgr
Port Authority of NY & NJ	Bridges, Mass Transportation	Sr Mgr/Co-Sr
Triborough Bridge & Tunnel Auth	Bridges	Co-Sr/RA/Deriv
Cleveland City-Ohio	Toll Roads, Highways & Streets	Sr Mgr
Oklahoma Cap Imp Authority	Toll Roads, Highways & Streets	Sr Mgr
Oklahoma Turnpike Authority	Mass Transportation	Sole*/Sr Mgr/DP
Oregon	Mass Transportation	Co-Mgr
Oregon Dept of Transportation	Toll Roads, Highways & Streets	Co-Mgr
Delaware River Joint Toll Bridge Commission	Toll Roads, Highways & Streets	DP
Pennsylvania Econ Dev Fin Auth	Bridges	Sr Mgr
Pennsylvania Turnpike Commission	Toll Roads, Highways & Streets	Sr Mgr/Co-Sr/Co-Mgr/ Deriv
South Carolina Trans Infras Bank	Mass Transportation, Toll Roads, Highways & Streets	Sole*/DP
Ctl Texas Reg Mobility Au (CTRMA)	Toll Roads, Highways & Streets	Co-Mgr
Fort Bend Co-Texas	Toll Roads, Highways & Streets	Co-Mgr
Grand Parkway Transport Corp	Toll Roads, Highways & Streets	Co-Mgr
Harris Co-Texas	Mass Transportation, Toll Roads, Highways & Streets	Sr Mgr/Co-Mgr

Wells Fargo Securities Ground Transportation Clients | 2014 - Present		
Client	**Use of Proceeds**	**Role**
Kaufman Co-Texas	Toll Roads, Highways & Streets	Sr Mgr
Laredo City-Texas	Bridges	Sr Mgr/Co-Mgr
Montgomery Co-Texas	Toll Roads, Highways & Streets	Sr Mgr
Texas Transportation Commission	Toll Roads, Highways & Streets	Sr Mgr/Co-Mgr/DP
Williamson Co-Texas	Toll Roads, Highways & Streets	Co-Mgr
Utah Transit Authority	Mass Transportation	Sr Mgr
Chesapeake Bay Bridge & Tunn Dt	Tunnels	Co-Mgr
Virginia Transportation Board	Mass Transportation	Sr Mgr
Central Puget Sound Reg Transit Authority	Mass Transportation	Co-Mgr
Wisconsin	Mass Transportation	Co-Mgr

Key: Co-Mgr = Co-Manager; Co-Sr = Co-Senior Manager; Deriv = Derivatives Provider; DP = Direct Purchaser; RA = Remarketing Agent; Sole = Sole Manager; Sr Mgr = Senior Manager
*Competitive Transaction
Note: Direct Purchases are a product of Wells Fargo Bank, N.A. and are subject to internal and credit approvals.

Wells Fargo Securities Select Transportation Experience
$100 million or Greater
January 1, 2014 to February 1, 2017

Issuer	Sale Date	Par ($MM)	Bid	Issue Description	Series	State	Tax Status	Interest Rate Type	Moody's	S&P	Fitch	Role of WFS	Takedown Percentage (%)	Liability (%)
Oklahoma Turnpike Authority	02/01/17	480.000	N	Turnpike Second Senior Revenue & Ref Bonds	Series 2017 A & B	OK	E	Fixed	Aa3	AA-	AA-	Senior	50%*	50%
Florida Dept of Transportation	01/05/17	142.595	C	Turnpike Revenue Refunding Bonds	Series 2016 C	FL	E	Fixed	Aa2	AA	AA	Sole	100%	100%
Virginia Transportation Board	10/26/16	316.930	N	Federal Transportation Rev GANs	Series 2016	VA	E	Fixed	Aa1	AA+	AA+	Senior	60%	60%
Texas Transportation Commission	10/18/16	588.755	N	Highway Improvement GO Bonds	Series 2016 A	TX	E	Fixed	Aaa	AAA	AAA	Senior	30%	30%
Oklahoma Cap Imp Authority	09/29/16	170.000	N	State Hway Cap Imp Rev Bonds	Series 2016	OK	E	Fixed	-	AA	AA	Senior	55%*	55%
Central Florida Expressway Au	09/23/16	631.330	N	Sr Lien Refunding Revenue Bonds	Series 2016 B	FL	E	Fixed	A2	A	A	Co-Senior	16%	15%
Utah Transit Authority	08/11/16	126.780	N	Sub Sales Tax Rev Ref Bonds	Series 2016	UT	E	Fixed	A1	A+	AA	Senior	75%*	75%
Metropolitan Transport Auth (MTA)	07/21/16	590.320	N	Transportation Revenue Bonds	Series 2016 C-1& 2	NY	E	Fixed	A1	AA-	A	Senior	45%	38%
Metropolitan Transport Auth (MTA)	06/16/16	150.000	C	BANs	Ser 16 A Subser A 2	NY	E	Fixed	-	SP-1+	F1+	Sole	100%	100%
New York Transportation Dev Corp	05/17/16	2,410.380	N	Special Facilties Bonds (Laguardia Airport Terminal B Redev Proj)	Series 2016 A&B	NY	A&T	Fixed	Baa3	-	BBB	Senior (Jt)	27%*	27%
Regional Transportation Auth	04/26/16	150.000	C	GO Working Cash Notes	Series 2016 C	IL	T	Fixed	-	AA	AA	Sole	100%	100%
Metropolitan Transport Auth (MTA)	03/03/16	579.955	N	Dedicated Tax Fund Ref Bonds	Series 2016 A	NY	E	Fixed	-	AA	AA	Senior	45%*	45%
Illinois State Toll Highway Auth	12/08/15	333.060	N	Toll Highway Senior Rev Ref Bonds	2016 Series A	IL	E	Fixed	Aa3	AA-	AA-	Co-Senior	10%*	10%
Metro Atlanta Rapid Transit Auth	11/05/15	181.570	C	Sales Tax Revenue & Ref Bonds (Third Indenture Series)	Series 2015 B & C	GA	E	Fixed	Aa2	AA+	AA-	Sole	100%	100%
Port Authority of NY & NJ	10/09/15	1,194.560	N	Consolidated Bonds	194th Series	NY	E	Fixed	Aa3	AA-	AA-	Senior	50%	50%
San Fran Bay Area Rapid Trans Dt	09/24/15	276.805	N	GO Refunding Bonds	2015 Series D	CA	E	Fixed	Aaa	AAA	-	Senior	80%*	80%
San Fran Bay Area Rapid Trans Dt	09/22/15	186.640	N	Sales Tax Revenue Ref Bonds	2015 Series A	CA	E	Fixed	-	AA+	AA+	Senior	80%*	80%
Metropolitan Transport Auth (MTA)	09/09/15	500.000	C	Dedicated Tax Fund BANs	Series 2015 A 1-8	NY	E	Fixed	-	SP-1+	F1+	Senior	100%	100%
Kansas Dept of Transportation	08/19/15	190.875	N	Highway Revenue Refunding Bonds	Series 2015 A	KS	E	Fixed	Aa2	AAA	AA+	Senior	60%	50%
Colorado Reg Transportation Dt	08/05/15	193.915	N	Certificates of Participation	Series 2015 A	CO	E	Fixed	Aa3	A	A	Senior	50%*	50%
Pennsylvania Econ Dev Fin Auth	02/24/15	721.485	N	Private Activity Revenue Bonds (PA Rapid Bridge Replacement Project)	Series 2015	PA	A	Fixed	-	BBB	-	Senior (Jt)	40%*	40%
Texas Transportation Commission	12/03/14	250.000	N	GO Mobility Fund Bonds	Series 2014 B	TX	E	Linked	Aaa	AAA	AAA	Senior (Jt)	17%	15%
Texas Transportation Commission	12/03/14	1,580.160	N	GO Mobility Fund & Ref Bonds	Series 2014 A	TX	E	Fixed	Aaa	AAA	AAA	Senior (Jt)	17%	15%
Illinois State Toll Highway Auth	10/30/14	400.000	N	Toll Highway Senior Revenue Bonds	2014 Series C	IL	E	Fixed	Aa3	AA-	AA-	Senior (Jt)	25%*	25%
Port Authority of NY & NJ	10/07/14	250.000	N	Consolidated Bonds	Series 187	NY	T	Fixed	Aa3	AA-	AA-	Senior	50%*	50%
Port Authority of NY & NJ	10/07/14	400.000	N	Consolidated Bonds	Series 186	NY	A	Fixed	Aa3	AA-	AA-	Senior	50%*	50%
Pennsylvania Turnpike Commission	09/10/14	288.675	N	Special Obligation Bonds	Series 2014	PA	T	Fixed	Aaa	-	-	Senior	50%*	50%
Metropolitan Transport Auth (MTA)	08/08/14	348.910	N	Special Obligation Ref Bonds	Series 2014	NY	T	Fixed	Aaa	-	-	Senior (Jt)	35%*	35%
Pima Co Reg Transportation Auth	06/11/14	130.095	N	Transport Excise Tax Rev Bonds (Pima Co Regional Transportation Fund)	Series 2014	AZ	E	Fixed	-	AA+	AA	Senior	63%	55%
Metropolitan Transport Auth (MTA)	04/11/14	500.000	N	Transportation Revenue Bonds	Series 2014 B	NY	E	Fixed	A2	A+	A	Senior	50%	35%

Source: Thomson Reuters SDC; represents negotiated and competitive new issues underwritten from 1/1/2014 to 2/1/2017 by WFS
**Group Net transaction; represents percent share of total liability*

Tab 9 – Resumes

Investment Banking

PRIMARY CONTACT & LEAD INVESTMENT BANKER — *Chicago, IL*

Lawrence J. Richardson, Managing Director — *Head of Midwest Region*

[redacted]

PRIMARY CONTACT & CREDIT STRATEGIST — *New York, NY*

Nancy B. Feldman, Managing Director — *Head of Transportation & Public Finance Credit Strategies*

[redacted]

SUPPORT BANKER — *New York, NY*

Julie Burger, Vice President — *Transportation Group*

[redacted]

[redacted]

SUPPORT BANKER *Chicago, IL*
Leslie Ng, Vice President *Midwest Region*

[redacted]

QUANTITATIVE SPECIALIST *New York, NY*
David Schott, Director *Quantitative Structuring*

[redacted]

CREDIT STRATEGIES SUPPORT *New York, NY*
Kristen Lacapria, Vice President *Public Finance Credit Strategies*

[redacted]

BANKING & TRANSACTION SUPPORT *Chicago, IL*
Tina Chen, Associate *Midwest Region*

[redacted]

BANKING & TRANSACTION SUPPORT *Chicago, IL*
Emmett Burton, Analyst *Midwest Region*

[redacted]

Underwriting, Sales and Trading

FIXED RATE MUNICIPAL UNDERWRITER *Charlotte, NC*
Scott Frail, Managing Director *Municipal Syndicate*

[redacted]

FIXED RATE MUNICIPAL UNDERWRITER *Charlotte, NC*
Parks Lineberger, Director *Municipal Syndicate*

[redacted]

SHORT-TERM UNDERWRITER *Charlotte, NC*
Andrew Maffucci, Director *Head of Short-Term Trading & Syndicate*

[redacted]

SHORT-TERM UNDERWRITER *Charlotte, NC*
Julie Chavez, Director *Short-Term Trading & Syndicate*

[redacted]

INSTITUTIONAL SALES MANAGER *Charlotte, NC*
Kit Wood, Managing Director *Head of Municipal Institutional Sales*

[redacted]

TRADING CREDIT STRATEGIST *New York, NY*
Don Lipkin, Managing Director *Municipal Trading Credit Strategies*

[redacted]

[redacted] *, NY*
Rebecca Kuhar, Director *Municipal Trading Credit Strategies*

[redacted]

WFBNA Swap Dealer Municipal Derivatives

DERIVATIVES MARKETER *New York, NY*

Andrew Levenson, Director *WFBNA Swap Dealer Municipal Derivatives*

[redacted]

WFBNA Commercial Banking

RELATIONSHIP MANAGER *Chicago, IL*

Victor Chang, Senior Vice President *Government Banking*

[redacted]

Tab 9 – References

STATE OF ILLINOIS
REFERENCES

Provide references from established firms or government agencies (3 clients for which Offeror served as Bond Underwriter) other than the procuring agency/university that can attest to Offeror's experience and ability to perform the contract that is the subject of this solicitation.

J.1. Firm/Government Agency/University (name):

Central Florida Expressway Authority

Contact Person (name, title, email address, address, and phone):

Lisa Lumbard, Chief Financial Officer| lisa.lumbard@cfxway.com |
4974 ORL Tower Road, Orlando, FL 32807 | (407) 690-5352

Date of Supplies/Services Provided:

2016 – Co-Senior Manager, 2015 – Sole Manager

Type of Supplies/Services Provided:

Bond Underwriting, Direct Purchaser (WFBNA)

J.2. Firm/Government Agency/University (name):

Oklahoma Turnpike Authority

Contact Person (name, title, email address, address, and phone):

Wendy Smith, Director of Finance and Revenue | wsmith@ota.state.ok.us |
3500 Martin Luther King Avenue, Oklahoma City, OK 73111| (405) 425-7431

Date of Supplies/Services Provided:

2016 – Senior Manager, Sole Manager; 2013 – Sole Manager

Type of Supplies/Services Provided:

Bond Underwriting, Direct Purchase (WFBNA)

J.3. Firm/Government Agency/University (name):

Texas Transportation Commission

Contact Person (name, title, email address, address, and phone):

Benjamin Asher, Director of Project Finance, Debt & Strategic Contracts Division |
benjamin.asher@txdot.gov | 125 East 11th Street, Austin, TX 78701 | (512) 463-8611

Date of Supplies/Services Provided:

2016 – Senior Manager, Co-Manager; 2015 – Sole Manager, Co-Manager; 2014 – Senior Manager, Co-Manager (Grand Parkway Transportation Corporation), 2013 – Co-Manager (Grand Parkway Transportation Commission); 2012 – Senior Manager, Sole Manager; 2011 – Senior Manager; 2010 – Co-Manager; 2009 – Co-Manager; 2007 – Senior manager; 2006 – Co-Manager

Type of Supplies/Services Provided:

Bond Underwriting, Direct Purchaser (WFBNA)

J.4. Firm/Government Agency/University (name): Click here to enter text.

Contact Person (name, title, email address, address, and phone): Click here to enter text.

Date of Supplies/Services Provided: Click here to enter text.

Type of Supplies/Services Provided: Click here to enter text.

Offeror Name: Wells Fargo Bank, N.A. Municipal Products Group

Return Mailing Address: 10 South Wacker Drive, 15th Floor, Chicago, IL 60606

WELLS FARGO SECURITIES

Illinois State Toll Highway Authority

Response to Request for Proposals for Underwriting Services

RFP#16-0155 Bond Underwriting Services

IPB Reference #: 22039948

Packet 3

February 3, 2017

C. Project Title / Reference #22039948: Bond Underwriting Services, RFP #16-0155

The undersigned authorized representative of the identified Offeror hereby submits this Offer to perform in full compliance with the subject solicitation. By completing and signing this Form, the Offeror makes an Offer to the State of Illinois that the State may accept.

Offeror should use this Form as a final check to ensure that all required documents are completed and included with the Offer. Offeror must mark each blank below as appropriate; mark N/A when a section is not applicable to this solicitation. Offeror understands that failure to meet all requirements is cause for disqualification.

C.1. SOLICITATION AND CONTRACT REVIEW: Offeror reviewed the Request for Proposal, including all referenced documents and instructions, completed all blanks, provided all required information, and demonstrated how it will meet the requirements of the State of Illinois.

☒ Yes ☐ No

C.2. ADDENDA: Offeror acknowledges receipt of any and all addenda to the solicitation and has taken those into account in making this Offer.

☒ Yes ☐ No ☐ N/A

C.3. OFFEROR CONFERENCE: If attendance was mandatory, Offeror attended the Offeror's Conference.

☐ Yes ☐ No ☒ N/A

C.4. OFFER SUBMISSION: Offeror is submitting the correct number of copies, in a properly labeled container(s), to the correct location, and by the due date and time.

☒ Yes ☐ No

C.5. FORMS A or FORMS B: Offeror is properly submitting either Forms A or Forms B, but not both.

☒ Yes ☐ No

C.6. BOND: If applicable, Offeror is submitting its Bid Bond or Performance Bond.

☐ Yes ☐ No ☒ N/A

C.7. SMALL BUSINESS SET-ASIDE: Offeror is a qualified small business in the Small Business Set-Aside Program at the time Offers are due.

☐ Yes ☐ No ☒ N/A

C.8. PACKET 1 – SPECIFICATIONS/QUALIFICATIONS/STATEMENT OF WORK

■ Yes ☐ No

C.8.1	Offeror's Proposed Solution to Meet the State's Requirements	■ Yes ☐ No
C.8.2	Milestones and Deliverables	■ Yes ☐ No
C.8.3	Offeror/Staff Specifications	■ Yes ☐ No
C.8.4	Transportation and Delivery Terms	☐ Yes ☐ No ■ N/A
C.8.5	Where Services Are to Be Performed	■ Yes ☐ No ☐ N/A

C.9. PACKET 2 – PRICING

■ Yes ☐ No

C.10. PACKET 3 – OFFER

■ Yes ☐ No

C.10.1	Offer	■ Yes ☐ No
C.10.2	Exceptions to Solicitation Contract Terms and Conditions	■ Yes ☐ No ☐ N/A
C.10.3	Supplemental Provisions	■ Yes ☐ No ☐ N/A
C.10.4	Subcontractor Disclosures	☐ Yes ☐ No ■ N/A
C.10.5	References	■ Yes ☐ No ☐ N/A

C.11. PACKET 4 – FORMS A

■ Yes ☐ No

C.11.1	Business and Directory Information	■ Yes ☐ No
C.11.2	Illinois Department of Human Rights Public Contracts Number	■ Yes ☐ No
C.11.3	Authorized to do Business in Illinois	■ Yes ☐ No
C.11.4	Standard Certifications	■ Yes ☐ No
C.11.5	State Board of Elections	■ Yes ☐ No
C.11.6	Disclosure of Business Operations in Iran	■ Yes ☐ No
C.11.7	Financial Disclosures and Conflicts of Interest	■ Yes ☐ No
C.11.8	Taxpayer Identification Number	■ Yes ☐ No

C.12. PACKET 4 – FORMS B

☐ Yes ■ No

C.12.1	Illinois Procurement Gateway Registration # with expiration date	☐ Yes ☐ No
C.12.2	Certifications Timely to this Solicitation	☐ Yes ☐ No
C.12.3	Replacement Certification to IPG Certification #6 (supersedes response in IPG)	☐ Yes ☐ No
C.12.4	Disclosure of Lobbyists for Bidder and parent entity(ies)	☐ Yes ☐ No
C.12.5	Disclosure of current and pending contract	☐ Yes ☐ No
C.12.6	Signature	☐ Yes ☐ No
C.12.7	Taxpayer Identification Number	☐ Yes ☐ No

C.13. PACKET 5 – REDACTED OFFER

☐ Yes ■ No

C.14. PACKET 6 – BEP UTILIZATION PLAN

C.14.1	Does this solicitation contain a BEP goal?	☐ Yes ☒ No
C.14.2	Minorities, Females, Persons with Disabilities Participation and Utilization Plan	☐ Yes ☒ No ☐ N/A

C.15. PACKET 7 – VSB UTILIZATION PLAN

C.15.1	Does this solicitation contain a VSB goal?	☐ Yes ☒ No
C.15.2	Veteran Small Business Participation and Utilization Plan	☐ Yes ☒ No ☐ N/A

C.16. PREFERENCES

The Illinois Procurement Code provides various preferences to promote business opportunities in Illinois.

Does Offeror make any claims for preferences? If so, please mark the applicable preference(s) and include a listing of the items that qualify for the preference at the end of this Section and a description of why the preference applies. Agency reserves the right to determine whether the preference indicated applies to Offeror.

■ Resident Bidder (30 ILCS 500/45-10).

☐ Soybean Oil-Based Ink (30 ILCS 500/45-15).

☐ Recycled Materials (30 ILCS 500/45-20).

☐ Recycled Paper (30 ILCS 500/45-25).

☐ Environmentally Preferable Supplies (30 ILCS 500/45-26).

☐ Correctional Industries (30 ILCS 500/45-30).

☐ Sheltered Workshops for the Severely Handicapped (30 ILCS 500/45-35).

☐ Gas Mileage (30 ILCS 500/45-40).

☐ Small Businesses (30 ILCS 500/45-45).

☐ Illinois Agricultural Products (30 ILCS 500/45-50).

☐ Corn-Based Plastics (30 ILCS 500/45-55).

☐ Disabled Veterans (30 ILCS 500/45-57).

☐ Vehicles Powered by Agricultural Commodity-Based Fuel (30 ILCS 500/45-6)

☐ Biobased Products (30 ILCS 500/45-75).

☐ Historic Preference Area (30 ILCS 500/45-80).

☐ Procurement of Domestic Products (30 ILCS 517).

☐ Public Purchases in Other States (30 ILCS 520).

☐ Illinois Mined Coal (30 ILCS 555).

☐ Steel Products Procurement (30 ILCS 565).

☐ Business Enterprise for Minorities, Females, and Persons with Disabilities Act (30 ILCS 575).

☐ Veterans Preference (330 ILCS 55).

Items that Qualify and Explanation: See Note (1) below.

Signature of Authorized Representative [redacted]

Printed Name of Signatory: Lawrence J. Richardson

Offeror's Name: Wells Fargo Bank, N.A. Municipal Products Group

Date: 2/1/2017

Note (1): As a federally chartered bank, Wells Fargo Bank, National Association is national banking association, organized under the banking laws of the United States, and is therefore qualified to transact the business of banking in the United States, including specifically the state of Illinois.

STATE OF ILLINOIS
EXCEPTIONS TO SOLICITATION AND CONTRACT TERMS AND CONDITIONS

G. Wells Fargo Bank, N.A. Municipal Products Group agrees with the terms and conditions set forth in the State of Illinois Request for Proposal (Reference Number: 16-0155.), including the standard terms and conditions, Illinois Tollway's supplemental provisions, certifications, and disclosures, with the following exceptions:

	Excluding certifications required by statute to be made by the Offeror, both Parties agree that all of the duties and obligations that the Offeror owes to Tollway for the work performed shall be pursuant to the solicitation, resulting contract, and Offeror's exceptions accepted by the State thereto as set forth below.
	STANDARD TERMS AND CONDITIONS
Section/ Subsection #	State the exception such as "add," "replace," and/or "delete."
Standard Terms and Conditions/ F.9.	**CONFIDENTIAL INFORMATION**: Each Party to this contract, including its agents and subcontractors, may have or gain access to confidential data or information owned or maintained by the other Party in the course of carrying out its responsibilities under this contract. Vendor shall presume all information received from the State or to which it gains access pursuant to this contract is confidential. Vendor information, unless clearly marked as confidential and exempt from disclosure under the Illinois Freedom of Information Act, shall be considered public. No confidential data collected, maintained, or used in the course of performance of this contract shall be disseminated except as authorized by law and with the written consent of the disclosing Party, **ADD provided that no such consent shall be required for disclosures required to comply with Vendor's internal control or recordkeeping policies or required by law, rule, subpoena, regulation, governmental, judicial or regulatory authority or other legal process or as otherwise requested by any governmental agency, regulatory authority (including, any self-regulatory organization claiming to have jurisdiction) or any bank examiner** either during the period of this contract or thereafter. **ADD Upon written request**, The receiving Party must return any and all data collected, maintained, created or used in the course of the performance of this contract, in whatever form it is maintained, promptly at the end of this contract, or earlier at the request of the disclosing Party, or notify the disclosing Party **DELETE** ~~in writing~~ of its destruction. The foregoing obligations shall not apply to confidential data or information lawfully in the receiving Party's possession **ADD or in the possession of any of Receiving Party's affiliates, employees, directors, officers, agents, advisors (including attorneys, accountants and tax advisors), consultants, and other representatives (collectively referred to as the "Representatives") on a non-confidential basis from a source (other than the State or its Representatives)** prior to its acquisition from the disclosing Party that were received in good faith from a third-party **ADD that to Receiving Party's knowledge, was** not subject to any confidentiality obligation to the disclosing Party **ADD or any of its Representatives;** that is now or later becomes publicly known through no breach of confidentiality obligation by the receiving Party; or that **ADD was or** is independently developed by the receiving Party **ADD or any of its representatives** without the use or benefit of the disclosing Party's confidential information.
State Supplemental Provisions/ 1.2.4	Consultation: Vendor shall keep the Tollway/Buyer fully informed as to the progress of matters covered by this Contract. Where time permits and Vendor is not otherwise prohibited from so doing, **ADD by law, rule, subpoena, regulation, governmental, judicial or regulatory authority or other legal process or as otherwise requested by any governmental agency, regulatory authority (including, any self-regulatory organization claiming to have jurisdiction) or any bank examiner.** Vendor shall offer the Tollway/Buyer the opportunity to review relevant documents prior to filing with any public body or adversarial party.

	ADDITIONAL OFFEROR PROVISIONS
New Provision(s), # et. seq.	**Section/Subsection New Number, Title of New Subsection**: State the new additional term or condition.

By: Lawrence J. Richardson

Signed [redacted]

Position: Managing Director

Date: February 1, 2017

STATE OF ILLINOIS
STATE SUPPLEMENTAL PROVISIONS

H.1. State Supplemental Provisions:

☐ Illinois Tollway Definitions

N/A

☐ Required Federal Clauses, Certifications and Assurances

N/A

☐ American Recovery and Reinvestment Act of 2009 (ARRA) Requirements

N/A

☐ Public Works Requirements (construction and maintenance of a public work) 820 ILCS 130/4.

N/A

☐ Prevailing Wage (janitorial cleaning, window cleaning, building and grounds, site technician, natural resources, food services, security services, and printing, if valued at more than $200 per month or $2,000 per year) 30 ILCS 500/25-60.

N/A

☐ Illinois Tollway Specific Terms and Conditions

N/A

☐ Other (describe)

N/A

1.1 TOLLWAY SUPPLEMENTAL PROVISIONS:

☐ Definitions

☐ Required Federal Clauses, Certifications and Assurances

☐ ARRA Requirements (American Recovery and Reinvestment Act of 2009)

☐ Public Works Requirements (construction and maintenance of a public work) (820 ILCS 130/4)

☐ Prevailing Wage (janitorial cleaning, window cleaning, building and grounds, site technician, natural resources, food services, and security services, if valued at more than $200 per month or $2000 per year (30 ILCS 500/25-60)

☐ Prevailing Wage (all printing contracts) (30 ILCS 500/25-60)

☐ BEP Subcontracting Requirements (Utilization Plan and Letter of Intent)

☒ PAYMENT OF TOLLS: The Vendor shall be required to pay the full amount of tolls, if any, incurred by it during the duration of the contract. Said tolls will not be

refunded by the Illinois Tollway. Furthermore, in the event that a final determination is made by the Illinois Tollway that the Contractor has failed to pay any required tolls and associated fines, the Illinois Tollway is authorized to take steps necessary to withhold the amounts of the unpaid tolls and fines from any payment due the contractor by the Illinois Tollway and/or other Tollway of Illinois office, department, commission, board or agency.

1.2 AGENCY SUPPLEMENTAL TERMS AND CONDITIONS:

1.2.1 Order of Precedence:

This contract Request for Proposal (RFP), taken together, comprises the Contract between the parties. With respect to any inconsistency or conflict among these documents the following order of precedence shall prevail:

1. This Contract
2. The RFP
3. Other submissions received after the initial proposal as part of the renegotiation process, if applicable and agreed upon

1.2.2 Agents and Employees:

Vendor shall be responsible for the negligent acts and omissions of its agents, employees and if applicable, subcontractors in their performance of Vendor's duties under this Contract. Vendor represents that it shall utilize the services of individuals skilled in the profession for which they will be used in performing services or supplying goods hereunder. In the event that the Tollway/Buyer determines that any individual performing services or supplying goods for Vendor hereunder is not providing such skilled services or delivery of goods, it shall promptly notify the Vendor and the Vendor shall replace that individual.

1.2.3 Publicity:

Vendor shall not, in any advertisement or any other type of solicitation for business, state, indicate or otherwise imply that it is under contract to the Tollway/Buyer nor shall the Tollway/Buyer's name be used in any such advertisement or solicitation without prior written approval except as required by law.

1.2.4 Consultation:

Vendor shall keep the Tollway/Buyer fully informed as to the progress of matters covered by this Contract. Where time permits and Vendor is not otherwise prohibited from so doing, Vendor shall offer the Tollway/Buyer the opportunity to review relevant documents prior to filing with any public body or adversarial party.

1.2.5 Third Party Beneficiaries:

There are no third party beneficiaries to this Contract. This Contract is intended only to benefit the Tollway/Buyer and the Vendor.

1.2.6 Successors In Interest:

All the terms, provisions, and conditions of the Contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives.

1.2.7 Vendor's Termination Duties**:**

The Vendor, upon receipt of notice of termination or upon request of the Tollway/Buyer, shall:

1.2.7.1 Cease work under this Contract and take all necessary or appropriate steps to limit disbursements and minimize costs, and furnish a report within thirty (30) days of the date of notice of termination, describing the status of all work under the Contract, including, without limitation, results accomplished, conclusions resulting there from, any other matters the Tollway/Buyer may require;

1.2.7.2 Immediately cease using and return to the Tollway/Buyer any personal property or materials, whether tangible or intangible, provided by the Tollway/Buyer to the Vendor;

1.2.7.3 Comply with the Tollway/Buyer's instructions for the timely transfer of any active files and work product produced by the Vendor under this Contract;

1.2.7.4 Cooperate in good faith with the Tollway/Buyer, its employees, agents and contractors during the transition period between the notification of termination and the substitution of any replacement contractor;

1.2.7.5 Immediately return to the Tollway/Buyer any payments made by the Tollway/Buyer for services that were not rendered by the Vendor.

1.3 OVERTIME:

If overtime is contemplated and provided for in this contract, all work performed by Vendor at overtime rates shall be pre-approved by the Tollway/Buyer.

1.4 VENUE AND ILLINOIS LAW:

Any claim against the Tollway arising out of this contract must be filed exclusively with Circuit Court for the Eighteenth Judicial Circuit, DuPage County, Illinois for State claims and the U.S. District Court for the Northern District of Illinois for Federal claims.

1.4.1 Whenever "State" is used or referenced in this Contract, it shall be interpreted to mean the Illinois State Toll Highway Authority.

1.4.2 The State Prompt Payment Act (30 ILCS 40) does not apply to the Tollway. Therefore, the first two sentences of paragraph 2.1 are deleted.

1.4.3. The Tollway is not currently an appropriated agency. Therefore, to the extent paragraph 1.5 concerns the Tollway being an appropriated agency, it does not apply.

1.4.4. The invoice submission deadline included in the second sentence of above paragraph 2.6 does not apply to the Tollway. Therefore, the second sentence of this paragraph is stricken. However, the remainder of the paragraph remains in effect.

1.5 REPORT OF A CHANGE IN CIRCUMSTANCES:

The (Contractor/Vendor) agrees to report to the TOLLWAY as soon as practically possible, but no later than 21 days following any change in facts or circumstances that might impact the (CONTRACTOR/VENDOR)'s ability to satisfy its legal or contractual responsibilities and obligations under this contract. Required reports include, but are not limited to changes in the (CONTRACTOR/VENDOR)'s Certification/Disclosure Forms, the (CONTRACTOR/VENDOR)'s IDOT pre-qualification, or any certification or licensing required for this project. Additionally, (CONTRACTOR/VENDOR) agrees to report to the Tollway within the above timeframe any arrests, indictments, convictions or other matters involving the (CONTRACTOR/VENDOR), or any of its principals, that might occur while this contract is in effect. This reporting requirement does not apply to common offenses, including but not limited to minor traffic/vehicle offenses.

Further, the (CONTRACTOR/VENDOR) agrees to incorporate substantially similar reporting requirements into the terms of any and all subcontracts relating to work performed under this agreement. The (CONTRACTOR/VENDOR) agrees to forward or relay to the Tollway any reports received from subcontractors pursuant to this paragraph within 21 days.

Finally, the (CONTRACTOR/VENDOR) acknowledges and agrees that the failure of the (CONTRACTOR/VENDOR) to comply with this reporting requirement shall constitute a material breach of contract which may result in this contract being declared void.

STATE OF ILLINOIS
SUBCONTRACTOR DISCLOSURE

I.1. Will subcontractors be utilized? ☐ Yes ■ No
A subcontractor is a person or entity that enters into a contractual agreement with a total value of $50,000 or more with a person or entity who has a contract subject to the Illinois Procurement Code pursuant to which the person or entity provides some or all of the goods, services, real property, remuneration, or other monetary forms of consideration that are the subject of the primary State contract, including subleases from a lessee of a State contract.

All contracts with subcontractors must include Standard Certifications completed and signed by the subcontractor.

I.2. The maximum percentage of the goods or services that are the subject of this Offer and the resulting contract that may be subcontracted is Click here to enter text..

I.3. Please identify below subcontracts with an annual value of $50,000 or more that will be utilized in the performance of the contract, the names and addresses of the subcontractors, and a description of the work to be performed by each.

- Subcontractor Name: Click here to enter text.

  Anticipated/Estimated Amount to Be Paid: Click here to enter text.

  Address: Click here to enter text.

  Description of Work: Click here to enter text.

- Subcontractor Name: Click here to enter text.

  Anticipated/Estimated Amount to Be Paid: Click here to enter text.

  Address: Click here to enter text.

  Description of Work: Click here to enter text.

If additional space is necessary to provide subcontractor information, please attach an additional page.

I.4. For the subcontractors identified above, the Offeror must provide each subcontractor's Financial Disclosures and Conflicts of Interest to the State.

I.5. If the subcontractor is registered in the Illinois Procurement Gateway (IPG) and the Offeror is using the subcontractor's Standard Certifications or Financial Disclosures and Conflicts of Interest from the IPG, then the Offeror must also provide a completed Forms B for the subcontractor.

STATE OF ILLINOIS
REFERENCES

Provide references from established firms or government agencies (3 clients for which Offeror served as Bond Underwriter) other than the procuring agency/university that can attest to Offeror's experience and ability to perform the contract that is the subject of this solicitation.

J.1. Firm/Government Agency/University (name):

Central Florida Expressway Authority

Contact Person (name, title, email address, address, and phone):

Lisa Lumbard, Chief Financial Officer| lisa.lumbard@cfxway.com |
4974 ORL Tower Road, Orlando, FL 32807 | (407) 690-5352

Date of Supplies/Services Provided:

2016 – Co-Senior Manager, 2015 – Sole Manager

Type of Supplies/Services Provided:

Bond Underwriting, Direct Purchaser (WFBNA)

J.2. Firm/Government Agency/University (name):

Oklahoma Turnpike Authority

Contact Person (name, title, email address, address, and phone):

Wendy Smith, Director of Finance and Revenue | wsmith@ota.state.ok.us |
3500 Martin Luther King Avenue, Oklahoma City, OK 73111| (405) 425-7431

Date of Supplies/Services Provided:

2016 – Senior Manager, Sole Manager; 2013 – Sole Manager

Type of Supplies/Services Provided:

Bond Underwriting, Direct Purchase (WFBNA)

J.3. Firm/Government Agency/University (name):

Texas Transportation Commission

Contact Person (name, title, email address, address, and phone):

Benjamin Asher, Director of Project Finance, Debt & Strategic Contracts Division |
benjamin.asher@txdot.gov | 125 East 11th Street, Austin, TX 78701 | (512) 463-8611

Date of Supplies/Services Provided:

2016 – Senior Manager, Co-Manager; 2015 – Sole Manager, Co-Manager; 2014 – Senior Manager, Co-Manager (Grand Parkway Transportation Corporation), 2013 – Co-Manager (Grand Parkway Transportation Commission); 2012 – Senior Manager, Sole Manager; 2011 – Senior Manager; 2010 – Co-Manager; 2009 – Co-Manager; 2007 – Senior manager; 2006 – Co-Manager

Type of Supplies/Services Provided:

Bond Underwriting, Direct Purchaser (WFBNA)

J.4. Firm/Government Agency/University (name): Click here to enter text.

Contact Person (name, title, email address, address, and phone): Click here to enter text.

Date of Supplies/Services Provided: Click here to enter text.

Type of Supplies/Services Provided: Click here to enter text.

Offeror Name: Wells Fargo Bank, N.A. Municipal Products Group

Return Mailing Address: 10 South Wacker Drive, 15th Floor, Chicago, IL 60606

WELLS FARGO SECURITIES

Illinois State Toll Highway Authority

Response to Request for Proposals for Underwriting Services

RFP#16-0155 Bond Underwriting Services

IPB Reference #: 22039948

Packet 4

February 3, 2017

STATE OF ILLINOIS
FORMS A

A vendor responding to a solicitation by the State of Illinois must return the information requested within this section with their bid or offer if they are not registered in the Illinois Procurement Gateway (IPG). Failure to do so may render their bid or offer non-responsive and result in disqualification.

Please read this entire Forms A and provide the requested information as applicable and per the instructions. All forms and signature areas contained in this Forms A must be completed in full and submitted along with the bid in an Invitation for Bid; and completed in full and submitted along with the technical response and price proposal, which combined will constitute the Offer, in a Request for Proposal.

Vendor Name: Wells Fargo Bank, N.A. Municipal Products Group	Phone: 312-920-3535
Street Address: 10 S. Wacker Dr., 15th Floor	Email: : larry.richardson1@wellsfargo.com
City, State Zip: Chicago, IL 60606	Vendor Contact: Larry Richardson, Managing Director

In compliance with the State and Federal Constitutions, the Illinois Human Rights Act, the U.S. Civil Rights Act, and Section 504 of the Federal Rehabilitation Act, the State of Illinois does not discriminate in employment, contracts, or any other activity.

The State of Illinois encourages prospective vendors to consider hiring qualified veterans and Illinois residents discharged from any Illinois adult correctional center, in appropriate circumstances.

OUTLINE

FORMS A

Complete this section if you are <u>not</u> using an IPG (Illinois Procurement Gateway) Registration #

	Part
Business and Directory Information	1.
Illinois Department of Human Rights Public Contracts Number	2.
Authorized to Do Business in Illinois	3.
Standard Certifications	4.
State Board of Elections	5.
Disclosure of Business Operations in Iran	6.
Financial Disclosures and Conflicts of Interest	7.
Taxpayer Identification Number	8.

STATE OF ILLINOIS
BUSINESS AND DIRECTORY INFORMATION

1.1. Name of Business (official name and DBA)

Wells Fargo Bank, N.A. Municipal Products Group

1.2. Business Headquarters (address, phone and fax)

101 North Phillips Avenue, Sioux Falls, SD 57104

P. 605-575-6900

F. 312-762-9024

1.3. If a Division or Subsidiary of another organization provide the name and address of the parent

Wells Fargo Bank, National Association Municipal Products Group ("WFBNA MPG"), the party responding to this RFP, is a separately identifiable department of Wells Fargo Bank, National Association ("WFBNA"), a national banking association. WFBNA is a wholly-owned subsidiary of Wells Fargo & Company.

Wells Fargo & Company
420 Montgomery Street
San Francisco, CA 94104

1.4. Billing Address

301 S. College Street

Charlotte, NC 28288

1.5. Name of Chief Executive Officer

Timothy J. Sloan

1.6. Company Web Site Address

www.wellsfargo.com

1.7. Type of Organization (sole proprietor, corporation, etc.--should be same as on Taxpayer ID form below)

National Banking Association

1.8. Length of time in business

144+

1.9. Annual Sales for Offeror's most recently completed fiscal year

$88,300,000,000

1.10. Show number of full-time employees, on average, during the most recent fiscal year

261,626

1.11. Is your company at least 51% owned and controlled by individuals in one of the following categories? If "Yes," please check the category that applies:

1.11.1. Minority (30 ILCS 575/2(A)(1) & (3)) ☐ Yes

1.11.2. Female (30 ILCS 575/2(A)(2) & (4)) ☐ Yes

1.11.3. Person with Disability (30 ILCS 575/2(A)(2.05) & (2.1)) ☐ Yes

1.11.4. Disadvantaged (49 CFR 26) ☐ Yes

1.11.5. Veteran (30 ILCS 500/45-57) ☐ Yes

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF HUMAN RIGHTS PUBLIC CONTRACT NUMBER

2.1. If Offeror employed fifteen or more full-time employees at the time of submission of their response to this solicitation or any time during the previous 365-day period leading up to submission, it must have a current IDHR Public Contract Number or have proof of having submitted a completed application for one **prior** to the solicitation opening date. 775 ILCS 5/2-101. If the Agency/University cannot confirm compliance, it will not be able to consider a Vendor's bid or offer. Please complete the appropriate sections below:

Name of Company (and DBA): Wells Fargo Bank, N.A. Municipal Products Group

☐ (check if applicable) The number is not required as the company has not met or exceeded the number of employees that makes registration necessary under the requirements of the Human Rights Act described above.

IDHR Public Contracts Number: 106220-00 Expiration Date: : 9/17/2017.

2.2. If number has not yet been issued, provide the date a completed application for the number was submitted to IDHR: N/A

2.3. Upon expiration and until their Contractor Identification Number is renewed, companies will not be eligible to be awarded contracts by the State of Illinois or other jurisdictions that require a current IDHR number as a condition of contract eligibility. 44 ILL. ADM. CODE 750.210(a).

2.4. Numbers issued by the Department of Human Rights (or its predecessor agency, the Illinois Fair Employment Practices Commission) prior to July 1, 1998 are no longer valid. This affects numbers below 89999-00-0. Valid numbers begin with 900000-00-0.

2.5. If Offeror's organization holds an expired number, it must re-register with the Department of Human Rights.

2.6. Offeror may obtain an application form by:

2.6.1. Telephone: Call the IDHR Public Contracts Unit at (312) 814-2431 between Monday and Friday, 8:30 AM - 5:00 PM, CST. (TDD (312) 263-1579).

2.6.2. Internet: You may download the form from the Department of Human Rights' website at (http://www2.illinois.gov/dhr/PublicContracts/Pages/default.aspx).

2.6.3. Mail: Write to the Department of Human Rights, Public Contracts Unit, 100 West Randolph Street, Suite 10-100, Chicago, IL 60601**.**

STATE OF ILLINOIS
AUTHORIZED TO TRANSACT BUSINESS OR CONDUCT AFFAIRS IN ILLINOIS

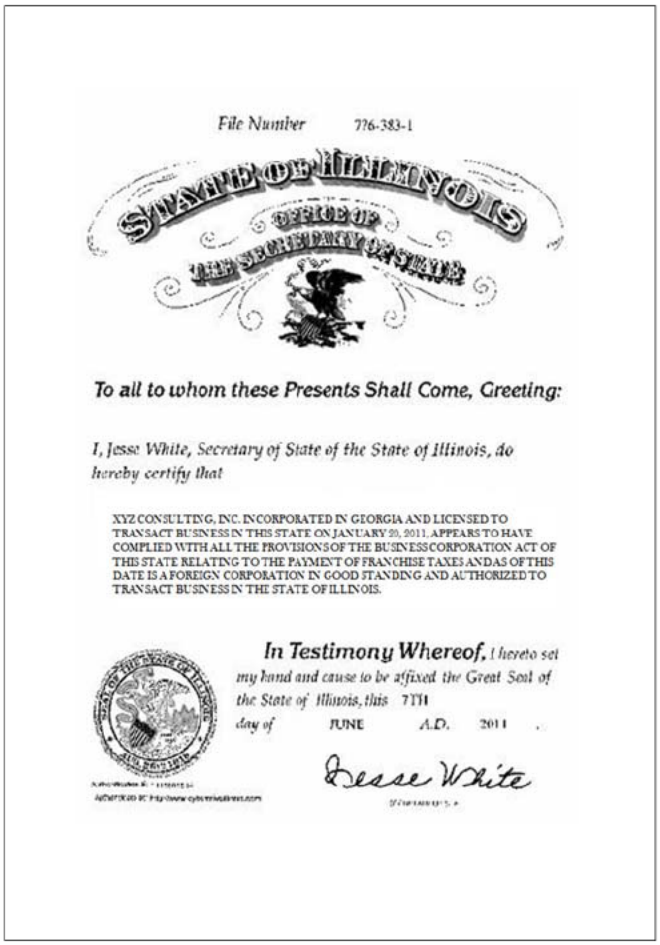
3. A person, other than an individual acting as a sole proprietor, must be a duly constituted legal entity and authorized to transact business or conduct affairs in Illinois prior to submitting an offer. 30 ILCS 500/20-43. Offerors must review and complete certification #4.32 in the Standard Certifications found in Forms A, Part 4.

   Certification #4.32 requires Vendor to check one of two boxes representing its status. The State may request evidence from a vendor that certifies it is authorized to do business in Illinois proving such authorization. Failure to produce evidence in a timely manner may be considered grounds for determining Vendor non-responsive or not responsible.

   For information on registering to transact business or conduct affairs in Illinois, please visit the Illinois Secretary of State's Department of Business Services at their website at (http://cyberdriveillinois.com/departments/business_services/home.html) or your home county clerk.

   * Wells Fargo Bank, N.A. is a federally chartered national bank, which by law is authorized to conduct the business of banking in any location in the United States.

EVIDENCE OF BEING AUTHORIZED TO TRANSACT BUSINESS OR CONDUCT AFFAIRS IS THE SECRETARY OF STATE'S CERTIFICATE OF GOOD STANDING



File Number 776-383-1

STATE OF ILLINOIS
OFFICE OF
THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

XYZ CONSULTING, INC. INCORPORATED IN GEORGIA AND LICENSED TO TRANSACT BUSINESS IN THIS STATE ON JANUARY 20, 2011, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES AND AS OF THIS DATE IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 7TH day of JUNE A.D. 2011

Jesse White

Office of the Comptroller of the Currency

Washington, DC 20219

CERTIFICATE OF CORPORATE EXISTENCE

I, Thomas J. Curry, Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq, as amended, and 12 USC 1, et seq, as amended, has possession, custody, and control of all records pertaining to the chartering, regulation, and supervision of all national banking associations.

2. "Wells Fargo Bank, National Association," Sioux Falls, South Dakota (Charter No. 1), is a national banking association formed under the laws of the United States and is authorized thereunder to transact the business of banking on the date of this certificate.

IN TESTIMONY WHEREOF, today, December 30, 2016, I have hereunto subscribed my name and caused my seal of office to be affixed to these presents at the U.S. Department of the Treasury, in the City of Washington, District of Columbia.

[redacted]

Comptroller of the Currency

Vendor acknowledges and agrees that compliance with this subsection in its entirety for the term of the contract and any renewals is a material requirement and condition of this contract. By executing this contract Vendor certifies compliance with this subsection in its entirety, and is under a continuing obligation to remain in compliance and report any non-compliance.

This subsection, in its entirety, applies to subcontractors used on this contract. Vendor shall include these Standard Certifications in any subcontract used in the performance of the contract using the Standard Certification form provided by the State.

If this contract extends over multiple fiscal years, including the initial term and all renewals, Vendor and its subcontractors shall confirm compliance with this section in the manner and format determined by the State by the date specified by the State and in no event later than July 1 of each year that this contract remains in effect.

If the Parties determine that any certification in this section is not applicable to this contract it may be stricken without affecting the remaining subsections.

4.1. As part of each certification, Vendor acknowledges and agrees that should Vendor or its subcontractors provide false information, or fail to be or remain in compliance with the Standard Certification requirements, one or more of the following sanctions will apply:

- the contract may be void by operation of law,
- the State may void the contract, and
- the Vendor and it subcontractors may be subject to one or more of the following: suspension, debarment, denial of payment, civil fine, or criminal penalty.

Identifying a sanction or failing to identify a sanction in relation to any of the specific certifications does not waive imposition of other sanctions or preclude application of sanctions not specifically identified.

4.2. Vendor certifies it and its employees will comply with applicable provisions of the United States Civil Rights Act, Section 504 of the Federal Rehabilitation Act, the Americans with Disabilities Act, and applicable rules in performance of this contract.

4.3. ~~Vendor, if an individual, sole proprietor, partner or an individual as member of a LLC, certifies he/she is not in default on an educational loan. 5 ILCS 385/3.~~

4.4. ~~Vendor, if an individual, sole proprietor, partner or an individual as member of a LLC, certifies it he/she has not received (i) an early retirement incentive prior to 1993 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code or (ii) an early retirement incentive on or after 2002 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code. 30 ILCS 105/15a; 40 ILCS 5/14-108.3; 40 ILCS 5/16-133.~~

4.5. Vendor certifies that it is a legal entity authorized to do business in Illinois prior to submission of a bid, offer, or proposal. 30 ILCS 500/1-15.80, 20-43. ****See attached certification***

4.6. ~~To the extent there was a current Vendor providing the services covered by this contract and the employees of that Vendor who provided those services are covered by a collective bargaining agreement, Vendor certifies (i) that it will offer to assume the collective bargaining obligations of the prior employer, including any existing collective bargaining agreement with the bargaining representative of any existing collective bargaining unit or units performing substantially similar work to the services covered by the contract subject to its bid or offer; and (ii) that it shall offer employment to all employees currently employed in any existing bargaining unit who perform substantially similar work to the work that will be performed pursuant to this contract. This does not apply to heating, air conditioning, plumbing and electrical service contracts. 30 ILCS 500/25-80.~~

4.7. Vendor certifies it has neither been convicted of bribing or attempting to bribe an officer or employee of the State of Illinois or any other State, nor made an admission of guilt of such conduct that is a matter of record. 30 ILCS 500/50-5.

4.8. If Vendor has been convicted of a felony, Vendor certifies* at least five years have passed after the date of completion of the sentence for such felony, unless no person held responsible by a prosecutor's office for the facts upon which the conviction was based continues to have any involvement with the business. 30 ILCS 500/50-10. **** to the best of our knowledge and subject to the attached litigation statement***

4.9. If Vendor or any officer, director, partner, or other managerial agent of Vendor has been convicted of a felony under the Sarbanes-Oxley Act of 2002, or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953, Vendor certifies at least five years have passed since the date of the conviction. Vendor further certifies* that it is not barred from being awarded a contract and acknowledges that the State shall declare the contract void if this certification is false. 30 ILCS 500/50-10.5. ****to the best of our knowledge and subject to the attached litigation statement***

4.10. Vendor certifies it is not barred from having a contract with the State based upon violating the prohibitions related to either submitting/writing specifications or providing assistance to an employee of the State of Illinois by reviewing, drafting, directing, or preparing any invitation for bids, a request for proposal, or request of information, or similar assistance (except as part of a public request for such information). 30 ILCS 500/50-10.5(e), *amended* by Pub. Act No. 97-0895 (August 3, 2012).

4.11. Vendor certifies that it and its affiliates are not delinquent in the payment of any debt to the State (or if delinquent has entered into a deferred payment plan to pay the debt), and Vendor and its affiliates acknowledge the State may declare the contract void if this certification is false or if Vendor or an affiliate later becomes delinquent and has not entered into a deferred payment plan to pay off the debt. 30 ILCS 500/50-11, 50-60.

4.12. Vendor certifies that it and all affiliates shall collect and remit Illinois Use Tax on all sales of tangible personal property into the State of Illinois in accordance with provisions of the Illinois Use Tax Act and acknowledges that failure to comply may result in the contract being declared void. 30 ILCS 500/50-12.

4.13. Vendor certifies that it has not been found by a court or the Pollution Control Board to have committed a willful or knowing violation of the Environmental Protection Act within the last five years, and is therefore not barred from being awarded a contract. 30 ILCS 500/50-14.

4.14. Vendor certifies it has neither paid any money or valuable thing to induce any person to refrain from bidding on a State contract, nor accepted any money or other valuable thing, or acted upon the promise of same, for not bidding on a State contract. 30 ILCS 500/50-25.

4.15. Vendor certifies it is not in violation of the "Revolving Door" provisions of the Illinois Procurement Code. 30 ILCS 500/50-30.

4.16. Vendor certifies that it has not retained a person or entity to attempt to influence the outcome of a procurement decision for compensation contingent in whole or in part upon the decision or procurement. 30 ILCS 500/50-38.

4.17. Vendor certifies that if it has hired a person required to register under the Lobbyist Registration Act to assist in obtaining any State contract, that none of the lobbyist's costs, fees, compensation, reimbursements, or other remuneration were billed to the State. 30 ILCS 500\50-38.

4.18. Vendor certifies it will report to the Illinois Attorney General and the Chief Procurement Officer any suspected collusion or other anti-competitive practice among any bidders, offerors, contractors, proposers, or employees of the State. 30 ILCS 500/50-40, 50-45, 50-50.

4.19. ~~Vendor certifies steel products used or supplied in the performance of a contract for public works shall be manufactured or produced in the United States, unless the executive head of the procuring Agency/University grants an exception. 30 ILCS 565.~~

4.20. Drug Free Workplace

4.20.1. If Vendor employs 25 or more employees and this contract is worth more than $5,000, Vendor certifies it will provide a drug free workplace pursuant to the Drug Free Workplace Act.

* Wells Fargo Bank, N.A. Drug-Free Workplace Policy does comply with almost all elements of the Illinois State Toll Highway certification regarding the Illinois Drug-free Workplace Act. Wells Fargo's Policy does not comply with two elements of the Act as described below:

- Section 3, (a), (3), (B) requiring employee notification of a drug-related conviction within five (5) calendar days after such conviction

- Section 3, (e) requiring an employee who has been convicted of drug abuse to satisfactorily participate in a drug abuse assistance or rehabilitation program

Wells Fargo makes every effort to strictly maintain a drug-free workplace to ensure the safety of all customers, clients, and team members. As stated in Wells Fargo's policy on Drugs and Alcohol, Wells Fargo is dedicated to maintaining a drug-free workplace. All team members are required to perform their job duties unimpaired by illegal drugs, alcohol, or the improper use of legal substances. Wells Fargo employees are prohibited from working or reporting to work when impaired by alcohol or drugs. The policy goes on to state that any team member who is unfit to work because of alcohol or drug use may be sent home. In addition, he or she is subject to corrective action, which may include termination of employment.

As a federally insured depository institution, Wells Fargo is prohibited from hiring or continuing the employment of a person who has a criminal record involving dishonesty, breach of trust, money laundering, or the distribution, manufacturing or trafficking in controlled substances. Criminal record includes convictions and entry into a pre-trial diversion or similar program with respect to such a crime. Wells Fargo also does not employ persons whom it determines may pose an unacceptable risk to the safety of its customers and team members, including persons convicted of certain serious crimes involving sex and/or violence. As such, all persons offered employment with Wells Fargo must undergo a criminal background check. There are no exceptions to this requirement. The fingerprint-based background screening includes a check against the FBI's National Criminal Information Center (NCIC) database as well as the OFAC\SDN list. If a background check reveals a conviction for a covered criminal offense, then that person is ineligible for employment with Wells Fargo unless he or she has received a written waiver from the FDIC. Similarly, if it subsequently becomes known to Wells Fargo that an employee has been convicted of a covered criminal offense, then that person's employment is terminated

4.20.2. If Vendor is an individual and this contract is worth more than $5000, Vendor certifies it shall not engage in the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance during the performance of the contract. 30 ILCS 580.

4.21. Vendor certifies that neither Vendor nor any substantially owned affiliate is participating or shall participate in an international boycott in violation of the U.S. Export Administration Act of 1979 or the applicable regulations of the United States. Department of Commerce. 30 ILCS 582.

4.22. Vendor certifies it has not been convicted of the offense of bid rigging or bid rotating or any similar offense of any state or of the United States. 720 ILCS 5/33 E-3, E-4. ****

****For informational purposes only, please be advised that during the fourth quarter of 2011, WFBNA entered into a settlement with various regulators regarding municipal derivatives contracts. Please see the legal Actions section of WFC's 2011 Annual Report for additional information regarding the municipal derivatives bid practices settlement with the Office of the Comptroller of the Currency, Securities and Exchange Commission, the U.S. Internal Revenue Service, U.S. Department of Justice and a group of state Attorneys General.

Please see link below for WFC's 2011 Annual Report:

https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2011-annual-report.pdf

4.23. Vendor certifies it complies with the Illinois Department of Human Rights Act and rules applicable to public contracts, which include providing equal employment opportunity, refraining from unlawful discrimination, and having written sexual harassment policies. 775 ILCS 5/2-105.

4.24. Vendor certifies it does not pay dues to or reimburse or subsidize payments by its employees for any dues or fees to any "discriminatory club." 775 ILCS 25/2.

4.25. ~~Vendor certifies that no foreign made equipment, materials, or supplies furnished to the State under the contract have been or will be produced in whole or in part by forced labor or indentured labor under penal sanction. 30 ILCS 583.~~

4.26. ~~Vendor certifies that no foreign made equipment, materials, or supplies furnished to the State under the contract have been produced in whole or in part by the labor of any child under the age of 12. 30 ILCS 584.~~

4.27. ~~Vendor certifies that any violation of the Lead Poisoning Prevention Act, as it applies to owners of residential buildings, has been mitigated. 410 ILCS 45.~~

4.28. ~~Vendor warrants and certifies that it and, to the best of its knowledge, its subcontractors have and will comply with Executive Order No. 1 (2007). The Order generally prohibits Vendors and subcontractors from hiring the then serving Governor's family members to lobby procurement activities of the State, or any other unit of government in Illinois including local governments if that procurement may result in a contract valued at over $25,000. This prohibition also applies to hiring for that same purpose any former State employee who had procurement authority at any time during the one year period preceding the procurement lobbying activity.~~

4.29. Vendor certifies that information technology, including electronic information, software, systems and equipment, developed or provided under this contract comply with the applicable requirements of the Illinois Information Technology Accessibility Act Standards as published at (www.dhs.state.il.us/iitaa) 30 ILCS 587.

4.30. Vendor certifies that it has read, understands, and is in compliance with the registration requirements of the Elections Code (10 ILCS 5/9-35) and the restrictions on making political contributions and related requirements of the Illinois Procurement Code. 30 ILCS 500/20-160 and 50-37. Vendor will not make a political contribution that will violate these requirements.

In accordance with section 20-160 of the Illinois Procurement Code, Vendor certifies as applicable:

☐ Vendor is not required to register as a business entity with the State Board of Elections.

or

☒ Vendor has registered with the State Board of Elections. As a registered business entity, Vendor acknowledges a continuing duty to update the registration as required by the Act.

4.31. ~~Vendor certifies that if it is awarded a contract through the use of the preference required by the Procurement of Domestic Products Act, then it shall provide products pursuant to the contract or a subcontract that are manufactured in the United States. 30 ILCS 517.~~

4.32. A person (other than an individual acting as a sole proprietor) must be a duly constituted legal entity and authorized to transact business or conduct affairs in Illinois prior to submitting a bid or offer. 30 ILCS 500/20-43. If you do not meet these criteria, then your bid or offer will be disqualified.

Vendor must make one of the following two certifications by checking the appropriate box.

A. ☐ Vendor certifies it is an individual acting as a sole proprietorand is therefore not subject to the requirements of section 20-43 of the Procurement Code.

B. ☒ Vendor certifies that it is a legal entity, and was authorized to transact business or conduct affairs in Illinois as of the date for submitting this bid or offer. The State may require Vendor to provide evidence of compliance before award.

4.33. Vendor certifies that, for the duration of this contract it will:

- post its employment vacancies in Illinois and border states on the Department of Employment Security's IllinoisJobLink.com website or its successor system; or
- will provide an online link to these employment vacancies so that this link is accessible through the IllinoisJobLink.com website it successor system; or
- is exempt from 20 ILCS 1005/1005-47 because the contract is for construction-related services as that term is defined in section 1-15.20 of the Procurement Code; or the contract is for construction and vendor is a party to a contract with a bona fide labor organization and performs construction. (20 ILCS 1005/1005-47).

Wells Fargo Supplemental Litigation Statement to Section 4.8 and 4.9:

Wells Fargo Bank N.A. ("WFBNA") is a subsidiary of Wells Fargo & Company ("WFC"), a corporation organized under the laws of Delaware. WFC's principal office is located in San Francisco, California. On December 31, 2008, WFC acquired the former Wachovia Corporation and its subsidiaries, including a predecessor firm, Wachovia Bank, N.A ("WBNA"). On March 20, 2010, WBNA merged into WFBNA.

As with any large diversified financial services company of its size in the highly-regulated banking and securities field, Wells Fargo Bank, N.A. and Wells Fargo & Company are subject to receiving inquiries and subpoenas from regulators and law enforcement from time to time, as well as being subject to civil litigation. Wells Fargo responds regularly to inquiries and investigations by governmental entities and, as a highly regulated diversified financial institution has in the past entered into settlements of some of those investigations, including those specified below. None have resulted in any material restrictions on Wells Fargo's ability to operate its businesses, and none are or have been material to the operation of the businesses.

During the first quarter of 2010, WBNA entered into agreements with the U.S. Department of Justice and banking regulators concerning WBNA's Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) compliance program between 2004 and 2007. See the press release dated March 17, 2010 at https://www.sec.gov/Archives/edgar/data/72971/000119312510059566/dex99.htm. The deferred prosecution agreement discussed in the press release was dismissed in 2011.

During the fourth quarter of 2011, WFBNA entered into a settlement with various regulators regarding municipal derivatives contracts. Please see the Legal Actions section of WFC's 2011 Annual Report for additional information regarding the municipal derivatives bid practices settlement with the Office of the Comptroller of the Currency, Securities and Exchange Commission, the U.S. Internal Revenue Service, U.S. Department of Justice and a group of state Attorneys General. See press release dated December 8, 2011 at https://www.wellsfargo.com/about/press/2011/20111208_WFReachesSettlement/.

WFBNA has paid municipal fines in connection with a small number of houses for alleged violations of local housing ordinances, some of which are characterized as misdemeanors.

During the third quarter of 2016, WFBNA entered into settlement agreements with the City of Los Angeles, the Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency regarding certain sales practices. See press release dated September 8, 2016 at https://www.wellsfargo.com/about/press/2016/sales-practices-agreements_0908.content (the "2016 Settlement").

Wells Fargo Bank, NA Municipal Products Group ("WFBNA MPG"), the party responding to this RFP, is a separately identifiable department of WFBNA and is registered with the Securities and Exchange Commission as a municipal securities dealer, authorized to provide underwriting and investment banking services in connection with municipal securities.

On February 2, 2016, WFBNA MPG entered into an agreement with the SEC resulting from a self-report submitted to the SEC by WFBNA MPG pursuant to the SEC's Municipalities Continuing Disclosure Cooperation Initiative ("MCDC") (see https://www.sec.gov/litigation/admin/2016/33-10028.pdf).

Following the announcement of the 2016 Settlement discussed above, certain state and local governmental bodies and municipal entities have temporarily suspended or removed WFBNA MPG as underwriter from certain of such issuers' municipal underwritings.

Furthermore, no member of the proposed deal team identified in this RFP has a reportable item on his or her broker check report, regarding investigations during his or her tenure with WFBNA Municipal Product Group available online through FINRA's Broker Check.

Access to the Legal Proceedings sections of Wachovia Corporation's 10-K dated February 28, 2008; and 10-Q's dated October 30, 2008, August 11, 2008, and May 12, 2008 are available via the internet link below:
http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000072971&type=10&dateb=20090101&owner=exclude&count=100

Copies of the Legal Proceedings sections from Wells Fargo & Company recent public filings are available via the internet link below: https://www.wellsfargo.com/invest_relations/filings

Wells Fargo & Company Annual Report Link: https://www.wellsfargo.com/invest_relations/annual

SECRETARY'S CERTIFICATE

WELLS FARGO BANK, NATIONAL ASSOCIATION

I, Linda Yang, an Assistant Secretary of Wells Fargo Bank, National Association, a national banking association organized pursuant to the laws of the United States of America (the "Bank") hereby certify that:

1. Attached hereto as Exhibit A is a true, complete and correct copy of a certificate issued by the Office of the Comptroller of the Currency on December 30, 2016, evidencing the Bank's authority to transact the business of banking and exercise fiduciary powers, and as of the date hereof, there has been no change of fact or circumstance affecting such certificate.

2. Wells Fargo Bank, National Association is a national banking association formed and existing under the laws of the United States of America, and is authorized to conduct the business of banking in any location in the United States of America as evidenced by Exhibit A.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of the Bank this 26th day of January, 2017.

[redacted]

Assistant Secretary

(Bank Seal)

Exhibit A

Office of the Comptroller of the Currency

Washington, DC 20219

CERTIFICATE OF CORPORATE EXISTENCE

I, Thomas J. Curry, Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq, as amended, and 12 USC 1, et seq, as amended, has possession, custody, and control of all records pertaining to the chartering, regulation, and supervision of all national banking associations.

2. "Wells Fargo Bank, National Association," Sioux Falls, South Dakota (Charter No. 1), is a national banking association formed under the laws of the United States and is authorized thereunder to transact the business of banking on the date of this certificate.

IN TESTIMONY WHEREOF, today, December 30, 2016, I have hereunto subscribed my name and caused my seal of office to be affixed to these presents at the U.S. Department of the Treasury, in the City of Washington, District of Columbia.

[redacted]

Comptroller of the Currency

5. Section 50-37 of the Illinois Procurement Code prohibits political contributions of certain vendors, bidders and offerors. Additionally, section 9-35 of the Illinois Election Code governs provisions relating to reporting and making contributions to state officeholders, declared candidates for State offices and covered political organizations that promote the candidacy of an officeholder or declared candidate for office. The State may declare any resultant contract void if these Acts are violated.

   Generally, if a vendor, bidder, or offeror is an entity doing business for profit (i.e. sole proprietorship, partnership, corporation, limited liability company or partnership, or otherwise) and has contracts with State agencies that annually total more than $50,000 or whose aggregate pending bids or proposals and current State contracts that total more than $50,000, the vendor, bidder, or offeror is prohibited from making political contributions and must register with the State Board of Elections. 30 ILCS 500/20-160.

EVIDENCE OF REGISTRATION WITH THE STATE BOARD OF ELECTIONS
IS THE CERTIFICATE OF REGISTRATION

Certificate of Registration

STATE BOARD OF ELECTIONS

Registration No. 138

ABC Corporation
123 Main Street
Anywhere, IL USA 62707

Information for this business last updated on:
Wednesday, October 13, 2010

Certificate produced on Wednesday, October 13, 2010 at 12:30 PM

Certificate of Registration

STATE BOARD OF ELECTIONS

Registration No. 15581

Wells Fargo Bank, N.A.

101 N. Phillips Avenue

Sioux Falls SD 57104

Information for this business last updated on:

Thursday, November 10, 2016

Certificate produced on Thursday, November 10, 2016 at 9:33 AM

Registered SEAL OF THE STATE BOARD OF ELECTIONS ILLINOIS Business

STATE OF ILLINOIS
DISCLOSURE OF BUSINESS OPERATIONS WITH IRAN

6. In accordance with 30 ILCS 500/50-36, each bid, offer, or proposal submitted for a State contract, other than a small purchase defined in Section 20-20 of the Illinois Procurement Code, will include a disclosure of whether or not the bidder, offeror, or proposing entity, or any of its corporate parents or subsidiaries, within the 24 months before submission of the bid, offer, or proposal had business operations that involved contracts with or provision of supplies or services to the Government of Iran, companies in which the Government of Iran has any direct or indirect equity share, consortiums or projects commissioned by the Government of Iran and:

   - more than 10% of the company's revenues produced in or assets located in Iran involve oil-related activities or mineral-extraction activities; less than 75% of the company's revenues produced in or assets located in Iran involve contracts with or provision of oil-related or mineral – extraction products or services to the Government of Iran or a project or consortium created exclusively by that Government; and the company has failed to take substantial action; or

   - the company has, on or after August 5, 1996, made an investment of $20 million or more, or any combination of investments of at least $10 million each that in the aggregate equals or exceeds $20 million in any 12- month period that directly or significantly contributes to the enhancement of Iran's ability to develop petroleum resources of Iran.

   A bid or offer that does not include this disclosure may be given a period after the bid or offer is submitted to cure non-disclosure. A chief procurement officer may consider the disclosure when evaluating the bid or offer or awarding the contract.

   ☒ There are no business operations that must be disclosed to comply with the above cited law.

   ☐ The following business operations are disclosed to comply with the above cited law:

   Click here to enter text.

STATE OF ILLINOIS
FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

The Financial Disclosures and Conflicts of Interest form ("form") must be accurately completed and submitted by the vendor, parent entity(ies), and subcontractors. There are **nine** steps to this form and each must be completed as instructed in the step heading and within the step. A bid or offer that does not include this form shall be considered non-responsive. The Agency/University will consider this form when evaluating the bid or offer or awarding the contract.

The requirement of disclosure of financial interests and conflicts of interest is a continuing obligation. If circumstances change and the disclosure is no longer accurate, then disclosing entities must provide an updated form.

Separate forms are required for the vendor, parent entity(ies), and subcontractors.

This disclosure is submitted for:

☒ Vendor

☐ Vendor's Parent Entity(ies) (100% ownership)

☐ Subcontractor(s) >$50,000 (annual value)

☐ Subcontractor's Parent Entity(ies) (100% ownership) > $50,000 (annual value)

Project Name	Bond Underwring Services
Illinois Procurement Bulletin Number	22039948
Contract Number	16-0155
Vendor Name	Wells Fargo Bank, N.A.
Doing Business As (DBA)	N/A
Disclosing Entity	Wells Fargo Bank, N.A.
Disclosing Entity's Parent Entity	Wells Fargo & Company
Subcontractor	N/A
Instrument of Ownership or Beneficial Interest	Other ☐ If you selected Other, please describe: National Banking Association

STEP 1
SUPPORTING DOCUMENTATION SUBMITTAL

(All vendors complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

You must select one of the six options below and select the documentation you are submitting. You must provide the documentation that the applicable section requires with this form.

☒ Option 1 – Publicly Traded Entities

1.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

1.B. ☒ Attach a copy of the Federal 10-K or provide a web address of an electronic copy of the Federal 10-K, and skip to Step 3.

Please see following link:

https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/sec-filings/2015/10k.pdf

☐ Option 2 – Privately Held Entities with more than 100 Shareholders

2.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

2.B. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership share in excess of 5% and attach the information Federal 10-K reporting companies are required to report under 17 CFR 229.401.

☐ Option 3 – All other Privately Held Entities, not including Sole Proprietorships

3.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

☐ Option 4 – Foreign Entities

4.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

4.B. ☐ Attach a copy of the Securities Exchange Commission Form 20-F or 40-F and skip to Step 3.

☐ Option 5 – Not-for-Profit Entities

☐ Complete Step 2, Option B.

☐ Option 6 – Sole Proprietorships

☐ Skip to Step 3.

STEP 2
DISCLOSURE OF FINANCIAL INTEREST OR BOARD OF DIRECTORS

(All vendors, except sole proprietorships, must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Complete **either** Option A (for all entities other than not-for-profits) or Option B (for not-for-profits). Additional rows may be inserted into the tables or an attachment may be provided if needed.

OPTION A – Ownership Share and Distributive Income

Ownership Share – If you selected Option 1.A., 2.A., 2.B., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of ownership if said percentage exceeds 5%, or the dollar value of their ownership if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – X

Name	Address	Percentage of Ownership	$ Value of Ownership
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

Distributive Income – If you selected Option 1.A., 2.A., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of the disclosing vendor's total distributive income if said percentage exceeds 5% of the total distributive income of the disclosing entity, or the dollar value of their distributive income if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – Y

Name	Address	% of Distributive Income	$ Value of Distributive Income
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

Please certify that the following statements are true.

I have disclosed all individuals or entities that hold an ownership interest of greater than 5% or greater than $106,447.20.

☐ Yes ☐ No

I have disclosed all individuals or entities that were entitled to receive distributive income in an amount greater than $106,447.20 or greater than 5% of the total distributive income of the disclosing entity.

☐ Yes ☐ No

OPTION B – Disclosure of Board of Directors (Not-for-Profits)

If you selected Option 5 in Step 1, list members of your board of directors. Please include an attachment if necessary.

TABLE – Z

Name	Address
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A

STEP 3
DISCLOSURE OF LOBBYIST OR AGENT

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

☒ Yes ☐ No. Is your company represented by or do you employ a lobbyist required to register under the Lobbyist Registration Act (lobbyist must be registered pursuant to the Act with the Secretary of State) or other agent who is not identified through Step 2, Option A above and who has communicated, is communicating, or may communicate with any State/Public University officer or employee concerning the bid or offer? If yes, please identify each lobbyist and agent, including the name and address below.

If you have a lobbyist that does not meet the criteria, then you do not have to disclose the lobbyist's information.

Name	Address	Relationship to Disclosing Entity
Lawrence J. Richardson	10 S. Wacker Drive, 15th Floor, Chicago, IL 60606	Managing Director
Leslie Ng	10 S. Wacker Drive, 15th Floor, Chicago, IL 60606	Vice President
Nicole Michienzi	10 S. Wacker Drive, 15th Floor, Chicago, IL 60606	Vice President
Victor Chang	10 S. Wacker Drive, 15th Floor, Chicago, IL 60606	Senior Vice President

Describe all costs/fees/compensation/reimbursements related to the assistance provided by each representative lobbyist or other agent to obtain this Agency/University contract: The lobbyists listed above do not receive any compensation above their normal salaries for lobbyist duties.

STEP 4
PROHIBITED CONFLICTS OF INTEREST

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 4 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above. Please provide the name of the person for which responses are provided: N/A

1. Do you hold or are you the spouse or minor child who holds an elective office in the State of Illinois or hold a seat in the General Assembly? ☐ Yes ☐ No
2. Have you, your spouse, or minor child been appointed to or employed in any offices or agencies of State government and receive compensation for such employment in excess of 60% ($106,447.20) of the salary of the Governor? ☐ Yes ☐ No
3. Are you or are you the spouse or minor child of an officer or employee of the Capital Development Board or the Illinois Toll Highway Authority? ☐ Yes ☐ No
4. Have you, your spouse, or an immediate family member who lives in your residence currently or who lived in your residence within the last 12 months been appointed as a member of a board, commission, authority, or task force authorized or created by State law or by executive order of the Governor? ☐ Yes ☐ No
5. If you answered yes to any question in 1-4 above, please answer the following: Do you, your spouse, or minor child receive from the vendor more than 7.5% of the vendor's total distributable income or an amount of distributable income in excess of the salary of the Governor ($177,412.00)? ☐ Yes ☐ No
6. If you answered yes to any question in 1-4 above, please answer the following: Is there a combined interest of self with spouse or minor child more than 15% in the aggregate of the vendor's distributable income or an amount of distributable income in excess of two times the salary of the Governor ($354,824.00)? ☐ Yes ☐ No

STEP 5
POTENTIAL CONFLICTS OF INTEREST RELATING TO PERSONAL RELATIONSHIPS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 5 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above.

Please provide the name of the person for which responses are provided: N/A

1.	Do you currently have, or in the previous 3 years have you had State employment, including contractual employment of services?	☐ Yes ☐ No
2.	Has your spouse, father, mother, son, or daughter, had State employment, including contractual employment for services, in the previous 2 years?	☐ Yes ☐ No
3.	Do you hold currently or have you held in the previous 3 years elective office of the State of Illinois, the government of the United States, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois?	☐ Yes ☐ No
4.	Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding elective office currently or in the previous 2 years?	☐ Yes ☐ No
5.	Do you hold or have you held in the previous 3 years any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that office?	☐ Yes ☐ No
6.	Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding appointive office currently or in the previous 2 years?	☐ Yes ☐ No
7.	Do you currently have or in the previous 3 years had employment as or by any registered lobbyist of the State government?	☐ Yes ☐ No
8.	Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) that is or was a registered lobbyist?	☐ Yes ☐ No
9.	Do you currently have or in the previous 3 years had compensated employment by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections?	☐ Yes ☐ No
10.	Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) who is or was a compensated employee of any registered election or reelection committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections?	☐ Yes ☐ No

STEP 6
EXPLANATION OF AFFIRMATIVE RESPONSES

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you answered "Yes" in Step 4 or Step 5, please provide on an additional page a detailed explanation that includes, but is not limited to the name, salary, State agency or university, and position title of each individual.

STEP 7
POTENTIAL CONFLICTS OF INTEREST
RELATING TO DEBARMENT & LEGAL PROCEEDINGS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided: Wells Fargo Bank, NA

1.	Within the previous ten years, have you had debarment from contracting with any governmental entity?	☐ Yes ☒ No
2.	Within the previous ten years, have you had any professional licensure discipline?	☐ Yes ☒ No
3.	Within the previous ten years, have you had any bankruptcies?	☐ Yes ☒ No
4.	Within the previous ten years, have you had any adverse civil judgments and administrative findings?	☒ Yes ☐ No
5.	Within the previous ten years, have you had any criminal felony convictions?	☐ Yes ☒ No

If you answered "Yes", please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual.

Wells Fargo Bank N.A. ("WFBNA") is a subsidiary of Wells Fargo & Company ("WFC"), a corporation organized under the laws of Delaware. WFC's principal office is located in San Francisco, California. On December 31, 2008, WFC acquired the former Wachovia Corporation and its subsidiaries, including a predecessor firm, Wachovia Bank, N.A ("WBNA"). On March 20, 2010, WBNA merged into WFBNA. As with any large diversified financial services company of its size in the highly-regulated banking and securities field, Wells Fargo Bank, N.A. and Wells Fargo & Company are subject to receiving inquiries and subpoenas from regulators and law enforcement from time to time, as well as being subject to

civil litigation. Wells Fargo responds regularly to inquiries and investigations by governmental entities and, as a highly regulated diversified financial institution has in the past entered into settlements of some of those investigations, including those specified below. None have resulted in any material restrictions on Wells Fargo's ability to operate its businesses, and none are or have been material to the operation of the businesses. During the first quarter of 2010, WBNA entered into agreements with the U.S. Department of Justice and banking regulators concerning WBNA's Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) compliance program between 2004 and 2007. See the press release dated March 17, 2010 at https://www.wellsfargo.com/about/press/2011/20111208_WFReachesSettlement/. The deferred prosecution agreement discussed in the press release was dismissed in 2011. During the fourth quarter of 2011, WFBNA entered into a settlement with various regulators regarding municipal derivatives contracts. Please see the Legal Actions section of WFC's 2011 Annual Report for additional information regarding the municipal derivatives bid practices settlement with the Office of the Comptroller of the Currency, Securities and Exchange Commission, the U.S. Internal Revenue Service, U.S. Department of Justice and a group of state Attorneys General. See press release dated December 8, 2011 at https://www.wellsfargo.com/about/press/2011/20111208_WFReachesSettlement/. WFBNA has paid municipal fines in connection with a small number of houses for alleged violations of local housing ordinances, some of which are characterized as misdemeanors. During the third quarter of 2016, WFBNA entered into settlement agreements with the City of Los Angeles, the Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency regarding certain sales practices. See press release dated September 8, 2016 at https://www.wellsfargo.com/about/press/2016/sales-practices-agreements_0908.content (the "2016 Settlement"). Wells Fargo Bank, NA Municipal Products Group ("WFBNA MPG"), the party responding to this RFP, is a separately identifiable department of WFBNA and is registered with the Securities and Exchange Commission as a municipal securities dealer, authorized to provide underwriting and investment banking services in connection with municipal securities. On February 2, 2016, WFBNA MPG entered into an agreement with the SEC resulting from a self-report submitted to the SEC by WFBNA MPG pursuant to the SEC's Municipalities Continuing Disclosure Cooperation Initiative ("MCDC") (see https://www.sec.gov/litigation/admin/2016/33-10028.pdf). Following the announcement of the 2016 Settlement discussed above, certain state and local governmental bodies and municipal entities have temporarily suspended or removed WFBNA MPG as underwriter from certain of such issuers' municipal underwritings. Furthermore, no member of the proposed deal team identified in this RFP has a reportable item on his or her broker check report, regarding investigations during his or her tenure with WFBNA Municipal Product Group available online through FINRA's Broker Check. Access to the Legal Proceedings sections of Wachovia Corporation's 10-K dated February 28, 2008; and 10-Q's dated October 30, 2008, August 11, 2008, and May 12, 2008 are available via the internet link below: http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000072971&type=10&dateb=20090101&owner=exclude&count=100 Copies of the Legal Proceedings sections from Wells Fargo & Company recent public filings are available via the internet link below: https://www.wellsfargo.com/invest_relations/filings Wells Fargo & Company Annual Report Link: https://www.wellsfargo.com/invest_relations/annual

Please provide the name of the person or entity for which responses are provided:

Lawrence J. Richardson
Leslie Ng
Nicole Michienzi
Victor Chang

1. Within the previous ten years, have you had debarment from contracting with any governmental entity? ☐ Yes ☒ No

2. Within the previous ten years, have you had any professional licensure discipline? ☐ Yes ☒ No

3. Within the previous ten years, have you had any bankruptcies? ☐ Yes ☒ No

4. Within the previous ten years, have you had any adverse civil judgments and administrative findings? ☐ Yes ☒ No

5. Within the previous ten years, have you had any criminal felony convictions? ☐ Yes ☒ No

STEP 8
DISCLOSURE OF CURRENT AND PENDING CONTRACTS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you selected Option 1, 2, 3, 4, or 6 in Step 1, do you have any contracts, pending contracts, bids, proposals, subcontracts, leases or other ongoing procurement relationships with units of State of Illinois government?

☒ Yes ☐ No.

If "Yes", please specify below. Additional rows may be inserted into the table or an attachment may be provided if needed.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

Agency/University	Project Title	Status	Value	Contract Reference/P.O./Illinois Procurement Bulletin #
Illinois Finance Authority	Medicaid Program Receivables Program	Awarded	$400,000	22021059
Illinois State Toll Highway Authority	Bond Underwriting Services	Qualified – Senior Manager Pool	Issue Dependent	22024004
State of Illinois	Capital Markets – Underwriting	Qualified – Senior Manager Pool	Issue Dependent	22022081
Illinois Finance Authority	State of Illinois Revolving Fund Program – Underwriting Services	Qualified – Co-Manager Pool	Issue Dependent	22028183
Illinois State Treasurer's Office	Electronic Funds Transfer Services	Pending Decision (Incumbent)	$500,000	370-500-17-005
State of Illinois	Custody/Safekeeping	Awarded	$69,000	5542153
University of Illinois	Insurance Services	Awarded	$186,000	RFP No. 1DJL1629
University of Illinois	Money Market Fund	Awarded		318210
Illinois Housing Development Authority	Municipal Housing Investment Banking Firms	Qualified Co-Manager Pool	Issue Dependent	2013-HDA-FI-010 / 22031799
Illinois State Treasurer	Banking Account Service for Concentration Accounts	Awarded	$150,000	RFP No. 1DJL203
RTA	Working Cash Notes	Awarded	$100,000	n/a
University of Illinois	Remarketing Agent	Awarded		n/a
University of Illinois	1997B and 2008 Direct Pay Letter of Credit	Awarded	$13,554,191.99	n/a
University of Illinois	2008 Direct Pay Letter of Credit	Awarded	$31,786,603.45	n/a

As of January 18, 2017, to the best of the knowledge of the undersigned these are all the outstanding contracts of Wells Fargo. There could be contracts in other parts of the company the undersigned is unaware of.

Please explain the procurement relationship: Financial Services Provider

STEP 9
SIGN THE DISCLOSURE

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offeror pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity: Wells Fargo Bank, N.A.

Signatur[redacted] Date: February 1, 2017

Printed Name: Lawrence J. Richardson

Title: Managing Director

Phone Number: 312-920-3535

Email Address: larry.richardson1@wellsfargo.com

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

The Financial Disclosures and Conflicts of Interest form ("form") must be accurately completed and submitted by the vendor, parent entity(ies), and subcontractors. There are **nine** steps to this form and each must be completed as instructed in the step heading and within the step. A bid or offer that does not include this form shall be considered non-responsive. The Agency/University will consider this form when evaluating the bid or offer or awarding the contract.

The requirement of disclosure of financial interests and conflicts of interest is a continuing obligation. If circumstances change and the disclosure is no longer accurate, then disclosing entities must provide an updated form.

Separate forms are required for the vendor, parent entity(ies), and subcontractors.

This disclosure is submitted for:

☐ Vendor

☒ Vendor's Parent Entity(ies) (100% ownership)

☐ Subcontractor(s) >$50,000 (annual value)

☐ Subcontractor's Parent Entity(ies) (100% ownership) > $50,000 (annual value)

Project Name	Bond Underwring Services Request for Proposal – #16-0155
Illinois Procurement Bulletin Number	22039948
Contract Number	16-015
Vendor Name	Wells Fargo Bank, N.A.
Doing Business As (DBA)	N/A
Disclosing Entity	Wells Fargo & Company
Disclosing Entity's Parent Entity	N/A
Subcontractor	N/A
Instrument of Ownership or Beneficial Interest	Corporate Stock (C-Corporation, S-Corporation, Professional Corporation, Service Corporation) ☐ If you selected Other, please describe: Click here to enter text.

STEP 1
SUPPORTING DOCUMENTATION SUBMITTAL

(All vendors complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

You must select one of the six options below and select the documentation you are submitting. You must provide the documentation that the applicable section requires with this form.

☒ Option 1 – Publicly Traded Entities

1.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

1.B. ☒ Attach a copy of the Federal 10-K or provide a web address of an electronic copy of the Federal 10-K, and skip to Step 3.

Please see the following link:

https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/sec-filings/2015/10k.pdf

☐ Option 2 – Privately Held Entities with more than 100 Shareholders

2.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

2.B. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership share in excess of 5% and attach the information Federal 10-K reporting companies are required to report under 17 CFR 229.401.

☐ Option 3 – All other Privately Held Entities, not including Sole Proprietorships

3.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

☐ Option 4 – Foreign Entities

4.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

4.B. ☐ Attach a copy of the Securities Exchange Commission Form 20-F or 40-F and skip to Step 3.

☐ Option 5 – Not-for-Profit Entities

☐ Complete Step 2, Option B.

☐ Option 6 – Sole Proprietorships

☐ Skip to Step 3.

STEP 2
DISCLOSURE OF FINANCIAL INTEREST OR BOARD OF DIRECTORS

(All vendors, except sole proprietorships, must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Complete **either** Option A (for all entities other than not-for-profits) or Option B (for not-for-profits). Additional rows may be inserted into the tables or an attachment may be provided if needed.

OPTION A – Ownership Share and Distributive Income

Ownership Share – If you selected Option 1.A., 2.A., 2.B., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of ownership if said percentage exceeds 5%, or the dollar value of their ownership if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – X			
Name	**Address**	**Percentage of Ownership**	**$ Value of Ownership**
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

Distributive Income – If you selected Option 1.A., 2.A., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of the disclosing vendor's total distributive income if said percentage exceeds 5% of the total distributive income of the disclosing entity, or the dollar value of their distributive income if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – Y			
Name	**Address**	**% of Distributive Income**	**$ Value of Distributive Income**
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

Please certify that the following statements are true.

I have disclosed all individuals or entities that hold an ownership interest of greater than 5% or greater than $106,447.20.

☐ Yes ☐ No

I have disclosed all individuals or entities that were entitled to receive distributive income in an amount greater than $106,447.20 or greater than 5% of the total distributive income of the disclosing entity.

☐ Yes ☐ No

OPTION B – Disclosure of Board of Directors (Not-for-Profits)

If you selected Option 5 in Step 1, list members of your board of directors. Please include an attachment if necessary.

TABLE – Z	
Name	**Address**
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A

STEP 3
DISCLOSURE OF LOBBYIST OR AGENT

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

☐ Yes ☒ No. Is your company represented by or do you employ a lobbyist required to register under the Lobbyist Registration Act (lobbyist must be registered pursuant to the Act with the Secretary of State) or other agent who is not identified through Step 2, Option A above and who has communicated, is communicating, or may communicate with any State/Public University officer or employee concerning the bid or offer? If yes, please identify each lobbyist and agent, including the name and address below.

If you have a lobbyist that does not meet the criteria, then you do not have to disclose the lobbyist's information.

Name	**Address**	**Relationship to Disclosing Entity**
N/A	N/A	N/A

Describe all costs/fees/compensation/reimbursements related to the assistance provided by each representative lobbyist or other agent to obtain this Agency/University contract: Click here to enter text.

STEP 4
PROHIBITED CONFLICTS OF INTEREST

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 4 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above. Please provide the name of the person for which responses are provided: N/A

7. Do you hold or are you the spouse or minor child who holds an elective office in the State of Illinois or hold a seat in the General Assembly? ☐ Yes ☐ No

8. Have you, your spouse, or minor child been appointed to or employed in any offices or agencies of State government and receive compensation for such employment in excess of 60% ($106,447.20) of the salary of the Governor? ☐ Yes ☐ No

9. Are you or are you the spouse or minor child of an officer or employee of the Capital Development Board or the Illinois Toll Highway Authority? ☐ Yes ☐ No

10. Have you, your spouse, or an immediate family member who lives in your residence currently or who lived in your residence within the last 12 months been appointed as a member of a board, commission, authority, or task force authorized or created by State law or by executive order of the Governor? ☐ Yes ☐ No

11. If you answered yes to any question in 1-4 above, please answer the following: Do you, your spouse, or minor child receive from the vendor more than 7.5% of the vendor's total distributable income or an amount of distributable income in excess of the salary of the Governor ($177,412.00)? ☐ Yes ☐ No

12. If you answered yes to any question in 1-4 above, please answer the following: Is there a combined interest of self with spouse or minor child more than 15% in the aggregate of the vendor's distributable income or an amount of distributable income in excess of two times the salary of the Governor ($354,824.00)? ☐ Yes ☐ No

STEP 5
POTENTIAL CONFLICTS OF INTEREST RELATING TO PERSONAL RELATIONSHIPS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 5 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above.

Please provide the name of the person for which responses are provided: N/A

11. Do you currently have, or in the previous 3 years have you had State employment, including contractual employment of services? ☐ Yes ☐ No

12. Has your spouse, father, mother, son, or daughter, had State employment, including contractual employment for services, in the previous 2 years? ☐ Yes ☐ No

13. Do you hold currently or have you held in the previous 3 years elective office of the State of Illinois, the government of the United States, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois? ☐ Yes ☐ No

14. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding elective office currently or in the previous 2 years? ☐ Yes ☐ No

15. Do you hold or have you held in the previous 3 years any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that office? ☐ Yes ☐ No

16. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding appointive office currently or in the previous 2 years? ☐ Yes ☐ No

17. Do you currently have or in the previous 3 years had employment as or by any registered lobbyist of the State government? ☐ Yes ☐ No

18. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) that is or was a registered lobbyist? ☐ Yes ☐ No

19. Do you currently have or in the previous 3 years had compensated employment by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☐ No

20. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) who is or was a compensated employee of any registered election or reelection committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☐ No

STEP 6
EXPLANATION OF AFFIRMATIVE RESPONSES

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you answered "Yes" in Step 4 or Step 5, please provide on an additional page a detailed explanation that includes, but is not limited to the name, salary, State agency or university, and position title of each individual. N/A

STEP 7
POTENTIAL CONFLICTS OF INTEREST
RELATING TO DEBARMENT & LEGAL PROCEEDINGS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided: Wells Fargo & Company

6.	Within the previous ten years, have you had debarment from contracting with any governmental entity?	☐ Yes ☒ No
7.	Within the previous ten years, have you had any professional licensure discipline?	☐ Yes ☒ No
8.	Within the previous ten years, have you had any bankruptcies?	☐ Yes ☒ No
9.	Within the previous ten years, have you had any adverse civil judgments and administrative findings?	☒ Yes ☐ No
10.	Within the previous ten years, have you had any criminal felony convictions?	☐ Yes ☒ No

If you answered “Yes”, please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual.

Wells Fargo Bank N.A. ("WFBNA") is a subsidiary of Wells Fargo & Company (“WFC”), a corporation organized under the laws of Delaware. WFC’s principal office is located in San Francisco, California. On December 31, 2008, WFC acquired the former Wachovia Corporation and its subsidiaries, including a predecessor firm, Wachovia Bank, N.A (“WBNA”). On March 20, 2010, WBNA merged into WFBNA. As with any large diversified financial services company of its size in the highly-regulated banking and securities field, Wells Fargo Bank, N.A. and Wells Fargo & Company are subject to receiving inquiries and subpoenas from regulators and law enforcement from time to time, as well as being subject to civil litigation. Wells Fargo responds regularly to inquiries and investigations by governmental entities and, as a highly regulated diversified financial institution has in the past entered into settlements of some of those investigations, including those specified below. None have resulted in any material restrictions on Wells Fargo’s ability to operate its businesses, and none are or have been material to the operation of the businesses. During the first quarter of 2010, WBNA entered into agreements with the U.S. Department of Justice and banking regulators concerning WBNA’s Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) compliance program between 2004 and 2007. See the press release dated March 17, 2010 at https://www.sec.gov/Archives/edgar/data/72971/000119312510059566/dex99.htm. The deferred prosecution agreement discussed in the press release was dismissed in 2011. During the fourth quarter of 2011, WFBNA entered into a settlement with various regulators regarding municipal derivatives contracts. Please see the Legal Actions section of WFC’s 2011 Annual Report for additional information regarding the municipal derivatives bid practices settlement with the Office of the Comptroller of the Currency, Securities and Exchange Commission, the U.S.

Internal Revenue Service, U.S. Department of Justice and a group of state Attorneys General. See press release dated December 8, 2011 at https://www.wellsfargo.com/about/press/2011/20111208_WFReachesSettlement/. WFBNA has paid municipal fines in connection with a small number of houses for alleged violations of local housing ordinances, some of which are characterized as misdemeanors. During the third quarter of 2016, WFBNA entered into settlement agreements with the City of Los Angeles, the Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency regarding certain sales practices. See press release dated September 8, 2016 at https://www.wellsfargo.com/about/press/2016/sales-practices-agreements_0908.content (the "2016 Settlement"). Wells Fargo Bank, NA Municipal Products Group ("WFBNA MPG"), the party responding to this RFP, is a separately identifiable department of WFBNA and is registered with the Securities and Exchange Commission as a municipal securities dealer, authorized to provide underwriting and investment banking services in connection with municipal securities. On February 2, 2016, WFBNA MPG entered into an agreement with the SEC resulting from a self-report submitted to the SEC by WFBNA MPG pursuant to the SEC's Municipalities Continuing Disclosure Cooperation Initiative ("MCDC") (see https://www.sec.gov/litigation/admin/2016/33-10028.pdf). Following the announcement of the 2016 Settlement discussed above, certain state and local governmental bodies and municipal entities have temporarily suspended or removed WFBNA MPG as underwriter from certain of such issuers' municipal underwritings. Furthermore, no member of the proposed deal team identified in this RFP has a reportable item on his or her broker check report, regarding investigations during his or her tenure with WFBNA Municipal Product Group available online through FINRA's Broker Check. Access to the Legal Proceedings sections of Wachovia Corporation's 10-K dated February 28, 2008; and 10-Q's dated October 30, 2008, August 11, 2008, and May 12, 2008 are available via the internet link below: http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000072971&type=10&dateb=20090101&owner=exclude&count=100 Copies of the Legal Proceedings sections from Wells Fargo & Company recent public filings are available via the internet link below: https://www.wellsfargo.com/invest_relations/filings Wells Fargo & Company Annual Report Link: https://www.wellsfargo.com/invest_relations/annual

STEP 8
DISCLOSURE OF CURRENT AND PENDING CONTRACTS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you selected Option 1, 2, 3, 4, or 6 in Step 1, do you have any contracts, pending contracts, bids, proposals, subcontracts, leases or other ongoing procurement relationships with units of State of Illinois government?

☐ Yes ☒ No.

If "Yes", please specify below. Additional rows may be inserted into the table or an attachment may be provided if needed.

Agency/University	Project Title	Status	Value	Contract Reference/P.O./Illinois Procurement Bulletin #
N/A	N/A	N/A	N/A	N/A

Please explain the procurement relationship: Click here to enter text.

STEP 9
SIGN THE DISCLOSURE

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offeror pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity: Wells Fargo & Company

Signatur [redacted] Date: February 1, 2017

Printed Name: Lawrence J. Richardson

Title: Managing Director

Phone Number: 312-920-3535

Email Address: larry.richardson1@wellsfargo.com

STATE OF ILLINOIS
TAXPAYER IDENTIFICATION NUMBER

I certify that:

The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and

I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and

I am a U.S. person (including a U.S. resident alien).

- If you are an individual, enter your name and SSN as it appears on your Social Security Card.
- If you are a sole proprietor, enter the owner's name on the name line followed by the name of the business and the owner's SSN or EIN.
- If you are a single-member LLC that is disregarded as an entity separate from its owner, enter the owner's name on the name line and the D/B/A on the business name line and enter the owner's SSN or EIN.
- If the LLC is a corporation or partnership, enter the entity's business name and EIN and for corporations, attach IRS acceptance letter (CP261 or CP277).
- For all other entities, enter the name of the entity as used to apply for the entity's EIN and the EIN.

Name: Wells Fargo Bank, N.A.

Business Name: Wells Fargo Bank, N.A.

Taxpayer Identification Number

Social Security Number: N/A

or

Employer Identification Number: [redacted]

Legal Status (check one):

- ☐ Individual
- ☐ Sole Proprietor
- ☐ Partnership
- ☐ Legal Services Corporation
- ☐ Tax-exempt
- ☐ Corporation providing or billing medical and/or health care services
- ☐ Corporation NOT providing or billing medical and/or health care services
- ☒ Other: National Bank Association
- ☐ Governmental
- ☐ Nonresident alien
- ☐ Estate or trust
- ☐ Pharmacy (Non-Corp.)
- ☐ Pharmacy/Funeral Home/Cemetery (Corp.)
- ☐ Limited Liability Company (select applicable tax classification)
  - ☐ C = corporation
  - ☐ P = partnership

Signature of Authorized Representative: [redacted]

Date: February 1, 2017