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

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

Commission file number 001-2979

WELLS FARGO & COMPANY

(Exact name of registrant as specified in its charter)

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

420 Montgomery Street, San Francisco, California 94163

(Address of principal executive offices) (Zip Code)

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

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

Yes þ No ¨

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

Yes þ No ¨

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

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

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

Yes ¨ No þ

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

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

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PART I - FINANCIAL INFORMATION

FINANCIAL REVIEW

Summary Financial Data

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

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

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

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

Financial Review

Overview

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

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

Financial Performance

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

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

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

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

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Overview *(continued)*

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

Credit Quality

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

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

Capital

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

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

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

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Earnings Performance

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

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

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

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

Net Interest Income

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

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

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

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

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

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

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Earnings Performance ***(continued)***

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

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

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

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

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Noninterest Income

Table 2: Noninterest Income

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

NM - Not meaningful

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

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

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

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

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

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

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

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

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

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

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

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Earnings Performance ***(continued)***

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

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

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

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

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Noninterest Expense

Table 3: Noninterest Expense

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

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

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

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

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

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

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

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

Income Tax Expense

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

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Earnings Performance ***(continued)***

Operating Segment Results

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

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

Table 4: Operating Segment Results Highlights

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

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

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

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

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

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

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

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

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

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

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

Balance Sheet Analysis

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

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

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

Securities Available for Sale

Table 5: Securities Available for Sale Summary

	March 31, 2013	December 31, 2012

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

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

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

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

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Balance Sheet Analysis *(continued)*

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

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

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

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

Table 6: Mortgage-Backed Securities

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

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

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Loan Portfolio

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

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

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

Table 7: Loan Portfolios

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

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

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

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

Table 8: Maturities for Selected Commercial Loan Categories

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

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

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Balance Sheet Analysis *(continued)*

Deposits

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

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

Table 9: Deposits

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

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

Fair Valuation of Financial Instruments

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

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

Table 10: Fair Value Level 3 Summary

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

* Less than 1%.

(1) Before derivative netting adjustments.

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

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Off-Balance Sheet Arrangements

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

Off-Balance Sheet Transactions with Unconsolidated Entities

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

Risk Management

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

Operational Risk Management

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

Credit Risk Management

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

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

Table 12: Non-Strategic and Liquidating Loan Portfolios

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

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

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

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

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

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Table 13: Changes in Nonaccretable Difference for PCI Loans

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

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

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

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

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

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

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

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

* Less than 1%.

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

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

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

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

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

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Table 16: CRE Loans by State and Property Type

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

* Less than 1%.

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

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

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Risk Management   Credit Risk Management *(continued)*

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

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

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

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

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

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

Table 17: European Exposure

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

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

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

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

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

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

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

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

* Less than 1%.

(1) Consists of 45 states; no state had loans in excess of $710 million.

(2) Consists of 41 states; no state had loans in excess of $7.0 billion.

(3) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.

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

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

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

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

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

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

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

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

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

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

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 21: Home Equity Portfolio Payment Schedule

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

* Less than 1%

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

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

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

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

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

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

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

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

Table 23: Home Equity Portfolios (1)

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

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

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

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

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 25: Analysis of Changes in Nonaccrual Loans

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

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

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

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

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

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

63% of commercial nonaccrual loans were current on interest.

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

Table 26: Foreclosed Assets

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

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

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

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

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TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 27: Troubled Debt Restructurings (TDRs)

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

Table 28: Analysis of Changes in TDRs

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

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

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

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

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

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

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

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

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

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

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

NET CHARGE-OFFS

Table 30: Net Charge-offs

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

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

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

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

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

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

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

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

(in millions)		**Mar. 31, 2013**	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
	ACL					