

WELLS FARGO & COMPANY/MN  
Form 10-Q  
May 07, 2014

**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, 2014

Commission file number 001-2979

**WELLS FARGO & COMPANY**

(Exact name of registrant as specified in its charter)

**Delaware**

**No. 41-0449260**

No.) (State of incorporation) (I.R.S. Employer Identification

**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**

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

|                         |                                               |                   |                          |
|-------------------------|-----------------------------------------------|-------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/>           | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>                      | Smaller reporting | <input type="checkbox"/> |
| company                 | (Do not check if a smaller reporting company) |                   |                          |

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

Yes ☐ No ☒

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

Shares Outstanding

April 30, 2014

Common stock, \$1-2/3 par value  
5,267,069,638

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**PART I - FINANCIAL INFORMATION**

## FINANCIAL REVIEW

## Summary Financial Data

[illegible]

|                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |   |           |  |           |  |     |  |      |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---|-----------|--|-----------|--|-----|--|------|
| Investment securities                       | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 270,327   |   | 264,353   |  | 248,160   |  | 2   |  | 9    |
| Loans (1)                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 826,443   |   | 822,286   |  | 798,362   |  | 1   |  | 4    |
| Allowance for loan losses                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 13,695    |   | 14,502    |  | 16,711    |  | (6) |  | (18) |
| Goodwill                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 25,637    |   | 25,637    |  | 25,637    |  | -   |  | -    |
| Assets (1)                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 1,546,707 |   | 1,523,502 |  | 1,435,030 |  | 2   |  | 8    |
| Core deposits (4)                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 994,185   |   | 980,063   |  | 939,934   |  | 1   |  | 6    |
| Wells Fargo stockholders' equity            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 175,654   |   | 170,142   |  | 162,086   |  | 3   |  | 8    |
| Total equity                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 176,469   |   | 171,008   |  | 163,395   |  | 3   |  | 8    |
| Tier 1 capital (6)                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 147,549   |   | 140,735   |  | 129,071   |  | 5   |  | 14   |
| Total capital (6)                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 183,559   |   | 176,177   |  | 161,551   |  | 4   |  | 14   |
| Capital ratios:                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |   |           |  |           |  |     |  |      |
| Total equity to assets (1)                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 11.41     | % | 11.22     |  | 11.39     |  | 2   |  | -    |
| Risk-based capital (6):                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |   |           |  |           |  |     |  |      |
| Tier 1 capital                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 12.63     |   | 12.33     |  | 11.80     |  | 2   |  | 7    |
| Total capital                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 15.71     |   | 15.43     |  | 14.76     |  | 2   |  | 6    |
| Tier 1 leverage (6)                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 9.84      |   | 9.60      |  | 9.53      |  | 3   |  | 3    |
| Common Equity Tier 1 (7)                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 11.36     |   | 10.82     |  | 10.39     |  | 5   |  | 9    |
| Common shares outstanding                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 5,265.7   |   | 5,257.2   |  | 5,288.8   |  | -   |  | -    |
| Book value per common share                 | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 30.48     |   | 29.48     |  | 28.27     |  | 3   |  | 8    |
| Common stock price:                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |   |           |  |           |  |     |  |      |
| High                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 49.97     |   | 45.64     |  | 38.20     |  | 9   |  | 31   |
| Low                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 44.17     |   | 40.07     |  | 34.43     |  | 10  |  | 28   |
| Period end                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 49.74     |   | 45.40     |  | 36.99     |  | 10  |  | 34   |
| Team members (active, full-time equivalent) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 265,300   |   | 264,900   |  | 274,300   |  | -   |  | (3)  |
|                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |   |           |  |           |  |     |  |      |
|                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |   |           |  |           |  |     |  |      |
| (1)                                         | Prior period financial information has been revised to reflect our determination that certain factoring arrangements did not qualify as loans. Accordingly, we revised our commercial loan balances for year-end 2012 and each of the quarters in 2013 in order to present the Company's lending trends on a comparable basis over this period. This revision, which resulted in a reduction to total commercial loans and a corresponding decrease to other liabilities, did not impact the Company's consolidated net income or total cash flows. We reduced our commercial loans by \$3.5 billion, \$3.2 billion, \$2.1 billion, \$1.6 billion and \$1.2 billion at December 31, September 30, June 30, and March 31, 2013, and December 31, 2012, respectively, which represented less than 1% of total commercial loans and less than 0.5% of our total loan portfolio. Other affected financial information, including financial guarantees and financial ratios, has been appropriately revised to reflect this revision. See Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report for more information. |           |   |           |  |           |  |     |  |      |
| (2)                                         | The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |           |   |           |  |           |  |     |  |      |
| (3)                                         | Pre-tax pre-provision profit (PTPP) is total revenue less noninterest expense. Management believes that PTPP is a useful financial measure because it enables investors and others to assess the Company's ability to generate capital to cover credit losses through a credit cycle.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |           |   |           |  |           |  |     |  |      |
| (4)                                         | Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits (Eurodollar sweep balances).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |           |   |           |  |           |  |     |  |      |
| (5)                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |   |           |  |           |  |     |  |      |



|     |                                                                                                                             |  |  |  |
|-----|-----------------------------------------------------------------------------------------------------------------------------|--|--|--|
|     | Retail core deposits are total core deposits excluding Wholesale Banking core deposits and retail mortgage escrow deposits. |  |  |  |
| (6) | See Note 19 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information. |  |  |  |
| (7) | 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, 2013 (2013 Form 10-K).*

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

## **Financial Review<sup>[1]</sup>**

### **Overview**

Wells Fargo & Company is a nationwide, diversified, community-based financial services company with \$1.5 trillion in assets. Founded in 1852 and headquartered in San Francisco, we provide banking, insurance, investments, mortgage, and consumer and commercial finance through more than 9,000 locations, 12,000 ATMs and the Internet (wellsfargo.com), and we have offices in 36 countries to support our customers who conduct business in the global economy. With more than 265,000 active, full-time equivalent team members, we serve one in three households in the United States and rank No. 25 on *Fortune*’s 2013 rankings of America’s largest corporations. We ranked fourth in assets and first in the market value of our common stock among all U.S. banks at March 31, 2014.

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

We have five primary values, which are based on our vision and provide the foundation for everything we do. First, we value and support our people as a competitive advantage and strive to attract, develop, retain and motivate the most talented people we can find. Second, we strive for the highest ethical standards with our team members, our customers, our communities and our shareholders. Third, with respect to our customers, we strive to base our decisions and actions on what is right for them in everything we do. Fourth, for team members we strive to build and sustain a diverse and inclusive culture – one where they feel valued and respected for who they are as well as for the skills and experiences they bring to our company. Fifth, we also look to each of our team members to be leaders in establishing, sharing and communicating our vision.

## Financial Performance

Wells Fargo net income was a record \$5.9 billion in first quarter 2014 with record diluted earnings per share (EPS) of \$1.05, which was our 17<sup>th</sup> consecutive quarter of EPS growth and 12<sup>th</sup> consecutive quarter of record EPS. Our results demonstrated our ability to grow consistently across a variety of economic and interest-rate environments and the benefit of our diversified business model. We had strong year-over-year growth or improvement in the fundamental drivers of our business: commercial and consumer loans, deposits, cross-sell, credit, and expense management, which resulted in growth in net income, EPS and capital. While economic growth during first quarter 2014 was uneven, economic activity improved later in the quarter, including national auto sales, which reached a seven-year high in March 2014. We are optimistic about future economic growth because consumers and businesses have continued to improve their financial conditions. Households have reduced their leverage to the lowest level since 2001, and the burden of their financial obligations is lower than at any time since the mid-1980s.

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

- our loans increased \$28.1 billion, or 4%, even with the planned runoff in our non-strategic/liquidating portfolios, and our core loan portfolio grew by \$41.0 billion, or 6%;
- our deposit franchise continued to generate solid deposit growth, with total deposits up \$83.8 billion, or 8%;
- we deepened relationships across our company, achieving record Retail Banking cross-sell of 6.17 products per household (February 2014); Wholesale Banking increased cross-sell to 7.2 products (December 2013); and Wealth, Brokerage and Retirement cross-sell was consistent at 10.42 products (February 2014);
- our credit performance continued to improve with total net charge-offs down \$594 million, or 42%, and represented only 41 basis points of average loans;
- noninterest expense was \$11.9 billion, down \$452 million, or 4%, and we improved our efficiency ratio to 57.9%;
- we grew return on assets (ROA) by 8 basis points to 1.57%, and return on equity (ROE) by 76 basis points to 14.35%; and
- we continued to generate strong capital growth as our estimated Common Equity Tier I ratio under Basel III (Advanced Approach, fully phased-in) was 10.07%.

## Balance Sheet and Liquidity

Our balance sheet continued to strengthen in first quarter 2014 with further core loan and deposit growth. We have been able to grow our loans on a year-over-year basis for 11 consecutive quarters, and for the

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[1] Prior period financial information has been revised to reflect our determination that certain factoring arrangements did not qualify as loans. See Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report for more information.



past eight quarters year-over-year loan growth has been 3% or greater, despite the planned runoff from our non-strategic/liquidating portfolios. Our non-strategic/liquidating loan portfolios decreased \$2.9 billion during the quarter and our core loan portfolios increased \$7.0 billion. Our federal funds sold, securities purchased under resale agreements and other short-term investments (collectively referred to as federal funds sold and other short-term investments elsewhere in this Report) increased by \$9.0 billion during the quarter on continued strong growth in interest-earning deposits, and we grew our investment securities portfolio by \$6.0 billion.

Deposit growth remained strong with period-end deposits up \$15.4 billion from fourth quarter 2013. This increase reflected solid growth across our businesses, particularly our consumer businesses and an increase in liquidity-related term deposits. Average deposits have grown while deposit costs have declined for 14 consecutive quarters. We grew our primary consumer checking customers by a net 5.1% from a year ago (February 2014 compared with February 2013). We have steadily increased the growth rate of this higher cross-sell, more profitable customer base over the past four quarters through product enhancements and consistent focus. The growth in these relationship-based customers should benefit our future results as we remain focused on meeting more of our customers' financial needs.

### **Credit Quality**

Credit quality was strong in first quarter 2014 as losses remained at historically low levels, nonperforming assets (NPAs) continued to decrease and we continued to originate high quality loans, reflecting our long-term risk focus and the benefit from the improved housing market. Credit losses were \$825 million, or 0.41% (annualized) of average loans, in first quarter 2014, compared with \$1.4 billion a year ago (0.72%), a 42% year-over-year decrease in losses. Net losses in our commercial portfolio were only \$5 million, or 1 basis point of average commercial loans. Net consumer losses declined to 75 basis points from 123 basis points in first quarter 2013. Our commercial real estate portfolios were in a net recovery position for the fifth consecutive quarter, reflecting our conservative risk discipline and improved market conditions. Losses on our consumer real estate portfolios declined \$516 million from a year ago, down 59%. The consumer loss levels reflected the positive momentum in the residential real estate market, with home values improving significantly in many markets, as well as lower default frequency.

Reflecting these improvements in our loan portfolios, our \$325 million provision for credit losses this quarter was \$894 million less than a year ago. This provision reflected a release of \$500 million from the allowance for credit losses, compared with a release of \$200 million a year ago. We continue to expect future allowance releases absent a significant deterioration in the economy.

In addition to lower net charge-offs and provision expense, NPAs also improved and were down \$840 million, or 4%, from the end of 2013. Nonaccrual loans declined \$1.0 billion from the prior quarter while foreclosed assets were up \$178 million.

### **Capital**

We continued to focus on strong capital generation and strengthened our capital levels in first quarter 2014 even as we returned more capital to our shareholders, increasing total equity to \$176.5 billion at March 31, 2014, up \$5.5 billion from the prior quarter. We believe an important measure of our capital strength is the estimated Common Equity Tier 1 ratio under Basel III, using the Advanced Approach, fully phased-in, which increased to 10.07% in the first quarter.

Returning more capital to our shareholders has remained a priority for Wells Fargo. In March 2014, we received a non-objection from the Federal Reserve Board (FRB) to our 2014 Capital Plan under the Comprehensive Capital Analysis and Review (CCAR), which included a proposed 17% common stock dividend increase to \$0.35 per share in second quarter 2014 and higher planned share repurchases compared with 2013 repurchase activity. Our first quarter 2014 dividend was \$0.30 per share, and we purchased 33.5 million shares of common stock in the quarter. The Board approved an additional 350 million shares in our repurchase authority.

Our regulatory capital ratios under Basel III (General Approach) remained strong with a total risk-based capital ratio of 15.71%, Tier 1 risk-based capital ratio of 12.63% and Tier 1 leverage ratio of 9.84% at March 31, 2014, compared with 15.43%, 12.33% and 9.60%, respectively, at December 31, 2013. See the “Capital Management” section in this Report for more information regarding our capital, including the calculation of common equity for regulatory purposes.

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

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Wells Fargo net income for first quarter 2014 was \$5.9 billion (\$1.05 diluted earnings per common share) compared with \$5.2 billion (\$0.92) for first quarter 2013. Our first quarter 2014 earnings reflected continued execution of our business strategy and growth in many of our businesses. The key drivers of our financial performance in first quarter 2014 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 \$20.6 billion in first quarter 2014 compared with \$21.3 billion in first quarter 2013. The decrease in revenue for first quarter 2014 from the same period a year ago was due to a decline in mortgage banking income and lower gains from trading activities, offset by an increase in trust and investment fees and gains from equity investments. Noninterest income represented 49% of revenue for first quarter 2014 compared with 51% for first quarter 2013. The drivers of our fee income can differ depending on the interest rate and economic environment. For example, net gains on mortgage loan origination/sales activities were 6% of our fee income in first quarter 2014, down from 23% in the same period a year ago when the refinance market was strong. Other businesses, such as equity investments, brokerage, and mortgage servicing, contributed more to fee income this quarter, demonstrating the benefit of our diversified business model.

### **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 growth has been challenged during the prolonged low interest rate environment as higher yielding loans and securities runoff have been replaced with lower yielding assets. The pace of this repricing has slowed in recent periods.

Net interest income on a taxable-equivalent basis was \$10.8 billion in first quarter 2014, up from \$10.7 billion in first quarter 2013. The net interest margin was 3.20% for first quarter 2014, down from 3.49% for the same period a year ago. The increase in net interest income in first quarter 2014 compared with first quarter 2013 was largely driven by reduced funding costs due to disciplined deposit pricing and the maturing of higher yielding long-term debt. Growth in earning assets also improved net interest income as it offset the decrease in earning asset yields. The decline in net interest margin in first quarter 2014 compared with the same period a year ago was primarily driven by higher funding balances, including customer-driven deposit growth and actions we have taken in response to increased regulatory liquidity expectations which raised long-term debt and term deposits. This growth in funding increased cash and federal funds sold and other short-term investments which are dilutive to net interest margin although essentially neutral to net interest income.

Average earning assets increased \$130.9 billion in first quarter 2014 from the same period a year ago, as average short-term investments increased \$92.3 billion and average investment securities increased \$31.8 billion. In addition, an increase in commercial and industrial loans contributed to \$27.1 billion higher average loans in first quarter 2014 compared with the same period 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 \$973.8 billion in first quarter 2014 compared with \$925.9 billion in first quarter 2013, and funded 118% of average loans in first quarter 2014 compared with 116% the same period a year ago. Average core deposits decreased to 71% of average earning assets in first quarter 2014 compared with 75% the same period a year ago. The cost of these deposits has continued to decline due to a sustained low interest rate environment and a shift in our deposit mix from higher cost certificates of deposit to lower yielding checking and savings products. About 96% of our average core deposits are in checking and savings deposits, one of the highest industry percentages.



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

[illegible]

|                                                |  |                                             |              |       |   |           |           |       |   |           |
|------------------------------------------------|--|---------------------------------------------|--------------|-------|---|-----------|-----------|-------|---|-----------|
|                                                |  | Total held-to-maturity securities           | 13,680       | 2.45  |   | 83        | -         | -     |   | -         |
| Mortgages held for sale (4)                    |  |                                             | 16,556       | 4.11  |   | 170       | 43,312    | 3.42  |   | 371       |
| Loans held for sale (4)                        |  |                                             | 111          | 6.28  |   | 2         | 141       | 8.83  |   | 3         |
| Loans:                                         |  |                                             |              |       |   |           |           |       |   |           |
| Commercial:                                    |  |                                             |              |       |   |           |           |       |   |           |
|                                                |  | Commercial and industrial                   | 193,865      | 3.43  |   | 1,641     | 183,122   | 3.76  |   | 1,700     |
|                                                |  | Real estate mortgage                        | 107,797      | 3.52  |   | 937       | 106,221   | 3.84  |   | 1,006     |
|                                                |  | Real estate construction                    | 16,879       | 4.37  |   | 182       | 16,559    | 4.84  |   | 197       |
|                                                |  | Lease financing                             | 11,936       | 6.15  |   | 183       | 12,424    | 6.78  |   | 210       |
|                                                |  | Foreign                                     | 47,876       | 2.21  |   | 262       | 39,881    | 2.16  |   | 213       |
|                                                |  | Total commercial                            | 378,353      | 3.43  |   | 3,205     | 358,207   | 3.76  |   | 3,326     |
| Consumer:                                      |  |                                             |              |       |   |           |           |       |   |           |
|                                                |  | Real estate 1-4 family first mortgage       | 259,477      | 4.17  |   | 2,705     | 252,049   | 4.29  |   | 2,702     |
|                                                |  | Real estate 1-4 family junior lien mortgage | 64,980       | 4.30  |   | 692       | 74,068    | 4.28  |   | 785       |
|                                                |  | Credit card                                 | 26,272       | 12.32 |   | 798       | 24,097    | 12.62 |   | 750       |
|                                                |  | Automobile                                  | 51,794       | 6.50  |   | 831       | 46,566    | 7.20  |   | 826       |
|                                                |  | Other revolving credit and installment      | 42,914       | 5.00  |   | 529       | 41,675    | 4.70  |   | 483       |
|                                                |  | Total consumer                              | 445,437      | 5.02  |   | 5,555     | 438,455   | 5.10  |   | 5,546     |
|                                                |  | Total loans (4)                             | 823,790      | 4.29  |   | 8,760     | 796,662   | 4.49  |   | 8,872     |
| Other                                          |  |                                             | 4,655        | 5.72  |   | 66        | 4,255     | 5.19  |   | 55        |
|                                                |  | Total earning assets                        | \$ 1,364,311 | 3.49  | % | \$ 11,830 | 1,233,420 | 3.87  | % | \$ 11,829 |
| Funding sources                                |  |                                             |              |       |   |           |           |       |   |           |
| Deposits:                                      |  |                                             |              |       |   |           |           |       |   |           |
|                                                |  | Interest-bearing checking                   | \$ 36,799    | 0.07  | % | \$ 6      | 32,165    | 0.06  | % | \$ 5      |
|                                                |  | Market rate and other savings               | 579,044      | 0.07  |   | 105       | 537,549   | 0.09  |   | 122       |
|                                                |  | Savings certificates                        | 40,535       | 0.89  |   | 89        | 55,238    | 1.22  |   | 167       |
|                                                |  | Other time deposits                         | 45,822       | 0.42  |   | 48        | 15,905    | 1.25  |   | 50        |
|                                                |  | Deposits in foreign offices                 | 91,050       | 0.14  |   | 31        | 71,077    | 0.14  |   | 25        |
|                                                |  | Total interest-bearing deposits             | 793,250      | 0.14  |   | 279       | 711,934   | 0.21  |   | 369       |
| Short-term borrowings                          |  |                                             | 54,502       | 0.09  |   | 13        | 55,410    | 0.17  |   | 23        |
| Long-term debt                                 |  |                                             | 153,793      | 1.62  |   | 619       | 127,112   | 2.20  |   | 697       |
| Other liabilities                              |  |                                             | 12,859       | 2.72  |   | 87        | 11,608    | 2.24  |   | 65        |
|                                                |  | Total interest-bearing liabilities          | 1,014,404    | 0.40  |   | 998       | 906,064   | 0.51  |   | 1,154     |
| Portion of noninterest-bearing funding sources |  |                                             | 349,907      | -     |   | -         | 327,356   | -     |   | -         |
|                                                |  | Total funding sources                       | \$ 1,364,311 | 0.29  |   | 998       | 1,233,420 | 0.38  |   | 1,154     |

[illegible]

## Earnings Performance (continued)

| Noninterest Income                |                              |  |  |  |  |       |    |                        |        |        |
|-----------------------------------|------------------------------|--|--|--|--|-------|----|------------------------|--------|--------|
| Table 2: Noninterest Income       |                              |  |  |  |  |       |    |                        |        |        |
|                                   |                              |  |  |  |  |       |    |                        |        |        |
|                                   |                              |  |  |  |  |       |    | Quarter ended Mar. 31, |        | %      |
| (in millions)                     |                              |  |  |  |  |       |    | 2014                   | 2013   | Change |
| Service charges on                |                              |  |  |  |  |       |    |                        |        |        |
|                                   | deposit accounts             |  |  |  |  |       | \$ | 1,215                  | 1,214  | - %    |
| Trust and investment fees:        |                              |  |  |  |  |       |    |                        |        |        |
|                                   | Brokerage advisory,          |  |  |  |  |       |    |                        |        |        |
|                                   | commissions and other fees   |  |  |  |  |       |    | 2,241                  | 2,050  | 9      |
|                                   | Trust and investment         |  |  |  |  |       |    |                        |        |        |
|                                   | management                   |  |  |  |  |       |    | 844                    | 799    | 6      |
|                                   | Investment banking           |  |  |  |  |       |    | 327                    | 353    | (7)    |
|                                   | Total trust and              |  |  |  |  |       |    |                        |        |        |
|                                   | investment fees              |  |  |  |  |       |    | 3,412                  | 3,202  | 7      |
| Card fees                         |                              |  |  |  |  |       |    |                        |        |        |
|                                   |                              |  |  |  |  |       |    | 784                    | 738    | 6      |
| Other fees:                       |                              |  |  |  |  |       |    |                        |        |        |
|                                   | Charges and fees on loans    |  |  |  |  |       |    | 367                    | 384    | (4)    |
|                                   | Merchant transaction         |  |  |  |  |       |    |                        |        |        |
|                                   | processing fees              |  |  |  |  |       |    | 172                    | 154    | 12     |
|                                   | Cash network fees            |  |  |  |  |       |    | 120                    | 117    | 3      |
|                                   | Commercial real estate       |  |  |  |  |       |    |                        |        |        |
|                                   | brokerage commissions        |  |  |  |  |       |    | 72                     | 45     | 60     |
|                                   | Letters of credit fees       |  |  |  |  |       |    | 96                     | 109    | (12)   |
|                                   | All other fees               |  |  |  |  |       |    | 220                    | 225    | (2)    |
|                                   | Total other fees             |  |  |  |  |       |    | 1,047                  | 1,034  | 1      |
| Mortgage banking:                 |                              |  |  |  |  |       |    |                        |        |        |
|                                   | Servicing income, net        |  |  |  |  |       |    | 938                    | 314    | 199    |
|                                   | Net gains on mortgage loan   |  |  |  |  |       |    |                        |        |        |
|                                   | origination/sales activities |  |  |  |  |       |    | 572                    | 2,480  | (77)   |
|                                   | Total mortgage banking       |  |  |  |  |       |    | 1,510                  | 2,794  | (46)   |
| Insurance                         |                              |  |  |  |  |       |    |                        |        |        |
|                                   |                              |  |  |  |  |       |    | 432                    | 463    | (7)    |
| Net gains from trading activities |                              |  |  |  |  |       |    |                        |        |        |
|                                   |                              |  |  |  |  |       |    | 432                    | 570    | (24)   |
| Net gains on debt securities      |                              |  |  |  |  |       |    |                        |        |        |
|                                   |                              |  |  |  |  |       |    | 83                     | 45     | 84     |
| Net gains from equity investments |                              |  |  |  |  |       |    |                        |        |        |
|                                   |                              |  |  |  |  |       |    | 847                    | 113    | 650    |
| Lease income                      |                              |  |  |  |  |       |    |                        |        |        |
|                                   |                              |  |  |  |  |       |    | 133                    | 130    | 2      |
| Life insurance investment income  |                              |  |  |  |  |       |    |                        |        |        |
|                                   |                              |  |  |  |  |       |    | 132                    | 145    | (9)    |
| All other                         |                              |  |  |  |  |       |    |                        |        |        |
|                                   |                              |  |  |  |  |       |    | (17)                   | 312    | NM     |
|                                   |                              |  |  |  |  | Total | \$ | 10,010                 | 10,760 | (7)    |

|                     |  |  |  |  |  |  |  |  |  |  |  |
|---------------------|--|--|--|--|--|--|--|--|--|--|--|
| NM - Not meaningful |  |  |  |  |  |  |  |  |  |  |  |
|                     |  |  |  |  |  |  |  |  |  |  |  |

Noninterest income of \$10.0 billion represented 49% of revenue for first quarter 2014 compared with \$10.8 billion, or 51%, for first quarter 2013. The decrease in noninterest income reflected a decline in our mortgage banking business, partially offset by growth in many of our other businesses, including credit and debit cards, merchant card processing, commercial banking, corporate banking, commercial mortgage servicing, corporate trust, asset management, wealth management, brokerage and retirement. Excluding mortgage banking, noninterest income increased \$534 million in first quarter 2014, compared with the same period a year ago.

Brokerage advisory, commissions and other fees are received for providing services to full service and discount brokerage customers. Income from these brokerage-related activities include transactional commissions based on the number of transactions executed at the customer's direction, and asset based fees, which are based on the market value of the customer's assets. These fees increased to \$2.2 billion in first quarter 2014, from \$2.1 billion in first quarter 2013. The increase in brokerage income was predominantly due to higher asset-based fees as a result of higher market values and growth in assets under management, partially offset by a decrease in brokerage transaction revenue. Brokerage client assets totaled \$1.4 trillion at March 31, 2014, an increase from \$1.3 trillion at March 31, 2013.

We earn trust and investment management fees from managing and administering assets, including mutual funds, corporate trust, personal trust, employee benefit trust and agency assets. Trust and investment management fees are largely based on a tiered scale relative to the market value of the assets under management or administration. These fees increased to \$844 million in first quarter 2014 from \$799 million in first quarter 2013, primarily due to growth in assets under management reflecting higher market values. At March 31, 2014, these assets totaled \$2.4 trillion, an increase from \$2.3 trillion at March 31, 2013.

We earn investment banking fees from underwriting debt and equity securities, arranging loan syndications, and performing other related advisory services. Investment banking fees decreased to \$327 million in first quarter 2014, from \$353 million in first quarter 2013, primarily due to decreased credit originations as the overall market for these transactions declined.

Card fees were \$784 million in first quarter 2014, compared with \$738 million in first quarter 2013. Card fees increased due to account growth and increased purchase activity.

Mortgage banking income, consisting of net servicing income and net gains on loan origination/sales activities, totaled \$1.5 billion in first quarter 2014, compared with \$2.8 billion in first quarter 2013.

Net mortgage loan servicing income includes amortization of commercial mortgage servicing rights (MSRs), changes in the fair value of residential MSRs during the period, as well as changes in the value of derivatives (economic hedges) used to hedge the residential MSRs. Net servicing income of \$938 million for first quarter 2014 included a \$407 million net MSR valuation gain (\$441 million decrease in the fair value of the MSRs offset by a \$848 million hedge gain). Net servicing income of \$314 million for first quarter 2013 included a \$129 million net MSR valuation gain (\$761 million increase in the fair value of MSRs offset by a \$632 million hedge loss). Our portfolio of loans serviced for others was \$1.89 trillion at March 31, 2014 and \$1.90 trillion at December 31, 2013. At March 31, 2014, the ratio of MSRs to related loans serviced for others was 0.85%, compared with 0.88% at December 31, 2013. See the "Risk Management – Mortgage Banking Interest Rate and Market Risk" section in this Report for additional information regarding our MSRs risks and hedging approach.

Net gains on mortgage loan origination/sale activities were \$572 million in first quarter 2014, compared with \$2.5 billion in first quarter 2013. The decrease was primarily driven by lower margins and origination volumes. Mortgage loan originations were \$36 billion in first quarter 2014, of which 66% were for home purchases, compared with \$109 billion and 31%, respectively, for first quarter 2013. Mortgage applications were \$60 billion in first quarter

2014, compared with \$140 billion in first quarter 2013. The 1-4 family first mortgage unclosed pipeline was \$27 billion at March 31, 2014, compared with \$74 billion at March 31, 2013. 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 provision for repurchase losses in first quarter 2014 totaled \$6 million, compared with \$309 million for first quarter 2013. In September and December 2013, we announced agreements with Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA), respectively, which resolved substantially all agency repurchase liabilities for mortgage loans sold or originated prior to 2009. As a result, outstanding repurchase demands were down \$1.5 billion from first quarter 2013 and our repurchase liability declined to \$799 million. 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 \$432 million in first quarter 2014, compared with \$570 million in first quarter 2013. The year-over-year decrease was largely driven by lower trading from customer accommodation activity within our capital markets business. Net gains from trading activities do not include interest and dividend income and expense on trading securities. Those amounts are reported within interest income from trading assets and other interest expense from trading liabilities. Proprietary trading generated \$6 million and \$4 million of net gains in first quarter 2014 and 2013, respectively. Interest and fees related to proprietary trading are reported in their corresponding income statement line items. Proprietary trading activities are not significant to our client-focused business model. For additional information about proprietary and other trading, see the “Risk Management – Asset and Liability Management – Market Risk – Trading Activities” section in this Report.

Net gains on debt and equity securities totaled \$930 million for first quarter 2014 and \$158 million for first quarter 2013, after other-than-temporary impairment (OTTI) write-downs of \$135 million and \$78 million, respectively, for the same periods. Net gains from equity investments increased over the past year, reflecting our portfolio’s positive operating performance and the benefit of strong public and private equity markets.

All other income was \$(17) million for first quarter 2014 compared with \$312 million in first quarter 2013. All other income includes ineffectiveness recognized on derivatives that qualify for hedge accounting, losses on low income housing tax credits, foreign currency adjustments, and income from investments accounted for under the equity accounting method, any of which can cause other income losses. The decrease in other income from a year ago reflected lower income from equity method investments.

**Earnings Performance (continued)**

| <b>Noninterest Expense</b>          |    |                        |               |        |  |        |
|-------------------------------------|----|------------------------|---------------|--------|--|--------|
|                                     |    |                        |               |        |  |        |
| <b>Table 3: Noninterest Expense</b> |    |                        |               |        |  |        |
|                                     |    |                        |               |        |  |        |
|                                     |    | Quarter ended Mar. 31, |               |        |  | %      |
| (in millions)                       |    |                        | <b>2014</b>   | 2013   |  | Change |
| Salaries                            | \$ |                        | <b>3,728</b>  | 3,663  |  | 2 %    |
| Commission and incentive            |    |                        |               |        |  |        |
| compensation                        |    |                        | <b>2,416</b>  | 2,577  |  | (6)    |
| Employee benefits                   |    |                        | <b>1,372</b>  | 1,583  |  | (13)   |
| Equipment                           |    |                        | <b>490</b>    | 528    |  | (7)    |
| Net occupancy                       |    |                        | <b>742</b>    | 719    |  | 3      |
| Core deposit and other              |    |                        |               |        |  |        |
| intangibles                         |    |                        | <b>341</b>    | 377    |  | (10)   |
| FDIC and other deposit              |    |                        |               |        |  |        |
| assessments                         |    |                        | <b>243</b>    | 292    |  | (17)   |
| Outside professional services       |    |                        | <b>559</b>    | 535    |  | 4      |
| Outside data processing             |    |                        | <b>241</b>    | 233    |  | 3      |
| Contract services                   |    |                        | <b>234</b>    | 207    |  | 13     |
| Travel and entertainment            |    |                        | <b>219</b>    | 213    |  | 3      |
| Operating losses                    |    |                        | <b>159</b>    | 157    |  | 1      |
| Postage, stationery and supplies    |    |                        | <b>191</b>    | 199    |  | (4)    |
| Advertising and promotion           |    |                        | <b>118</b>    | 105    |  | 12     |
| Foreclosed assets                   |    |                        | <b>132</b>    | 195    |  | (32)   |
| Telecommunications                  |    |                        | <b>114</b>    | 123    |  | (7)    |
| Insurance                           |    |                        | <b>125</b>    | 137    |  | (9)    |
| Operating leases                    |    |                        | <b>50</b>     | 48     |  | 4      |
| All other                           |    |                        | <b>474</b>    | 509    |  | (7)    |
| Total                               | \$ |                        | <b>11,948</b> | 12,400 |  | (4)    |
|                                     |    |                        |               |        |  |        |

Noninterest expense was \$11.9 billion in first quarter 2014, down 4% from \$12.4 billion a year ago, driven predominantly by lower personnel expenses (\$7.5 billion, down from \$7.8 billion a year ago), lower foreclosed assets expense (\$132 million, down from \$195 million a year ago) and lower Federal Deposit Insurance Corporation (FDIC) and other deposit assessments (\$243 million, down from \$292 million a year ago).

Personnel expenses, which include salaries, commissions, incentive compensation and employee benefits, were down \$307 million, or 4%, in first quarter 2014, compared with the same quarter last year, largely due to lower volume-related compensation, reduced staffing in our mortgage business, and lower deferred compensation (offset in trading income). These decreases were partially offset by annual salary increases, as well as increased staffing in our non-mortgage businesses.



FDIC and other deposit assessments were down \$49 million, or 17%, in first quarter 2014 compared with the same period in 2013, predominantly due to lower FDIC assessment rates related to improved credit performance and the Company's liquidity position.

Foreclosed assets expense was down \$63 million, or 32%, in first quarter 2014 compared with the same period a year ago, reflecting lower expenses associated with foreclosed properties, lower write-downs, and increased gains on sale, partly driven by the continued real estate market improvement.

The efficiency ratio was 57.9% in first quarter 2014, an improvement from 58.3% in first quarter 2013. The Company expects to operate within its targeted efficiency ratio range of 55 to 59% in second quarter 2014.

### **Income Tax Expense**

Our effective tax rate was 27.9% and 31.9% for first quarter 2014 and 2013, respectively. The lower effective tax rate in first quarter 2014 included a net \$423 million discrete tax benefit primarily from a reduction in the reserve for uncertain tax positions due to the resolution of prior period matters with state taxing authorities. Absent additional discrete benefits in 2014, we expect the effective income tax rate for the full year 2014 to be higher than the effective tax rate for first quarter 2014.

## Operating Segment Results

We are organized for management reporting purposes into three operating segments: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. These segments are defined by product type and customer segment and their results are based on our management accounting process, for which there is no comprehensive, authoritative financial accounting guidance equivalent to generally accepted accounting principles (GAAP). Table 4 and the following discussion present our results by operating segment. For a more complete description of our operating segments, including additional financial information and the underlying management accounting process, see Note 18 (Operating Segments) to Financial Statements in this Report.

| Table 4: Operating Segment Results – Highlights |                                                                                                                                                                                                                                      |                      |        |  |                      |       |                      |              |           |  |                |              |               |        |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------|--|----------------------|-------|----------------------|--------------|-----------|--|----------------|--------------|---------------|--------|
|                                                 |                                                                                                                                                                                                                                      |                      |        |  |                      |       |                      |              |           |  |                |              |               |        |
|                                                 |                                                                                                                                                                                                                                      |                      |        |  |                      |       | Wealth,<br>Brokerage |              |           |  |                | Consolidated |               |        |
|                                                 |                                                                                                                                                                                                                                      | Community<br>Banking |        |  | Wholesale<br>Banking |       | and<br>Retirement    |              | Other (1) |  |                | Company      |               |        |
| (in millions)                                   |                                                                                                                                                                                                                                      | <b>2014</b>          | 2013   |  | <b>2014</b>          | 2013  |                      | <b>2014</b>  | 2013      |  | <b>2014</b>    | 2013         |               |        |
| <b>Quarter<br/>ended March<br/>31,</b>          |                                                                                                                                                                                                                                      |                      |        |  |                      |       |                      |              |           |  |                |              |               |        |
| Revenue                                         | \$                                                                                                                                                                                                                                   | <b>12,593</b>        | 12,899 |  | <b>5,580</b>         | 6,086 |                      | <b>3,468</b> | 3,197     |  | <b>(1,016)</b> | (923)        | <b>20,625</b> | 21,259 |
| Provision<br>(reversal of<br>provision)         |                                                                                                                                                                                                                                      |                      |        |  |                      |       |                      |              |           |  |                |              |               |        |
| for<br>credit<br>losses                         |                                                                                                                                                                                                                                      | <b>419</b>           | 1,262  |  | <b>(93)</b>          | (58)  |                      | <b>(8)</b>   | 14        |  | <b>7</b>       | 1            | <b>325</b>    | 1,219  |
| Noninterest<br>expense                          |                                                                                                                                                                                                                                      | <b>6,774</b>         | 7,377  |  | <b>3,215</b>         | 3,091 |                      | <b>2,711</b> | 2,639     |  | <b>(752)</b>   | (707)        | <b>11,948</b> | 12,400 |
| Net income                                      |                                                                                                                                                                                                                                      | <b>3,844</b>         | 2,924  |  | <b>1,742</b>         | 2,045 |                      | <b>475</b>   | 337       |  | <b>(168)</b>   | (135)        | <b>5,893</b>  | 5,171  |
| (in billions)                                   |                                                                                                                                                                                                                                      |                      |        |  |                      |       |                      |              |           |  |                |              |               |        |
| Average<br>loans                                |                                                                                                                                                                                                                                      | <b>505.0</b>         | 498.9  |  | <b>301.9</b>         | 283.1 |                      | <b>50.0</b>  | 43.8      |  | <b>(33.1)</b>  | (29.1)       | <b>823.8</b>  | 796.7  |
| Average<br>core<br>deposits                     |                                                                                                                                                                                                                                      | <b>626.5</b>         | 619.2  |  | <b>259.0</b>         | 224.1 |                      | <b>156.0</b> | 149.4     |  | <b>(67.7)</b>  | (66.8)       | <b>973.8</b>  | 925.9  |
|                                                 |                                                                                                                                                                                                                                      |                      |        |  |                      |       |                      |              |           |  |                |              |               |        |
| (1)                                             | Includes 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 6.17 products per household in February 2014, up from 6.10 in February 2013. We believe there is more opportunity for cross-sell as we continue to earn more business from our customers. Our goal is eight products per household, which is approximately one-half of our estimate of potential demand for an average U.S. household. In February 2014, one of every four of our retail banking households had eight or more of our products.

Community Banking reported net income of \$3.8 billion, up \$920 million, or 31%, from first quarter 2013. Revenue of \$12.6 billion decreased \$306 million, or 2%, from first quarter 2013 primarily due to lower mortgage banking revenue, partially offset by higher net interest income and equity investment gains. Average core deposits increased \$7.3 billion, or 1%, from first quarter 2013. Primary consumer checking customers as of February 2014 (customers who actively use their checking account with transactions such as debit card purchases, online bill payments, and direct deposit) were up a net 5.1% from February 2013. Noninterest expense declined \$603 million, or 8%, from first quarter 2013, largely driven by lower mortgage volume-related expenses and foreclosed asset expense. The provision for credit losses was \$843 million lower than a year ago due to improved portfolio performance reflecting lower consumer real estate losses.

**Wholesale Banking** provides financial solutions to businesses across the United States and globally with annual sales generally in excess of \$20 million. Products and business segments include Middle Market Commercial Banking, Government and Institutional Banking, Corporate Banking, Commercial Real Estate, Treasury Management, Wells Fargo Capital Finance, Insurance, International, Real Estate Capital Markets, Commercial Mortgage Servicing, Corporate Trust, Equipment Finance, Wells Fargo Securities, Principal Investments, Asset Backed Finance, and Asset Management. Wholesale Banking cross-sell was a record 7.2 products per customer in first quarter 2014, up from 6.8 a year ago.

Wholesale Banking reported net income of \$1.7 billion, down \$303 million, or 15%, from first quarter 2013 driven by lower revenues. Revenue declined \$506 million, or 8%, from first quarter 2013 on both lower net interest income and noninterest income. Net interest income declined as strong loan and deposit growth was more than offset by lower PCI resolution income. Noninterest income declined on lower market sensitive revenues driven by lower customer accommodation trading. Average loans of \$301.9 billion increased \$18.8 billion, or 7%, from first quarter 2013, driven by broad based growth across most customer segments. Average core deposits of \$259.0 billion increased \$34.9 billion, or 16%, from first quarter 2013 reflecting continued customer liquidity. Noninterest expense increased \$124 million, or 4%, from first quarter 2013 due to higher personnel expenses and support costs related to business growth. The provision for credit losses decreased \$35 million from first quarter 2013 due to a reduction in credit losses which was partially offset by a lower level of allowance release. The first quarter 2014 provision included a \$34 million allowance release, compared with a \$50 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 financial needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions, including financial planning, private banking, credit, investment management and fiduciary services. Abbot Downing, a Wells Fargo business, provides comprehensive wealth management services to ultra-high net worth families and individuals as well as endowments and foundations. Brokerage serves customers' advisory, brokerage and financial needs as part of one of the largest full-service brokerage firms in the United States. Retirement is a national leader in providing institutional retirement and trust services (including 401(k) and pension plan record keeping) for businesses, retail retirement solutions for individuals, and reinsurance services for the life insurance industry. Wealth, Brokerage and Retirement cross-sell was 10.42



**Earnings Performance (continued)**

products per household in February 2014, up from 10.33 in February 2013.

Wealth, Brokerage and Retirement reported net income of \$475 million in first quarter 2014, up 41% from first quarter 2013 driven by increased net interest income and noninterest income. Revenue of \$3.5 billion in first quarter 2014 was up 8% from first quarter 2013 primarily driven by strong growth in asset-based fees and higher net interest income, partially offset by a decrease in brokerage transaction revenue. Average core deposits of \$156.0 billion grew 4% from first quarter 2013. Noninterest expense increased 3% from first quarter 2013 primarily due to higher brokerage commissions. Total provision for credit losses decreased \$22 million from first quarter 2013 on lower net charge-offs.

**Balance Sheet Analysis**

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At March 31, 2014, our assets totaled \$1.5 trillion, up \$23.2 billion from December 31, 2013. The predominant areas of asset growth were in federal funds sold and other short-term investments, which increased \$9.0 billion, investment securities, which increased \$6.0 billion, and loans, which increased \$4.2 billion. Deposit growth of \$15.4 billion, total equity growth of \$5.5 billion and an increase in short-term borrowings of \$3.2 billion from December 31, 2013, were the predominant sources that funded our asset growth for first quarter 2014. Equity growth benefited from \$4.0 billion in earnings net of dividends paid. The strength of our business model produced record earnings and continued internal capital generation as reflected in our capital ratios, all of which improved from December 31, 2013. Tier 1 capital as a percentage of total risk-weighted assets increased to 12.63%, total capital increased to 15.71%, Tier 1 leverage increased to 9.84%, and Common Equity Tier 1 (General Approach) increased to 11.36% at March 31, 2014, compared with 12.33%, 15.43%, 9.60%, and 10.82%, respectively, at December 31, 2013.

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

|                                                 |  |  |  |  |                       |             |  |  |                          |             |  |
|-------------------------------------------------|--|--|--|--|-----------------------|-------------|--|--|--------------------------|-------------|--|
| <b>Investment Securities</b>                    |  |  |  |  |                       |             |  |  |                          |             |  |
|                                                 |  |  |  |  |                       |             |  |  |                          |             |  |
| <b>Table 5: Investment Securities – Summary</b> |  |  |  |  |                       |             |  |  |                          |             |  |
|                                                 |  |  |  |  |                       |             |  |  |                          |             |  |
|                                                 |  |  |  |  | <b>March 31, 2014</b> |             |  |  | <b>December 31, 2013</b> |             |  |
|                                                 |  |  |  |  | <b>Net</b>            |             |  |  | <b>Net</b>               |             |  |
|                                                 |  |  |  |  | <b>unrealized</b>     | <b>Fair</b> |  |  | <b>unrealized</b>        | <b>Fair</b> |  |

| (in millions)                    |                                                                                                                                                               |                                     |                                 |    | Cost    | gain (loss) | value   |  | Cost    | gain (loss) | value   |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|---------------------------------|----|---------|-------------|---------|--|---------|-------------|---------|
| Available-for-sale securities:   |                                                                                                                                                               |                                     |                                 |    |         |             |         |  |         |             |         |
|                                  | Debt securities                                                                                                                                               |                                     |                                 | \$ | 244,459 | 4,745       | 249,204 |  | 246,048 | 2,574       | 248,622 |
|                                  | Marketable equity securities                                                                                                                                  |                                     |                                 |    | 1,935   | 1,526       | 3,461   |  | 2,039   | 1,346       | 3,385   |
|                                  |                                                                                                                                                               | Total available-for-sale securities |                                 |    | 246,394 | 6,271       | 252,665 |  | 248,087 | 3,920       | 252,007 |
| Held-to-maturity debt securities |                                                                                                                                                               |                                     |                                 |    | 17,662  | (41)        | 17,621  |  | 12,346  | (99)        | 12,247  |
|                                  |                                                                                                                                                               |                                     | Total investment securities (1) | \$ | 264,056 | 6,230       | 270,286 |  | 260,433 | 3,821       | 264,254 |
|                                  |                                                                                                                                                               |                                     |                                 |    |         |             |         |  |         |             |         |
| (1)                              | Available-for-sale securities are carried on the balance sheet at fair value. Held-to-maturity securities are carried on the balance sheet at amortized cost. |                                     |                                 |    |         |             |         |  |         |             |         |
|                                  |                                                                                                                                                               |                                     |                                 |    |         |             |         |  |         |             |         |

Table 5 presents a summary of our investment securities portfolio, which increased \$6.0 billion from December 31, 2013, primarily due to purchases of U.S. Treasury securities for our held-to-maturity portfolio. The total net unrealized gains on available-for-sale securities were \$6.3 billion at March 31, 2014, up from net unrealized gains of \$3.9 billion at December 31, 2013, due primarily to a decrease in long-term interest rates.

The size and composition of the investment securities portfolio is largely dependent upon the Company's liquidity and interest rate risk management objectives. Our business generates assets and liabilities, such as loans, deposits and long-term debt, which have different maturities, yields, re-pricing, prepayment characteristics and other provisions that expose us to interest rate and liquidity risk. The available-for-sale securities portfolio consists primarily of liquid, high quality U.S. Treasury and federal agency debt, agency MBS, privately issued residential and commercial MBS, securities issued by U.S. states and political subdivisions, corporate debt securities, and highly rated collateralized loan obligations. Due to its highly liquid nature, the available-for-sale portfolio can be used to meet funding needs that arise in the normal course of business or due to market stress. Changes in our interest rate risk profile may occur due to changes in overall economic or market conditions, which could influence loan origination demand, prepayment speeds, or deposit balances and mix. In response, the available-for-sale securities portfolio can be rebalanced to meet the Company's interest rate risk management objectives. In addition to meeting liquidity and interest rate risk management objectives, the available-for-sale securities portfolio may provide yield enhancement over other short-term assets. See the "Risk Management – Asset/Liability Management" section in this Report for more information on liquidity and interest rate risk. The held-to-maturity securities portfolio consists of high quality U.S. Treasury debt, agency MBS and ABS primarily collateralized by auto loans and leases, where our intent is to hold these securities to maturity and collect the contractual cash flows. The held-to-maturity portfolio may also provide yield enhancement over short-term assets.

We analyze securities for OTTI quarterly or more often if a potential loss-triggering event occurs. Of the \$135 million in OTTI write-downs recognized in earnings in first quarter 2014, \$7 million related to debt securities and \$2 million related to marketable equity securities, which are each included in available-for-sale securities. Another \$126 million in OTTI write-downs was related to nonmarketable equity investments, which are included in other assets. For a discussion of our OTTI accounting policies and underlying considerations and analysis see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2013 Form 10-K and Note 4 (Investment Securities) to Financial Statements in this Report.

At March 31, 2014, investment securities included \$44.1 billion of municipal bonds, of which 86% were rated “A-” or better based predominantly on external and, in some cases, internal ratings. Additionally, some of the securities in our total municipal bond portfolio are guaranteed against loss by bond insurers. These guaranteed bonds are predominantly investment grade and were generally underwritten in accordance with our own investment standards prior to the determination to purchase, without relying on the bond insurer’s guarantee in making the investment decision. Our municipal bond holdings are monitored as part of our ongoing impairment analysis.

The weighted-average expected maturity of debt securities available-for-sale was 7.3 years at March 31, 2014. Because 60% of this portfolio is MBS, the expected remaining maturity is shorter than the remaining contractual maturity because borrowers generally have the right to prepay obligations before the underlying mortgages mature. The estimated effects of a 200 basis point increase or decrease in interest rates on the fair value and the expected remaining maturity of the MBS available-for-sale portfolio are shown in Table 6.

| <b>Table 6: Mortgage-Backed Securities</b> |                             |    |       |       |             |            |
|--------------------------------------------|-----------------------------|----|-------|-------|-------------|------------|
|                                            |                             |    |       |       |             |            |
|                                            |                             |    |       |       | Net         | Expected   |
|                                            |                             |    |       | Fair  | unrealized  | remaining  |
| (in billions)                              |                             |    |       | value | gain (loss) | maturity   |
| At March 31, 2014                          |                             |    |       |       |             | (in years) |
|                                            | Actual                      | \$ | 148.4 |       | 1.9         | 6.2        |
|                                            | Assuming a 200 basis point: |    |       |       |             |            |
|                                            | Increase in interest rates  |    | 133.6 |       | (12.9)      | 7.4        |
|                                            | Decrease in interest rates  |    | 157.1 |       | 10.6        | 3.2        |
|                                            |                             |    |       |       |             |            |

See Note 4 (Investment Securities) to Financial Statements in this Report for a summary of investment securities by security type.

**Balance Sheet Analysis (continued)****Loan Portfolio**

Total loans were \$826.4 billion at March 31, 2014, up \$4.2 billion from December 31, 2013. Table 7 provides a summary of total outstanding loans by non-strategic/liquidating and core loan portfolios. The runoff in the non-strategic/liquidating portfolios was \$2.9 billion, while loans in the core portfolio grew \$7.0 billion from December 31, 2013. Our core loan growth in first quarter 2014 included:

- a \$4.3 billion increase in the commercial segment largely due to growth in commercial and industrial loans; and
- a \$2.7 billion increase in consumer loans, predominantly from growth in the nonconforming mortgage and automobile portfolios offset by lower home equity and seasonally lower credit card portfolios.

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

| <b>Table 7: Loan Portfolios</b> |    |         |        |         |                       |                    |              |                          |                    |              |  |
|---------------------------------|----|---------|--------|---------|-----------------------|--------------------|--------------|--------------------------|--------------------|--------------|--|
|                                 |    |         |        |         |                       |                    |              |                          |                    |              |  |
|                                 |    |         |        |         | <b>March 31, 2014</b> |                    |              | <b>December 31, 2013</b> |                    |              |  |
| (in millions)                   |    |         |        |         | <b>Core</b>           | <b>Liquidating</b> | <b>Total</b> | <b>Core</b>              | <b>Liquidating</b> | <b>Total</b> |  |
| Commercial                      | \$ | 379,561 | 1,720  | 381,281 | 375,230               | 2,013              | 377,243      |                          |                    |              |  |
| Consumer                        |    | 368,888 | 76,274 | 445,162 | 366,190               | 78,853             | 445,043      |                          |                    |              |  |
| Total loans                     | \$ | 748,449 | 77,994 | 826,443 | 741,420               | 80,866             | 822,286      |                          |                    |              |  |

A discussion of average loan balances and a comparative detail of average loan balances is included in Table 1 under “Earnings Performance – Net Interest Income” earlier in this Report. Additional information on total loans outstanding by portfolio segment and class of financing receivable is included in the “Risk Management – Credit Risk Management” section in this Report. Period-end balances and other loan related information are in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

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

| <b>Table 8: Maturities for Selected Commercial Loan Categories</b> |  |  |  |               |                       |              |  |                          |                 |              |  |
|--------------------------------------------------------------------|--|--|--|---------------|-----------------------|--------------|--|--------------------------|-----------------|--------------|--|
|                                                                    |  |  |  |               |                       |              |  |                          |                 |              |  |
|                                                                    |  |  |  |               | <b>March 31, 2014</b> |              |  | <b>December 31, 2013</b> |                 |              |  |
|                                                                    |  |  |  |               | <b>After</b>          |              |  | <b>After</b>             |                 |              |  |
|                                                                    |  |  |  | <b>Within</b> | <b>one year</b>       | <b>After</b> |  | <b>Within</b>            | <b>one year</b> | <b>After</b> |  |
|                                                                    |  |  |  | <b>one</b>    | <b>through</b>        | <b>five</b>  |  | <b>one</b>               | <b>through</b>  | <b>five</b>  |  |



| (in millions)              |                            |  |  |           |            |        |         |        |            |        |         |
|----------------------------|----------------------------|--|--|-----------|------------|--------|---------|--------|------------|--------|---------|
|                            |                            |  |  | year      | five years | years  | Total   | year   | five years | years  | Total   |
| Selected loan maturities:  |                            |  |  |           |            |        |         |        |            |        |         |
|                            | Commercial and industrial  |  |  | \$ 40,048 | 136,396    | 20,324 | 196,768 | 41,402 | 131,745    | 20,664 | 193,811 |
|                            | Real estate mortgage       |  |  | 17,659    | 60,253     | 30,057 | 107,969 | 17,746 | 60,004     | 29,350 | 107,100 |
|                            | Real estate construction   |  |  | 5,724     | 9,408      | 1,483  | 16,615  | 6,095  | 9,207      | 1,445  | 16,747  |
|                            | Foreign                    |  |  | 33,259    | 12,597     | 2,232  | 48,088  | 33,567 | 11,602     | 2,382  | 47,551  |
|                            | Total selected loans       |  |  | \$ 96,690 | 218,654    | 54,096 | 369,440 | 98,810 | 212,558    | 53,841 | 365,209 |
| Distribution of loans to   |                            |  |  |           |            |        |         |        |            |        |         |
| changes in interest rates: |                            |  |  |           |            |        |         |        |            |        |         |
|                            | Loans at fixed             |  |  |           |            |        |         |        |            |        |         |
|                            | interest rates             |  |  | \$ 13,561 | 24,022     | 14,773 | 52,356  | 14,896 | 23,891     | 14,684 | 53,471  |
|                            | Loans at floating/variable |  |  |           |            |        |         |        |            |        |         |
|                            | interest rates             |  |  | 83,129    | 194,632    | 39,323 | 317,084 | 83,914 | 188,667    | 39,157 | 311,738 |
|                            | Total selected loans       |  |  | \$ 96,690 | 218,654    | 54,096 | 369,440 | 98,810 | 212,558    | 53,841 | 365,209 |
|                            |                            |  |  |           |            |        |         |        |            |        |         |

## Deposits

Deposits totaled \$1.1 trillion at both March 31, 2014, and December 31, 2013. Table 9 provides additional information regarding deposits. Deposit growth of \$15.4 billion from December 31, 2013, reflected continued customer-driven growth as well as liquidity-related issuances of term deposits. Information regarding the impact of deposits on net interest income and a comparison of average deposit balances is provided in “Earnings Performance – Net Interest Income” and Table 1 earlier in this Report. Total core deposits were \$994.2 billion at March 31, 2014, up \$14.1 billion from \$980.1 billion at December 31, 2013.

| <b>Table 9: Deposits</b>                                          |    |  |           |          |      |  |    |           |          |   |        |
|-------------------------------------------------------------------|----|--|-----------|----------|------|--|----|-----------|----------|---|--------|
|                                                                   |    |  |           |          |      |  |    |           |          |   |        |
|                                                                   |    |  |           |          | % of |  |    |           | % of     |   |        |
|                                                                   |    |  | Mar. 31,  | total    |      |  |    | Dec. 31,  | total    |   | %      |
| (\$ in millions)                                                  |    |  | 2014      | deposits |      |  |    | 2013      | deposits |   | Change |
| Noninterest-bearing                                               | \$ |  | 294,863   | 27       | %    |  | \$ | 288,116   | 27       | % | 2      |
| Interest-bearing checking                                         |    |  | 40,298    | 4        |      |  |    | 37,346    | 3        |   | 8      |
| Market rate and other savings                                     |    |  | 565,858   | 51       |      |  |    | 556,763   | 52       |   | 2      |
| Savings certificates                                              |    |  | 39,516    | 4        |      |  |    | 41,567    | 4        |   | (5)    |
| Foreign deposits (1)                                              |    |  | 53,650    | 5        |      |  |    | 56,271    | 5        |   | (5)    |
| Core deposits                                                     |    |  | 994,185   | 91       |      |  |    | 980,063   | 91       |   | 1      |
| Other time and savings deposits                                   |    |  | 64,022    | 6        |      |  |    | 64,477    | 6        |   | (1)    |
| Other foreign deposits                                            |    |  | 36,369    | 3        |      |  |    | 34,637    | 3        |   | 5      |
| Total deposits                                                    | \$ |  | 1,094,576 | 100      | %    |  | \$ | 1,079,177 | 100      | % | 1      |
| (1) Reflects Eurodollar sweep balances included in core deposits. |    |  |           |          |      |  |    |           |          |   |        |

## Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures. See our 2013 Form 10-K for a description of our critical accounting policy related to fair value of financial instruments and a discussion of our fair value measurement techniques.

Table 10 presents the summary of the fair value of financial instruments recorded at fair value on a recurring basis, and the amounts measured using significant Level 3 inputs (before derivative netting adjustments), which are significant assumptions not observable in the market. The fair value of the remaining assets and liabilities were measured using valuation methodologies involving market-based or market-derived information (collectively Level 1 and 2 measurements).

| Table 10: Fair Value Level 3 Summary |                                        |  |                |       |             |   |      |                   |       |             |      |
|--------------------------------------|----------------------------------------|--|----------------|-------|-------------|---|------|-------------------|-------|-------------|------|
|                                      |                                        |  |                |       |             |   |      |                   |       |             |      |
|                                      |                                        |  | March 31, 2014 |       |             |   |      | December 31, 2013 |       |             |      |
|                                      |                                        |  |                | Total |             |   |      |                   | Total |             |      |
| (\$ in billions)                     |                                        |  | balance        |       | Level 3 (1) |   |      | balance           |       | Level 3 (1) |      |
| Assets carried                       |                                        |  |                |       |             |   |      |                   |       |             |      |
|                                      | at fair value                          |  | \$             | 356.1 |             |   | 36.0 |                   | 353.1 |             | 37.2 |
| As a percentage                      |                                        |  |                |       |             |   |      |                   |       |             |      |
|                                      | of total assets                        |  |                | 23    |             | % | 2    |                   | 23    |             | 2    |
|                                      |                                        |  |                |       |             |   |      |                   |       |             |      |
| Liabilities carried                  |                                        |  |                |       |             |   |      |                   |       |             |      |
|                                      | at fair value                          |  | \$             | 22.2  |             |   | 3.1  |                   | 22.7  |             | 3.7  |
| 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 for our Level 1, 2 and 3 fair value hierarchy and the impact to our financial statements.

## Equity

Total equity was \$176.5 billion at March 31, 2014, compared with \$171.0 billion at December 31, 2013. The increase was predominantly driven by a \$4.0 billion increase in retained earnings from earnings net of dividends paid and a \$1.4 billion increase in cumulative other comprehensive income (OCI). The increase in OCI was primarily due to a \$2.3 billion (\$1.5 billion after tax) increase in net unrealized gains on our investment securities portfolio resulting from a decrease in long-term interest rates. See Note 4 (Investment Securities) to Financial Statements in this Report for additional information.

## **Off-Balance Sheet Arrangements**

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In the ordinary course of business, we engage in financial transactions that are not recorded on the balance sheet, or may be recorded on the balance sheet in amounts that are different from the full contract or notional amount of the transaction. Our off-balance sheet arrangements include commitments to lend, transactions with unconsolidated entities, guarantees, derivatives, and other commitments. These transactions are designed to (1) meet the financial needs of customers, (2) manage our credit, market or liquidity risks, and/or (3) diversify our funding sources.

## **Commitments to Lend**

We enter into commitments to lend funds to customers, which are usually at a stated interest rate, if funded, and for specific purposes and time periods. When we make commitments, we are exposed to credit risk. However, the maximum credit risk for these commitments will generally be lower than the contractual amount because a significant portion of these commitments are expected to expire without being used by the customer. For more information on lending commitments, see Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

## **Transactions with Unconsolidated Entities**

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

## **Guarantees and Certain Contingent Arrangements**

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, written put options, recourse obligations and other types of guarantee arrangements.

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

## **Derivatives**

We primarily use derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. Derivatives are recorded on the balance sheet at fair value and can be measured in terms of the notional amount, which is generally not exchanged, but is used only as the basis on which interest and other payments are determined. The notional amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments.

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

### **Other Commitments**

We also have other off-balance sheet transactions, including obligations to make rental payments under noncancelable operating leases and commitments to purchase certain debt and equity securities. Our operating lease obligations are discussed in Note 7 (Premises, Equipment, Lease Commitments and Other Assets) to Financial Statements in our 2013 Form 10-K. For more information on commitments to purchase debt and equity securities, see the “Off-Balance Sheet Arrangements” section in our 2013 Form 10-K.

## **Risk Management**

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Financial institutions must manage a variety of business risks that can significantly affect their financial performance. Among the key risks that we must manage are operational risks, credit risks, and asset/liability management risks, which include interest rate, market, and liquidity and funding risks. Our risk culture is strongly rooted in our *Vision and Values*, and in order to succeed in our mission of satisfying all our customers' financial needs and helping them succeed financially, our business practices and operating model must support prudent risk management practices. For more information about how we manage these risks, see the "Risk Management" section in our 2013 Form 10-K. The discussion that follows provides an update regarding these risks.

### **Operational Risk Management**

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, or resulting from external events or third parties. Information security is a significant operational risk for financial institutions such as Wells Fargo, and includes the risk of losses resulting from cyber attacks. Wells Fargo and reportedly other financial institutions continue to be the target of various evolving and adaptive cyber attacks, including malware and denial-of-service, as part of an effort to disrupt the operations of financial institutions, potentially test their cybersecurity capabilities, or obtain confidential, proprietary or other information. Wells Fargo has not experienced any material losses relating to these or other cyber attacks. 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 2013 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.

| <b>Table 11: Total Loans Outstanding by Portfolio Segment and Class of Financing Receivable</b> |                           |  |  |  |  |           |                  |  |                 |
|-------------------------------------------------------------------------------------------------|---------------------------|--|--|--|--|-----------|------------------|--|-----------------|
|                                                                                                 |                           |  |  |  |  |           |                  |  |                 |
|                                                                                                 |                           |  |  |  |  |           | <b>March 31,</b> |  | <b>Dec. 31,</b> |
|                                                                                                 |                           |  |  |  |  |           | <b>2014</b>      |  | <b>2013</b>     |
| (in millions)                                                                                   |                           |  |  |  |  |           |                  |  |                 |
| <b>Commercial:</b>                                                                              |                           |  |  |  |  |           |                  |  |                 |
|                                                                                                 | Commercial and industrial |  |  |  |  | <b>\$</b> | <b>196,768</b>   |  | 193,811         |

|           |                                                                                                                                                                                                 |  |    |                |  |         |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----|----------------|--|---------|
|           | Real estate mortgage                                                                                                                                                                            |  |    | <b>107,969</b> |  | 107,100 |
|           | Real estate construction                                                                                                                                                                        |  |    | <b>16,615</b>  |  | 16,747  |
|           | Lease financing                                                                                                                                                                                 |  |    | <b>11,841</b>  |  | 12,034  |
|           | Foreign (1)                                                                                                                                                                                     |  |    | <b>48,088</b>  |  | 47,551  |
|           | Total commercial                                                                                                                                                                                |  |    | <b>381,281</b> |  | 377,243 |
| Consumer: |                                                                                                                                                                                                 |  |    |                |  |         |
|           | Real estate 1-4 family first mortgage                                                                                                                                                           |  |    | <b>259,478</b> |  | 258,497 |
|           | Real estate 1-4 family junior lien mortgage                                                                                                                                                     |  |    | <b>63,965</b>  |  | 65,914  |
|           | Credit card                                                                                                                                                                                     |  |    | <b>26,061</b>  |  | 26,870  |
|           | Automobile                                                                                                                                                                                      |  |    | <b>52,607</b>  |  | 50,808  |
|           | Other revolving credit and installment                                                                                                                                                          |  |    | <b>43,051</b>  |  | 42,954  |
|           | Total consumer                                                                                                                                                                                  |  |    | <b>445,162</b> |  | 445,043 |
|           | Total loans                                                                                                                                                                                     |  | \$ | <b>826,443</b> |  | 822,286 |
|           |                                                                                                                                                                                                 |  |    |                |  |         |
| (1)       | Substantially all of our foreign loan portfolio is commercial loans. Loans are classified as foreign primarily based on whether the borrower's primary address is outside of the United States. |  |    |                |  |         |
|           |                                                                                                                                                                                                 |  |    |                |  |         |

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

**Credit Quality Overview** Credit quality continued to improve during first quarter 2014 due in part to improving economic conditions as well as our proactive credit risk management activities. The improvement occurred for both commercial and consumer portfolios as evidenced by their credit metrics:

- Nonaccrual loans decreased to \$3.0 billion and \$11.6 billion in our commercial and consumer portfolios, respectively, at March 31, 2014, from \$3.5 billion and \$12.2 billion at December 31, 2013. Nonaccrual loans represented 1.77% of total loans at March 31, 2014, compared with 1.91% at December 31, 2013.
- First quarter 2014 net charge-offs (annualized) as a percentage of average total loans improved to 0.41% in first quarter 2014 compared with 0.72% in first quarter 2013 and were 0.01% and 0.75% in our commercial and consumer portfolios, respectively, compared with 0.10% and 1.23% in first quarter 2013.
- Loans that are not government insured/guaranteed and 90 days or more past due and still accruing decreased to \$95 million and \$855 million in our commercial and consumer portfolios, respectively, at March 31, 2014, from \$143 million and \$902 million at December 31, 2013.

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

- Our provision for credit losses decreased to \$325 million in first quarter 2014 from \$1.2 billion in first quarter 2013.
- The allowance for credit losses decreased to \$14.4 billion at March 31, 2014 from \$15.0 billion at December 31, 2013.

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

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

Table 12 identifies our non-strategic and liquidating loan portfolios. They consist primarily of the Pick-a-Pay mortgage portfolio and PCI loans acquired from Wachovia, certain portfolios from legacy Wells Fargo Home Equity and Wells Fargo Financial, and our Education Finance government guaranteed loan portfolio. The total balance of our non-strategic and liquidating loan portfolios has decreased 59% since the merger with Wachovia at December 31, 2008, and decreased 4% from the end of 2013.

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 |              |  |              |         |
|                                                         |                                                                          |                  |                                                     |                     | March<br>31, |  | December 31, |         |
| (in millions)                                           |                                                                          |                  |                                                     |                     | 2014         |  | 2013         | 2008    |
| Commercial:                                             |                                                                          |                  |                                                     |                     |              |  |              |         |
|                                                         | Legacy Wachovia commercial and industrial, CRE and foreign PCI loans (1) |                  |                                                     | \$                  | 1,720        |  | 2,013        | 18,704  |
|                                                         |                                                                          | Total commercial |                                                     |                     | 1,720        |  | 2,013        | 18,704  |
| Consumer:                                               |                                                                          |                  |                                                     |                     |              |  |              |         |
|                                                         | Pick-a-Pay mortgage (1)                                                  |                  |                                                     |                     | 49,533       |  | 50,971       | 95,315  |
|                                                         | Liquidating home equity                                                  |                  |                                                     |                     | 3,505        |  | 3,695        | 10,309  |
|                                                         | Legacy Wells Fargo Financial indirect auto                               |                  |                                                     |                     | 132          |  | 207          | 18,221  |
|                                                         | Legacy Wells Fargo Financial debt consolidation                          |                  |                                                     |                     | 12,545       |  | 12,893       | 25,299  |
|                                                         | Education Finance - government guaranteed                                |                  |                                                     |                     | 10,204       |  | 10,712       | 20,465  |
|                                                         | Legacy Wachovia other PCI loans (1)                                      |                  |                                                     |                     | 355          |  | 375          | 2,478   |
|                                                         |                                                                          | Total consumer   |                                                     |                     | 76,274       |  | 78,853       | 172,087 |
|                                                         |                                                                          |                  | Total non-strategic and liquidating loan portfolios | \$                  | 77,994       |  | 80,866       | 190,791 |
|                                                         |                                                                          |                  |                                                     |                     |              |  |              |         |
| (1)                                                     | Net of purchase accounting adjustments related to PCI loans.             |                  |                                                     |                     |              |  |              |         |
|                                                         |                                                                          |                  |                                                     |                     |              |  |              |         |

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**PURCHASED CREDIT-IMPAIRED (PCI) Loans** Loans acquired with evidence of credit deterioration since their origination and where it is probable that we will not collect all contractually required principal and interest payments are PCI loans. Substantially all of our PCI loans were acquired in the Wachovia acquisition on December 31, 2008. PCI loans are recorded at fair value at the date of acquisition, and the historical allowance for credit losses related to these loans is not carried over. The carrying value of PCI loans totaled \$25.9 billion at March 31, 2014, down from \$26.7 billion and \$58.8 billion at December 31, 2013 and 2008, respectively. Such loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments. For additional information on PCI loans, see the “Risk Management – Credit Risk Management – Purchased Credit-Impaired Loans” section in our 2013 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

During first quarter 2014, we recognized as income \$19 million released from the nonaccretable difference related to commercial PCI loans due to payoffs and other resolutions. We also transferred \$110 million from the nonaccretable difference to the accretable yield for PCI loans with improving credit-related cash flows and recovered \$21 million primarily related to reversals of write-downs in excess of the respective loan resolution realized losses. Our cash flows expected to be collected have been favorably affected since the Wachovia acquisition by lower than expected defaults and losses as a result of observed economic strengthening, particularly in housing prices, and by our loan modification efforts. See the “Real Estate 1-4 Family First and Junior Lien Mortgage Loans” section in this Report for additional information. Table 13 provides an analysis of changes in the nonaccretable difference.

| <b>Table 13: Changes in Nonaccretable Difference for PCI Loans</b>                          |    |            |              |            |              |
|---------------------------------------------------------------------------------------------|----|------------|--------------|------------|--------------|
|                                                                                             |    |            |              |            |              |
|                                                                                             |    |            |              | Other      |              |
| (in millions)                                                                               |    | Commercial | Pick-a-Pay   | consumer   | Total        |
| Balance, December 31, 2008                                                                  | \$ | 10,410     | 26,485       | 4,069      | 40,964       |
| Addition of nonaccretable difference due to acquisitions                                    |    | 213        | -            | -          | 213          |
| Release of nonaccretable difference due to:                                                 |    |            |              |            |              |
| Loans resolved by settlement with borrower (1)                                              |    | (1,512)    | -            | -          | (1,512)      |
| Loans resolved by sales to third parties (2)                                                |    | (308)      | -            | (85)       | (393)        |
| Reclassification to accretable yield for loans with improving credit-related cash flows (3) |    | (1,605)    | (3,897)      | (823)      | (6,325)      |
| Use of nonaccretable difference due to:                                                     |    |            |              |            |              |
| Losses from loan resolutions and write-downs (4)                                            |    | (6,933)    | (17,884)     | (2,961)    | (27,778)     |
| <b>Balance, December 31, 2013</b>                                                           |    | <b>265</b> | <b>4,704</b> | <b>200</b> | <b>5,169</b> |
| <b>Addition of nonaccretable difference due to acquisitions</b>                             |    | <b>-</b>   | <b>-</b>     | <b>-</b>   | <b>-</b>     |
| <b>Release of nonaccretable difference due to:</b>                                          |    |            |              |            |              |
| Loans resolved by settlement with borrower (1)                                              |    | (5)        | -            | -          | (5)          |
| Loans resolved by sales to third parties (2)                                                |    | (14)       | -            | -          | (14)         |
| Reclassification to accretable yield for loans with improving credit-related cash flows (3) |    | (101)      | -            | (9)        | (110)        |
| <b>Use of nonaccretable difference due to:</b>                                              |    |            |              |            |              |

|                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |  |  |    |     |       |     |       |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|----|-----|-------|-----|-------|
|                         | Net recoveries from loan resolutions and write-downs (4)                                                                                                                                                                                                                                                                                                                                                                                       |  |  |  |    | -   | -     | 21  | 21    |
| Balance, March 31, 2014 |                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |  |  | \$ | 145 | 4,704 | 212 | 5,061 |
|                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |  |  |    |     |       |     |       |
| (1)                     | Release of the nonaccretable difference for settlement with borrower, on individually accounted PCI loans, increases interest income in the period of settlement. Pick-a-Pay and Other consumer PCI loans do not reflect nonaccretable difference releases for settlements with borrowers due to pool accounting for those loans, which assumes that the amount received approximates the pool performance expectations.                       |  |  |  |    |     |       |     |       |
| (2)                     | Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the period of the sale.                                                                                                                                                                                                                                                                                                          |  |  |  |    |     |       |     |       |
| (3)                     | Reclassification of nonaccretable difference to accretable yield for loans with increased cash flow estimates will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.                                                                                                                                                                                                 |  |  |  |    |     |       |     |       |
| (4)                     | Write-downs to net realizable value of PCI loans are absorbed by the nonaccretable difference when severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan. Also includes foreign exchange adjustments related to underlying principal for which the nonaccretable difference was established. |  |  |  |    |     |       |     |       |
|                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |  |  |    |     |       |     |       |

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

Since December 31, 2008, we have released \$8.3 billion in nonaccretable difference, including \$6.4 billion transferred from the nonaccretable difference to the accretable yield and \$1.9 billion released to income through loan resolutions. Also, we have provided \$1.7 billion for losses on certain PCI loans or pools of PCI loans that have had credit-related decreases to cash flows expected to be collected. The net result is a \$6.6 billion reduction from December 31, 2008, through March 31, 2014, in our initial projected losses of \$41.0 billion on all PCI loans.

At March 31, 2014, the allowance for credit losses on certain PCI loans was \$21 million. The allowance is to absorb credit-related decreases in cash flows expected to be collected and primarily relates to individual PCI commercial loans. Table 14 analyzes the actual and projected loss results on PCI loans since acquisition through March 31, 2014.

For additional information on PCI loans, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2013 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 |                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                               |                                                                        |  |  |            |            |          |       |         |
|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------------------------------------|--|--|------------|------------|----------|-------|---------|
|                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                               |                                                                        |  |  |            |            |          |       |         |
|                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                               |                                                                        |  |  |            |            |          | Other |         |
| (in millions)                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                               |                                                                        |  |  | Commercial | Pick-a-Pay | consumer | Total |         |
| Release of nonaccretable difference due to:                                            |                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                               |                                                                        |  |  |            |            |          |       |         |
|                                                                                        | Loans resolved by settlement with borrower (1)                                                                                                                                                                                                                                                                                                                                                                           |                                                                               |                                                                        |  |  | \$         | 1,517      | -        | -     | 1,517   |
|                                                                                        | Loans resolved by sales to third parties (2)                                                                                                                                                                                                                                                                                                                                                                             |                                                                               |                                                                        |  |  |            | 322        | -        | 85    | 407     |
|                                                                                        | Reclassification to accretable yield for loans with improving credit-related cash flows (3)                                                                                                                                                                                                                                                                                                                              |                                                                               |                                                                        |  |  |            | 1,706      | 3,897    | 832   | 6,435   |
|                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                          | Total releases of nonaccretable difference due to better than expected losses |                                                                        |  |  |            | 3,545      | 3,897    | 917   | 8,359   |
| Provision for losses due to credit deterioration (4)                                   |                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                               |                                                                        |  |  |            | (1,636)    | -        | (108) | (1,744) |
|                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                               | Actual and projected losses on PCI loans less than originally expected |  |  | \$         | 1,909      | 3,897    | 809   | 6,615   |
|                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                               |                                                                        |  |  |            |            |          |       |         |
| (1)                                                                                    | Release of the nonaccretable difference for settlement with borrower, on individually accounted PCI loans, increases interest income in the period of settlement. Pick-a-Pay and Other consumer PCI loans do not reflect nonaccretable difference releases for settlements with borrowers due to pool accounting for those loans, which assumes that the amount received approximates the pool performance expectations. |                                                                               |                                                                        |  |  |            |            |          |       |         |
| (2)                                                                                    | Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the period of the sale.                                                                                                                                                                                                                                                                                    |                                                                               |                                                                        |  |  |            |            |          |       |         |
| (3)                                                                                    | Reclassification of nonaccretable difference to accretable yield for loans with increased cash flow estimates will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.                                                                                                                                                                           |                                                                               |                                                                        |  |  |            |            |          |       |         |
| (4)                                                                                    | Provision for additional losses is recorded as a charge to income when it is estimated that the cash flows expected to be collected for a PCI loan or pool of loans may not support full realization of the carrying value.                                                                                                                                                                                              |                                                                               |                                                                        |  |  |            |            |          |       |         |

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

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

**Commercial AND INDUSTRIAL Loans and Lease Financing** For purposes of portfolio risk management, we aggregate commercial and industrial loans and lease financing according to market segmentation and standard industry codes. 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 \$208.6 billion, or 25%, of total loans at March 31, 2014, generally experienced credit improvement in first quarter 2014. The annualized net charge-off rate for this portfolio declined to 0.09% in first quarter 2014 from 0.21% in fourth quarter 2013, and 0.19% in first quarter 2013. At March 31, 2014, 0.32% of this portfolio was nonaccruing compared with 0.37% at December 31, 2013. However, \$16.2 billion of this portfolio was rated as criticized in accordance with regulatory guidance at March 31, 2014, compared with \$15.5 billion at December 31, 2013.

A majority of our commercial and industrial loans and lease financing portfolio is secured by short-term assets, such as accounts receivable, inventory and securities, as well as long-lived assets, such as equipment and other business assets. Generally, the collateral securing this portfolio represents a secondary source of repayment.

| <b>Table 15: Commercial and Industrial Loans and Lease Financing by Industry</b> |    |    |                |           |     |       |
|----------------------------------------------------------------------------------|----|----|----------------|-----------|-----|-------|
|                                                                                  |    |    |                |           |     |       |
|                                                                                  |    |    | March 31, 2014 |           |     |       |
|                                                                                  |    |    |                |           |     | % of  |
|                                                                                  |    |    | Nonaccrual     | Total     |     | total |
| (in millions)                                                                    |    |    | loans          | portfolio | (1) | loans |
| Investors                                                                        | \$ | 11 | 19,433         |           | 2   | %     |
| Oil & Gas                                                                        |    | 43 | 15,067         |           | 2   |       |
| Food and beverage                                                                |    | 12 | 13,009         |           | 2   |       |
| Cyclical Retailers                                                               |    | 25 | 12,779         |           | 2   |       |
| Real Estate Lessor                                                               |    | 23 | 11,563         |           | 1   |       |
| Financial Institutions                                                           |    | 38 | 11,522         |           | 1   |       |
| Healthcare                                                                       |    | 37 | 11,272         |           | 1   |       |
| Industrial Equipment                                                             |    | 6  | 10,635         |           | 1   |       |

|                       |       |    |     |         |     |    |   |
|-----------------------|-------|----|-----|---------|-----|----|---|
| Technology            |       |    | 17  | 6,839   |     | 1  |   |
| Business Services     |       |    | 33  | 6,247   |     | 1  |   |
| Transportation        |       |    | 5   | 6,014   |     | 1  |   |
| Public Administration |       |    | 12  | 5,989   |     | 1  |   |
| Other                 |       |    | 399 | 78,240  | (2) | 9  |   |
|                       | Total | \$ | 661 | 208,609 |     | 25 | % |
|                       |       |    |     |         |     |    |   |

(1) Includes \$184 million PCI loans, which are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

(2) No other single category had loans in excess of \$4.8 billion.

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.

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

**Commercial Real Estate (CRE)** The CRE portfolio totaled \$124.6 billion, or 15% of total loans at March 31, 2014, and consisted of \$108.0 billion of mortgage loans and \$16.6 billion of construction 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 (28% of the total CRE portfolio) and in Texas and Florida (8% in each state). By property type, the largest concentrations are office buildings at 28% and apartments at 13% of the portfolio. CRE nonaccrual loans totaled 1.9% of the CRE outstanding balance at March 31, 2014, compared with 2.2% at December 31, 2013. At March 31, 2014, we had \$10.6 billion of criticized CRE mortgage loans, down from \$11.8 billion at December 31, 2013, and \$1.7 billion of criticized CRE construction loans, down from \$2.0 billion at December 31, 2013.

At March 31, 2014, the recorded investment in PCI CRE loans totaled \$1.5 billion, down from \$12.3 billion when acquired at December 31, 2008, reflecting principal payments, loan resolutions and write-downs.

| Table 16: CRE Loans by State and Property Type |       |    |                      |           |        |                          |           |       |            |           |        |       |     |
|------------------------------------------------|-------|----|----------------------|-----------|--------|--------------------------|-----------|-------|------------|-----------|--------|-------|-----|
|                                                |       |    |                      |           |        |                          |           |       |            |           |        |       |     |
|                                                |       |    | March 31, 2014       |           |        |                          |           |       |            |           |        |       |     |
|                                                |       |    | Real estate mortgage |           |        | Real estate construction |           |       | Total      |           |        | % of  |     |
|                                                |       |    | Nonaccrual           | Total     |        | Nonaccrual               | Total     |       | Nonaccrual | Total     |        | total |     |
| (in millions)                                  |       |    | loans                | portfolio | (1)    | loans                    | portfolio | (1)   | loans      | portfolio | (1)    | loans |     |
| By state:                                      |       |    |                      |           |        |                          |           |       |            |           |        |       |     |
| California                                     |       |    | \$                   | 493       | 31,853 |                          | 28        | 3,542 |            | 521       | 35,395 |       | 4 % |
| Texas                                          |       |    |                      | 130       | 8,605  |                          | 1         | 1,597 |            | 131       | 10,202 |       | 1   |
| Florida                                        |       |    |                      | 284       | 8,684  |                          | 36        | 1,462 |            | 320       | 10,146 |       | 1   |
| New York                                       |       |    |                      | 47        | 6,441  |                          | 6         | 1,150 |            | 53        | 7,591  |       | 1   |
| North Carolina                                 |       |    |                      | 135       | 4,053  |                          | 13        | 865   |            | 148       | 4,918  |       | 1   |
| Arizona                                        |       |    |                      | 98        | 3,779  |                          | 5         | 459   |            | 103       | 4,238  |       | 1   |
| Virginia                                       |       |    |                      | 56        | 2,763  |                          | 5         | 1,069 |            | 61        | 3,832  |       | 1   |
| Washington                                     |       |    |                      | 40        | 3,306  |                          | 2         | 490   |            | 42        | 3,796  |       | 1   |
| Georgia                                        |       |    |                      | 147       | 3,129  |                          | 38        | 407   |            | 185       | 3,536  |       | *   |
| Colorado                                       |       |    |                      | 39        | 2,889  |                          | 5         | 522   |            | 44        | 3,411  |       | *   |
| Other                                          |       |    |                      | 561       | 32,467 |                          | 157       | 5,052 |            | 718       | 37,519 | (2)   | 4   |
|                                                | Total | \$ | 2,030                | 107,969   |        | 296                      | 16,615    |       | 2,326      | 124,584   |        | 15 %  |     |
| By property:                                   |       |    |                      |           |        |                          |           |       |            |           |        |       |     |
| Office buildings                               |       |    | \$                   | 528       | 33,168 |                          | 3         | 2,036 |            | 531       | 35,204 |       | 4 % |
| Apartments                                     |       |    |                      | 110       | 10,805 |                          | 3         | 5,001 |            | 113       | 15,806 |       | 2   |
| Industrial/warehouse                           |       |    |                      | 329       | 12,167 |                          | -         | 748   |            | 329       | 12,915 |       | 2   |
| Retail (excluding shopping center)             |       |    |                      | 265       | 11,567 |                          | 2         | 812   |            | 267       | 12,379 |       | 2   |
| Real estate - other                            |       |    |                      | 262       | 10,992 |                          | 4         | 336   |            | 266       | 11,328 |       | 1   |
| Hotel/motel                                    |       |    |                      | 89        | 8,745  |                          | 9         | 857   |            | 98        | 9,602  |       | 1   |
| Shopping center                                |       |    |                      | 116       | 7,830  |                          | 6         | 954   |            | 122       | 8,784  |       | 1   |



|                             |                                                                                                                                                                                                                                                                                                         |       |         |  |     |        |  |       |         |  |    |   |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|---------|--|-----|--------|--|-------|---------|--|----|---|
| Institutional               |                                                                                                                                                                                                                                                                                                         | 77    | 3,183   |  | -   | 315    |  | 77    | 3,498   |  | 1  |   |
| Land (excluding 1-4 family) |                                                                                                                                                                                                                                                                                                         | 6     | 103     |  | 69  | 2,723  |  | 75    | 2,826   |  | *  |   |
| Agriculture                 |                                                                                                                                                                                                                                                                                                         | 43    | 2,235   |  | -   | 31     |  | 43    | 2,266   |  | *  |   |
| Other                       |                                                                                                                                                                                                                                                                                                         | 205   | 7,174   |  | 200 | 2,802  |  | 405   | 9,976   |  | 1  |   |
| Total                       | \$                                                                                                                                                                                                                                                                                                      | 2,030 | 107,969 |  | 296 | 16,615 |  | 2,326 | 124,584 |  | 15 | % |
|                             |                                                                                                                                                                                                                                                                                                         |       |         |  |     |        |  |       |         |  |    |   |
| *                           | Less than 1%.                                                                                                                                                                                                                                                                                           |       |         |  |     |        |  |       |         |  |    |   |
| (1)                         | Includes a total of \$1.5 billion PCI loans, consisting of \$1.1 billion of real estate mortgage and \$392 million of real estate construction, which are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments. |       |         |  |     |        |  |       |         |  |    |   |
| (2)                         | Includes 40 states; no state had loans in excess of \$3.1 billion.                                                                                                                                                                                                                                      |       |         |  |     |        |  |       |         |  |    |   |
|                             |                                                                                                                                                                                                                                                                                                         |       |         |  |     |        |  |       |         |  |    |   |

**FOREIGN Loans and country risk exposure** We classify loans for financial statement and certain regulatory purposes as foreign primarily based on whether the borrower's primary address is outside of the United States. At March 31, 2014, foreign loans totaled \$48.1 billion, representing approximately 6% of our total consolidated loans outstanding, compared with \$47.6 billion, or approximately 6% of total consolidated loans outstanding, at December 31, 2013. Foreign loans were approximately 3% of our consolidated total assets at March 31, 2014 and at December 31, 2013.

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

We evaluate our individual country risk exposure on an ultimate country of risk basis, which is normally based on the country of residence of the guarantor or collateral location, and is different from the reporting based on the borrower's primary address. Our largest single foreign country exposure on an ultimate risk basis at March 31, 2014, was the United Kingdom, which totaled \$21.0 billion, or approximately 1% of our total assets, and included \$2.9 billion of sovereign claims. Our United Kingdom sovereign claims arise primarily from deposits we have placed with the Bank of England pursuant to regulatory requirements in support of our London branch.

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

Table 17 provides information regarding our top 20 exposures by country (excluding the U.S.) and our Eurozone exposure, on an ultimate risk basis.

[illegible]

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |    |     |       |   |       |    |     |     |       |        |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----|-------|---|-------|----|-----|-----|-------|--------|--|
| included in<br>Top 20 above<br>(5)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |    |     |       |   |       |    |     |     |       |        |  |
| Spain                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |    | -   | 695   | - | 70    | -  | -   | -   | 765   | 765    |  |
| Austria                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |    | 105 | 355   | - | 2     | -  | 2   | 105 | 359   | 464    |  |
| Italy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |    | -   | 248   | - | 93    | -  | -   | -   | 341   | 341    |  |
| Other<br>Eurozone<br>countries (6)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |    | 24  | 164   | - | 71    | 8  | 3   | 32  | 238   | 270    |  |
| Total<br>Eurozone<br>exposure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | \$ | 267 | 6,578 | - | 2,881 | 13 | 262 | 280 | 9,721 | 10,000 |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |    |     |       |   |       |    |     |     |       |        |  |
| (1) Lending exposure includes funded loans and unfunded commitments, leveraged leases, and money market placements presented on a gross basis prior to the deduction of impairment allowance and collateral received under the terms of the credit agreements. For the countries listed above, includes \$276 million in PCI loans, predominantly to customers in Germany and the United Kingdom, and \$2.0 billion in defeased leases secured largely by U.S. Treasury and government agency securities, or government guaranteed.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |    |     |       |   |       |    |     |     |       |        |  |
| (2) Represents issuer exposure on cross-border debt and equity securities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |    |     |       |   |       |    |     |     |       |        |  |
| (3) Represents counterparty exposure on foreign exchange and derivative contracts, and securities resale and lending agreements. This exposure is presented net of counterparty netting adjustments and reduced by the amount of cash collateral. It includes credit default swaps (CDS) predominantly used to manage our U.S. and London-based cash credit trading businesses, which sometimes results in selling and purchasing protection on the identical reference entity. Generally, we do not use market instruments such as CDS to hedge the credit risk of our investment or loan positions, although we do use them to manage risk in our trading businesses. At March 31, 2014, the gross notional amount of our CDS sold that reference assets in the Top 20 or Eurozone countries was \$4.3 billion, which was offset by the notional amount of CDS purchased of \$4.4 billion. We did not have any CDS purchased or sold that reference pools of assets that contain sovereign debt or where the reference asset was solely the sovereign debt of a foreign country. |    |     |       |   |       |    |     |     |       |        |  |
| (4) For countries presented in the table, total non-sovereign exposure comprises \$30.7 billion exposure to financial institutions and \$33.5 billion to non-financial corporations at March 31, 2014.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |    |     |       |   |       |    |     |     |       |        |  |
| (5) Consists of exposure to Germany, Netherlands, France, Luxembourg, and Ireland included in Top 20.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |    |     |       |   |       |    |     |     |       |        |  |
| (6) Includes non-sovereign exposure to Portugal in the amount of \$54 million and less that \$1 million each to Greece and Cyprus. We had no sovereign debt exposure to these countries at March 31, 2014.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |    |     |       |   |       |    |     |     |       |        |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |    |     |       |   |       |    |     |     |       |        |  |

**Real Estate 1-4 Family FIRST AND JUNIOR LIEN Mortgage Loans** Our real estate 1-4 family first and junior lien mortgage loans primarily include loans we have made to customers and retained as part of our asset liability management strategy. These loans 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 as a result of consolidation of variable interest entities (VIEs).

Our underwriting and periodic review of loans secured by residential real estate collateral includes appraisals or estimates from automated valuation models (AVMs) to support property values. Additional information about AVMs and our policy for their use can be found in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report and the “Risk Management – Credit Risk Management – Real Estate 1-4 Family First and Junior Lien Mortgage Loans” section in our 2013 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 15% of total loans at both March 31, 2014 and December

31, 2013.

We believe we have manageable adjustable-rate mortgage (ARM) reset risk across our owned mortgage loan portfolios. We do not offer option ARM products, nor do we offer variable-rate mortgage products with fixed payment amounts, commonly referred to within the financial services industry as negative amortizing mortgage loans. Our liquidating option ARM loans are included in the Pick-a-Pay portfolio which was acquired from Wachovia. Since our acquisition of the Pick-a-Pay loan portfolio at the end of 2008, we have reduced the option payment portion of the portfolio, from 86% to 43% at March 31, 2014. For more information, see the “Pick-a-Pay Portfolio” section in this Report.

We continue to modify real estate 1-4 family mortgage loans to assist homeowners and other borrowers experiencing financial difficulties. For more information on our participation in the U.S. Treasury’s Making Home Affordable (MHA) programs, see the “Risk Management – Credit Risk Management – Real Estate 1-4 Family First and Junior Lien Mortgage Loans” section in our 2013 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, 2014, located mostly within the larger metropolitan areas, with no single California metropolitan area consisting of more than 4% of total loans. We monitor changes in real estate values and underlying economic or market conditions for all geographic areas of our real estate 1-4 family mortgage portfolio as part of our credit risk management process.

We monitor the credit performance of our junior lien mortgage portfolio for trends and factors that influence the frequency and

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severity of loss. A junior lien is reported as a nonaccrual loan if the related first lien is 120 days past due or is in the process of foreclosure, regardless of delinquency status. Additionally, consumer loans discharged in bankruptcy are written down to net realizable collateral value and classified as TDRs, regardless of their delinquency status.

| <b>Table 18: Real Estate 1-4 Family First and Junior Lien Mortgage Loans by State</b> |    |  |             |             |            |                |   |
|---------------------------------------------------------------------------------------|----|--|-------------|-------------|------------|----------------|---|
|                                                                                       |    |  |             |             |            |                |   |
|                                                                                       |    |  |             |             |            | March 31, 2014 |   |
|                                                                                       |    |  | Real estate | Real estate | Total real |                |   |
|                                                                                       |    |  | 1-4 family  | 1-4 family  | estate 1-4 | % of           |   |
|                                                                                       |    |  | first       | junior lien | family     | total          |   |
| (in millions)                                                                         |    |  | mortgage    | mortgage    | mortgage   | loans          |   |
| <b>PCI loans:</b>                                                                     |    |  |             |             |            |                |   |
| California                                                                            | \$ |  | 16,043      | 30          | 16,073     | 2              | % |
| Florida                                                                               |    |  | 1,865       | 19          | 1,884      | *              |   |
| New Jersey                                                                            |    |  | 910         | 16          | 926        | *              |   |
| Other (1)                                                                             |    |  | 4,712       | 52          | 4,764      | 1              |   |
| Total PCI loans                                                                       | \$ |  | 23,530      | 117         | 23,647     | 3              | % |
| <b>All other loans:</b>                                                               |    |  |             |             |            |                |   |
| California                                                                            | \$ |  | 73,256      | 17,731      | 90,987     | 11             | % |
| Florida                                                                               |    |  | 14,732      | 5,777       | 20,509     | 2              |   |
| New York                                                                              |    |  | 15,054      | 2,790       | 17,844     | 2              |   |
| New Jersey                                                                            |    |  | 10,195      | 4,996       | 15,191     | 2              |   |
| Virginia                                                                              |    |  | 6,890       | 3,460       | 10,350     | 1              |   |
| Pennsylvania                                                                          |    |  | 5,898       | 3,086       | 8,984      | 1              |   |
| Texas                                                                                 |    |  | 7,802       | 918         | 8,720      | 1              |   |
| North Carolina                                                                        |    |  | 5,947       | 2,771       | 8,718      | 1              |   |
| Georgia                                                                               |    |  | 4,830       | 2,544       | 7,374      | 1              |   |
| Other (2)                                                                             |    |  | 61,649      | 19,775      | 81,424     | 10             |   |
| Government insured/<br>guaranteed loans (3)                                           |    |  | 29,695      | -           | 29,695     | 4              |   |
| Total all other loans                                                                 | \$ |  | 235,948     | 63,848      | 299,796    | 36             | % |
| Total                                                                                 | \$ |  | 259,478     | 63,965      | 323,443    | 39             | % |

\* Less than 1%.

(1) Consists of 45 states; no state had loans in excess of \$563 million.

(2) Consists of 41 states; no state had loans in excess of \$7.1 billion.

(3) Represents loans whose repayments are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA).

Part of our credit monitoring includes tracking delinquency, FICO scores and collateral values (LTV/CLTV) on the entire real estate 1-4 family mortgage loan portfolio. These credit risk indicators, which exclude government insured/guaranteed loans, continued to improve in first quarter 2014 on the non-PCI mortgage portfolio. Loans 30 days or more delinquent at March 31, 2014, totaled \$11.1 billion, or 4%, of total non-PCI mortgages, compared with \$11.9 billion, or 4%, at December 31, 2013. Loans with FICO scores lower than 640 totaled \$30.5 billion at March 31, 2014, or 10% of total non-PCI mortgages, compared with \$31.5 billion, or 10%, at December 31, 2013. Mortgages with a LTV/CLTV greater than 100% totaled \$31.3 billion at March 31, 2014, or 10% of total non-PCI mortgages, compared with \$34.3 billion, or 11%, at December 31, 2013. Information regarding credit risk indicators can be found in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

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, 2014, as a result of modification efforts, compared to the types of loans included in the portfolio at acquisition. Total adjusted unpaid principal balance of PCI Pick-a-Pay loans was \$28.2 billion at March 31, 2014, compared with \$61.0 billion at acquisition. Modification efforts have largely involved option payment PCI loans, which, based on adjusted unpaid principal balance, have declined to 16% of the total Pick-a-Pay portfolio at March 31, 2014, compared with 51% at acquisition.

| Table 19: Pick-a-Pay Portfolio - Comparison to Acquisition Date |                          |                                         |  |  |  |             |                |       |   |  |              |           |       |   |  |    |         |           |       |  |  |
|-----------------------------------------------------------------|--------------------------|-----------------------------------------|--|--|--|-------------|----------------|-------|---|--|--------------|-----------|-------|---|--|----|---------|-----------|-------|--|--|
|                                                                 |                          |                                         |  |  |  |             |                |       |   |  |              |           |       |   |  |    |         |           |       |  |  |
|                                                                 |                          |                                         |  |  |  |             |                |       |   |  | December 31, |           |       |   |  |    |         |           |       |  |  |
|                                                                 |                          |                                         |  |  |  |             | March 31, 2014 |       |   |  |              | 2013      |       |   |  |    |         | 2008      |       |  |  |
|                                                                 |                          |                                         |  |  |  |             | Adjusted       |       |   |  |              | Adjusted  |       |   |  |    |         | Adjusted  |       |  |  |
|                                                                 |                          |                                         |  |  |  |             | unpaid         |       |   |  |              | unpaid    |       |   |  |    |         | unpaid    |       |  |  |
|                                                                 |                          |                                         |  |  |  |             | principal      | % of  |   |  |              | principal | % of  |   |  |    |         | principal | % of  |  |  |
| (in millions)                                                   |                          |                                         |  |  |  | balance (1) |                | total |   |  |              | balance   | total |   |  |    |         | balance   | total |  |  |
| Option payment loans                                            |                          |                                         |  |  |  | \$          | 23,311         | 43    | % |  | \$           | 24,420    | 44    | % |  | \$ | 99,937  | 86        | %     |  |  |
| Non-option payment adjustable-rate                              |                          |                                         |  |  |  |             |                |       |   |  |              |           |       |   |  |    |         |           |       |  |  |
|                                                                 | and fixed-rate loans (2) |                                         |  |  |  |             | 7,617          | 14    |   |  |              | 7,892     | 14    |   |  |    | 15,763  | 14        |       |  |  |
| Full-term loan modifications                                    |                          |                                         |  |  |  |             | 23,439         | 43    |   |  |              | 23,509    | 42    |   |  |    | -       | -         |       |  |  |
|                                                                 |                          | Total adjusted unpaid principal balance |  |  |  | \$          | 54,367         | 100   | % |  | \$           | 55,821    | 100   | % |  | \$ | 115,700 | 100       | %     |  |  |
|                                                                 |                          | Total carrying value                    |  |  |  | \$          | 49,533         |       |   |  |              | 50,971    |       |   |  |    | 95,315  |           |       |  |  |
|                                                                 |                          |                                         |  |  |  |             |                |       |   |  |              |           |       |   |  |    |         |           |       |  |  |
|                                                                 |                          |                                         |  |  |  |             |                |       |   |  |              |           |       |   |  |    |         |           |       |  |  |



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

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 \$814 million at March 31, 2014, and \$902 million at December 31, 2013. Approximately 94% of the Pick-a-Pay customers making a minimum payment in March 2014 did not defer interest, compared with 93% in December 2013.

Deferral of interest on a Pick-a-Pay loan may continue as long as the loan balance remains below a pre-defined principal cap, which is based on the percentage that the current loan balance represents to the original loan balance. A significant portion of the Pick-a-Pay portfolio has a cap of 125% of the original loan balance. Most of the Pick-a-Pay loans on which there is a deferred interest balance re-amortize (the monthly payment amount is reset or “recast”) on the earlier of the date when the loan balance reaches its principal cap, or generally the 10-year anniversary of the loan. After a recast, the customers’ new payment terms are reset to the amount necessary to repay the balance over the remainder of the original loan term.

Due to the terms of the Pick-a-Pay portfolio, there is little recast risk in the near term where borrowers will have a payment change over 7.5%. Based on assumptions of a flat rate environment, if all eligible customers elect the minimum payment option 100% of the time and no balances prepay, we would expect the following balances of loans to recast based on reaching the principal cap and also experiencing a payment change over the annual 7.5% reset: \$29 million for the remainder of 2014, \$61 million in 2015 and \$34 million in 2016. In addition, in a flat rate environment, we would expect the following balances of loans to start fully amortizing due to reaching their recast anniversary date and also having a payment change over the annual 7.5% reset: \$166 million for the remainder of 2014, \$373 million in 2015 and \$432 million in 2016. In first quarter 2014, the amount of loans reaching their recast anniversary date and also having a payment change over the annual 7.5% reset was \$15 million.

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

| Table 20: Pick-a-Pay Portfolio (1) |                                                                                                                                                                                                                                                                                                                                                                                                                         |                |             |           |   |    |           |           |   |                 |           |           |   |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------|-----------|---|----|-----------|-----------|---|-----------------|-----------|-----------|---|
|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                         |                |             |           |   |    |           |           |   |                 |           |           |   |
|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                         | March 31, 2014 |             |           |   |    |           |           |   |                 |           |           |   |
|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                         |                | PCI loans   |           |   |    |           |           |   | All other loans |           |           |   |
|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                         |                |             |           |   |    |           | Ratio of  |   |                 |           | Ratio of  |   |
|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                         |                | Adjusted    |           |   |    |           | carrying  |   |                 |           | carrying  |   |
|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                         |                | unpaid      | Current   |   |    |           | value to  |   |                 |           | value to  |   |
|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                         |                | principal   | LTV       |   |    | Carrying  | current   |   |                 | Carrying  | current   |   |
| (in millions)                      |                                                                                                                                                                                                                                                                                                                                                                                                                         |                | balance (2) | ratio (3) |   |    | value (4) | value (5) |   |                 | value (4) | value (5) |   |
| California                         |                                                                                                                                                                                                                                                                                                                                                                                                                         | \$             | 19,459      | 88        | % | \$ | 16,029    | 71        | % | \$              | 12,781    | 64        | % |
| Florida                            |                                                                                                                                                                                                                                                                                                                                                                                                                         |                | 2,329       | 97        |   |    | 1,813     | 69        |   |                 | 2,667     | 78        |   |
| New Jersey                         |                                                                                                                                                                                                                                                                                                                                                                                                                         |                | 995         | 86        |   |    | 878       | 69        |   |                 | 1,710     | 74        |   |
| New York                           |                                                                                                                                                                                                                                                                                                                                                                                                                         |                | 596         | 83        |   |    | 542       | 68        |   |                 | 776       | 72        |   |
| Texas                              |                                                                                                                                                                                                                                                                                                                                                                                                                         |                | 258         | 69        |   |    | 229       | 60        |   |                 | 1,040     | 55        |   |
| Other states                       |                                                                                                                                                                                                                                                                                                                                                                                                                         |                | 4,587       | 88        |   |    | 3,801     | 71        |   |                 | 7,267     | 74        |   |
|                                    | Total Pick-a-Pay loans                                                                                                                                                                                                                                                                                                                                                                                                  | \$             | 28,224      |           |   | \$ | 23,292    |           |   | \$              | 26,241    |           |   |
|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                         |                |             |           |   |    |           |           |   |                 |           |           |   |
|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                         |                |             |           |   |    |           |           |   |                 |           |           |   |
| (1)                                | The individual states shown in this table represent the top five states based on the total net carrying value of the Pick-a-Pay loans at the beginning of 2014.                                                                                                                                                                                                                                                         |                |             |           |   |    |           |           |   |                 |           |           |   |
| (2)                                | Adjusted unpaid principal balance includes write-downs taken on loans where severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan.                                                                                                                                    |                |             |           |   |    |           |           |   |                 |           |           |   |
| (3)                                | The current LTV ratio is calculated as the adjusted unpaid principal balance divided by the collateral value. Collateral values are generally determined using automated valuation models (AVM) and are updated quarterly. AVMs are computer-based tools used to estimate market values of homes based on processing large volumes of market data including market comparables and price trends for local market areas. |                |             |           |   |    |           |           |   |                 |           |           |   |
| (4)                                | Carrying value, which does not reflect the allowance for loan losses, includes remaining purchase accounting adjustments, which, for PCI loans may include the nonaccretable difference and the accretable yield and, for all other loans, an adjustment to mark the loans to a market yield at date of merger less any subsequent charge-offs.                                                                         |                |             |           |   |    |           |           |   |                 |           |           |   |
| (5)                                | The ratio of carrying value to current value is calculated as the carrying value divided by the collateral value.                                                                                                                                                                                                                                                                                                       |                |             |           |   |    |           |           |   |                 |           |           |   |
|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                         |                |             |           |   |    |           |           |   |                 |           |           |   |

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

We also have taken steps to work with customers to refinance or restructure their Pick-a-Pay loans into other loan products. For customers at risk, we offer combinations of term extensions of up to 40 years (from 30 years), interest

rate reductions, forbearance of principal, and, in geographies with substantial property value declines, we may offer permanent principal forgiveness.

In first quarter 2014, we completed more than 1,900 proprietary and Home Affordability Modification Program (HAMP) Pick-a-Pay loan modifications. We have completed more than 125,500 modifications since the Wachovia acquisition, resulting in \$5.9 billion of principal forgiveness to our Pick-a-Pay customers as well as an additional \$198 million of conditional forgiveness that can be earned by borrowers through performance over a three year period.

Due to better than expected performance observed on the Pick-a-Pay PCI portfolio compared with the original acquisition estimates, we have reclassified \$3.9 billion from the nonaccretable difference to the accretable yield since acquisition. 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 12.5 years at March 31, 2014. The weighted average remaining life decreased slightly from December 31, 2013 due to the passage of time. The accretable yield percentage at March 31, 2014, was 4.98%, unchanged from the end of 2013. Fluctuations in the accretable yield are driven by changes in interest rate indices for variable rate PCI loans, prepayment assumptions, and expected principal and interest payments over the estimated life of the portfolio, which will be affected by the pace and degree of improvements in the U.S. economy and housing markets and projected lifetime performance resulting from loan modification activity. Changes in the projected timing of cash flow events, including loan liquidations, modifications and short sales, can also affect the accretable yield rate and the estimated weighted-average life of the portfolio.

The predominant portion of our PCI loans is included in the Pick-a-Pay portfolio. For further information on the judgment involved in estimating expected cash flows for PCI loans, see the “Critical Accounting Policies – Purchased Credit-Impaired Loans” section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2013 Form 10-K.

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

**Home Equity Portfolios** Our home equity portfolios consist of real estate 1-4 family junior lien mortgages and first and junior lien lines of credit secured by real estate. Our first lien lines of credit represent 23% of our home equity portfolio and are included in real estate 1-4 family first mortgages. The majority of our junior lien loan products are amortizing payment loans with fixed interest rates and repayment periods between five to 30 years.

Our first and junior lien lines of credit products generally have a draw period of 10 years (with some up to 15 or 20 years) with variable interest rate and payment options during the draw period of (1) interest only or (2) 1.5% of outstanding principal balance plus accrued interest. During the draw period, the borrower has the option of converting all or a portion of the line from a variable interest rate to a fixed rate with terms including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment schedule with repayment terms of up to 30 years based on the balance at time of conversion. Certain lines and loans have been structured with a balloon payment, which requires full repayment of the outstanding balance at the end of the term period. The conversion of lines or loans to fully amortizing or balloon payoff may result in a significant payment increase, which can affect some borrowers' ability to repay the outstanding balance.

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

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

Table 21 reflects the outstanding balance of our home equity portfolio segregated into scheduled end of draw or end of term periods and products that are currently amortizing, or in balloon repayment status. It excludes real estate 1-4 family first lien line reverse mortgages, which total \$2.4 billion, because they are predominantly insured by the FHA, and it excludes PCI loans, which total \$149 million, because their losses were generally reflected in our nonaccretable difference established at the date of acquisition.

| Table 21: Home Equity Portfolios Payment Schedule |                          |                                |  |                     |                |              |       |                              |       |       |       |                         |            |
|---------------------------------------------------|--------------------------|--------------------------------|--|---------------------|----------------|--------------|-------|------------------------------|-------|-------|-------|-------------------------|------------|
|                                                   |                          |                                |  |                     |                |              |       |                              |       |       |       |                         |            |
|                                                   |                          |                                |  |                     |                |              |       | Scheduled end of draw / term |       |       |       |                         |            |
|                                                   |                          |                                |  | Outstanding balance |                | Remainder of |       |                              |       |       |       | 2019 and thereafter (1) |            |
| (in millions)                                     |                          |                                |  |                     | March 31, 2014 |              | 2014  | 2015                         | 2016  | 2017  | 2018  |                         | Amortizing |
| Home equity lines secured by real estate:         |                          |                                |  |                     |                |              |       |                              |       |       |       |                         |            |
|                                                   | Junior residential lines |                                |  |                     | \$             | 55,885       | 2,652 | 5,835                        | 7,355 | 7,445 | 4,058 | 25,255                  | 3,285      |
|                                                   | First residential lines  |                                |  |                     |                | 17,985       | 806   | 1,313                        | 1,049 | 1,030 | 1,173 | 11,783                  | 831        |
|                                                   |                          | Total residential lines (2)(3) |  |                     |                | 73,870       | 3,458 | 7,148                        | 8,404 | 8,475 | 5,231 | 37,038                  | 4,116      |

|                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |                 |    |        |   |       |       |       |       |       |        |  |        |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------|----|--------|---|-------|-------|-------|-------|-------|--------|--|--------|
| Junior loans (4) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |                 |    | 7,976  |   | 7     | 92    | 126   | 130   | 14    | 1,394  |  | 6,213  |
|                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  | Total           | \$ | 81,846 |   | 3,465 | 7,240 | 8,530 | 8,605 | 5,245 | 38,432 |  | 10,329 |
|                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  | % of portfolios |    | 100    | % | 4     | 9     | 10    | 11    | 6     | 47     |  | 13     |
|                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |                 |    |        |   |       |       |       |       |       |        |  |        |
| (1)              | The annual scheduled end of draw or term ranges from \$1.9 billion to \$10.6 billion per year for 2019 and thereafter. Loans that convert in 2025 and thereafter have draw periods that generally extend to 15 or 20 years.                                                                                                                                                                                                                                                                                     |  |                 |    |        |   |       |       |       |       |       |        |  |        |
| (2)              | Lines in their draw period are predominantly interest-only. The unfunded credit commitments totaled \$73.1 billion at March 31, 2014.                                                                                                                                                                                                                                                                                                                                                                           |  |                 |    |        |   |       |       |       |       |       |        |  |        |
| (3)              | Includes scheduled end-of-term balloon payments totaling \$680 million, \$594 million, \$468 million, \$557 million, \$594 million and \$2.7 billion for 2014, 2015, 2016, 2017, 2018, 2019 and thereafter, respectively. Amortizing lines include \$148 million of end-of-term balloon payments, which are past due. At March 31, 2014, \$305 million, or 8% of outstanding lines of credit that are amortizing, are 30 or more days past due compared to \$1.4 billion, or 2% for lines in their draw period. |  |                 |    |        |   |       |       |       |       |       |        |  |        |
| (4)              | Junior loans within the term period predominantly represent principal and interest products that require a balloon payment upon the end of the loan term. Amortizing junior loans include \$64 million of balloon loans that have reached end of term and are now past due.                                                                                                                                                                                                                                     |  |                 |    |        |   |       |       |       |       |       |        |  |        |
|                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |                 |    |        |   |       |       |       |       |       |        |  |        |

We continuously monitor the credit performance of our junior lien mortgage portfolio for trends and factors that influence the frequency and severity of loss. We have observed that the severity of loss for junior lien mortgages is high and generally not affected by whether we or a third party own or service the related first mortgage, but that the frequency of loss has historically been lower when we own or service the first mortgage. In general, we have limited information available on the delinquency status of the third party owned or serviced senior lien where we also hold a junior lien. To capture this inherent loss content, we use the experience of our junior lien mortgages behind delinquent first liens that are owned or serviced by us adjusted for observed higher delinquency rates associated with junior lien mortgages behind third party first mortgages. We incorporate this inherent loss content into our allowance for loan losses. Our allowance process for junior liens ensures appropriate consideration of the relative difference in loss experience for junior liens behind first lien mortgage loans we own or service, compared with those behind first lien mortgage loans owned or serviced by third parties. In addition, our allowance process for junior liens that are current, but are in their revolving period, appropriately reflects the inherent loss where the borrower is delinquent on the corresponding first lien mortgage loans.

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

| Table 22: Home Equity Portfolios Performance by Holder of 1st Lien (1) |                        |                                       |  |                     |             |             |  |                  |   |             |  |               |             |              |             |             |
|------------------------------------------------------------------------|------------------------|---------------------------------------|--|---------------------|-------------|-------------|--|------------------|---|-------------|--|---------------|-------------|--------------|-------------|-------------|
|                                                                        |                        |                                       |  |                     |             |             |  |                  |   |             |  |               |             |              |             |             |
|                                                                        |                        |                                       |  |                     |             |             |  | % of loans       |   |             |  | Loss rate     |             |              |             |             |
|                                                                        |                        |                                       |  |                     |             |             |  | two payments     |   |             |  | (annualized)  |             |              |             |             |
|                                                                        |                        |                                       |  | Outstanding balance |             |             |  | or more past due |   |             |  | quarter ended |             |              |             |             |
|                                                                        |                        |                                       |  |                     | Mar.<br>31, | Dec.<br>31, |  | Mar.<br>31,      |   | Dec.<br>31, |  | Mar.<br>31,   | Dec.<br>31, | Sept.<br>30, | June<br>30, | Mar.<br>31, |
| (in millions)                                                          |                        |                                       |  |                     | 2014        | 2013        |  | 2014             |   | 2013        |  | 2014          | 2013        | 2013         | 2013        | 2013        |
| Junior lien mortgages and lines behind:                                |                        |                                       |  |                     |             |             |  |                  |   |             |  |               |             |              |             |             |
|                                                                        | Wells Fargo owned or   |                                       |  |                     |             |             |  |                  |   |             |  |               |             |              |             |             |
|                                                                        |                        | serviced first lien                   |  | \$                  | 31,656      | 32,683      |  | 2.31             | % | 2.37        |  | 1.16          | 1.35        | 1.60         | 2.08        | 2.46        |
|                                                                        | Third party first lien |                                       |  |                     | 32,205      | 33,121      |  | 2.46             |   | 2.54        |  | 1.27          | 1.38        | 1.65         | 2.00        | 2.48        |
|                                                                        |                        | Total junior lien mortgages and lines |  |                     | 63,861      | 65,804      |  | 2.39             |   | 2.45        |  | 1.21          | 1.36        | 1.62         | 2.04        | 2.47        |
| First lien lines                                                       |                        |                                       |  |                     | 17,985      | 18,326      |  | 3.05             |   | 3.00        |  | 0.31          | 0.41        | 0.41         | 0.56        | 0.61        |

|     |                                                                                                                        |  |       |    |        |        |  |      |  |      |  |      |      |      |      |      |
|-----|------------------------------------------------------------------------------------------------------------------------|--|-------|----|--------|--------|--|------|--|------|--|------|------|------|------|------|
|     |                                                                                                                        |  | Total | \$ | 81,846 | 84,130 |  | 2.53 |  | 2.57 |  | 1.02 | 1.16 | 1.36 | 1.72 | 2.08 |
|     |                                                                                                                        |  |       |    |        |        |  |      |  |      |  |      |      |      |      |      |
| (1) | Excludes both real estate 1-4 family first lien line reverse mortgages predominantly insured by the FHA and PCI loans. |  |       |    |        |        |  |      |  |      |  |      |      |      |      |      |
| (2) | Includes \$1.2 billion at both March 31, 2014, and December 31, 2013, associated with the Pick-a-Pay portfolio.        |  |       |    |        |        |  |      |  |      |  |      |      |      |      |      |
|     |                                                                                                                        |  |       |    |        |        |  |      |  |      |  |      |      |      |      |      |

We monitor the number of borrowers paying the minimum amount due on a monthly basis. In March 2014, approximately 95% of our borrowers with a home equity outstanding balance paid the minimum amount due or more, while approximately 43% paid only the minimum amount due.

The home equity liquidating portfolio includes home equity loans generated through third party channels, including correspondent loans. This liquidating portfolio represents less than 1% of our total loans outstanding at March 31, 2014, and contains some of the highest risk in our home equity portfolio, with an annualized loss rate of 3.09% compared with 0.92% for the core (non-liquidating) home equity portfolio for the quarter ended March 31, 2014.

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

Table 23 shows the credit attributes of the core and liquidating home equity portfolios and lists the top five states by outstanding balance for the core portfolio. Loans to California borrowers represent the largest state concentration in each of these portfolios. The decrease in outstanding balances since December 31, 2013 primarily reflects loan paydowns and charge-offs. As of March 31, 2014, 23% of the outstanding balance of the core home equity portfolio was associated with loans that had a combined loan to value (CLTV) ratio in excess of 100%. CLTV means the ratio of the total loan balance of first mortgages and junior lien mortgages (including unused line amounts for credit line products) to property collateral value. The unsecured portion of the outstanding balances of these loans (the outstanding amount that was in excess of the most recent property collateral value) totaled 9% of the core home equity portfolio at March 31, 2014.

| Table 23: Home Equity Portfolios (1) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    |                     |          |        |                  |      |          |              |               |          |           |          |          |      |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------|----|---------------------|----------|--------|------------------|------|----------|--------------|---------------|----------|-----------|----------|----------|------|
|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    |                     |          |        |                  |      |          |              |               |          |           |          |          |      |
|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    |                     |          |        | % of loans       |      |          | Loss rate    |               |          |           |          |          |      |
|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    |                     |          |        | two payments     |      |          | (annualized) |               |          |           |          |          |      |
|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    | Outstanding balance |          |        | or more past due |      |          |              | quarter ended |          |           |          |          |      |
|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    | Mar. 31,            | Dec. 31, |        | Mar. 31,         |      | Dec. 31, |              | Mar. 31,      | Dec. 31, | Sept. 30, | June 30, | Mar. 31, |      |
| (in millions)                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    | 2014                | 2013     |        | 2014             |      | 2013     |              | 2014          | 2013     | 2013      | 2013     | 2013     |      |
| Core portfolio (2)                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    |                     |          |        |                  |      |          |              |               |          |           |          |          |      |
| California                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        | \$ | 19,601              | 20,198   |        | 2.10             | %    | 2.08     |              | 0.60          | 1.34     | 1.06      | 1.47     | 2.01     |      |
| Florida                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    | 8,479               | 8,699    |        | 3.35             |      | 3.57     |              | 1.41          | 1.99     | 1.67      | 2.13     | 2.61     |      |
| New Jersey                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    | 6,598               | 6,734    |        | 3.45             |      | 3.57     |              | 1.23          | 1.47     | 1.44      | 1.43     | 1.70     |      |
| Virginia                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    | 4,252               | 4,328    |        | 1.99             |      | 1.96     |              | 0.73          | 1.00     | 0.79      | 1.03     | 1.36     |      |
| Pennsylvania                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    | 4,201               | 4,282    |        | 2.78             |      | 2.79     |              | 0.83          | 1.07     | 1.00      | 1.18     | 1.36     |      |
| Other                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    | 35,210              | 36,194   |        | 2.34             |      | 2.37     |              | 0.97          | 1.44     | 1.20      | 1.60     | 1.80     |      |
|                                      | Total                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |                        |    | 78,341              | 80,435   |        | 2.49             |      | 2.53     |              | 0.92          | 1.43     | 1.20      | 1.56     | 1.89     |      |
|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    |                     |          |        |                  |      |          |              |               |          |           |          |          |      |
| Liquidating portfolio                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    | 3,505               | 3,695    |        | 3.54             |      | 3.49     |              | 3.09          | 4.80     | 4.61      | 5.05     | 5.87     |      |
|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Total core and |                        |    |                     |          |        |                  |      |          |              |               |          |           |          |          |      |
|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                | liquidating portfolios |    | \$                  | 81,846   | 84,130 |                  | 2.53 |          | 2.57         |               | 1.02     | 1.59      | 1.36     | 1.72     | 2.08 |
|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    |                     |          |        |                  |      |          |              |               |          |           |          |          |      |
|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    |                     |          |        |                  |      |          |              |               |          |           |          |          |      |
| (1)                                  | Consists predominantly of real estate 1-4 family junior lien mortgages and first and junior lines of credit secured by real estate, but excludes PCI loans because their losses were generally reflected in PCI accounting adjustments at the date of acquisition, and excludes real estate 1-4 family first lien open-ended line reverse mortgages because they do not have scheduled payments. These reverse mortgage loans are predominantly insured by the FHA. |                |                        |    |                     |          |        |                  |      |          |              |               |          |           |          |          |      |
| (2)                                  | Includes \$1.2 billion at both March 31, 2014, and December 31, 2013, associated with the Pick-a-Pay portfolio.                                                                                                                                                                                                                                                                                                                                                     |                |                        |    |                     |          |        |                  |      |          |              |               |          |           |          |          |      |
|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                        |    |                     |          |        |                  |      |          |              |               |          |           |          |          |      |



**Credit Cards** Our credit card portfolio totaled \$26.1 billion at March 31, 2014, which represented 3% of our total outstanding loans. The quarterly net charge-off rate (annualized) for our credit card portfolio was 3.57% for first quarter 2014, compared with 3.96% for first quarter 2013.

**AUTOmobile** Our automobile portfolio, predominantly composed of indirect loans, totaled \$52.6 billion at March 31, 2014. The quarterly net charge-off rate (annualized) for our automobile portfolio was 0.70% for first quarter 2014, compared with 0.66% for first quarter 2013.

**Other revolving Credit and installment** Other revolving credit and installment loans totaled \$43.1 billion at March 31, 2014, and primarily included student and security-based margin loans. Student loans totaled \$21.9 billion at March 31, 2014, of which \$10.2 billion were government guaranteed. The quarterly net charge-off rate (annualized) for other revolving credit and installment loans was 1.29% for first quarter 2014, compared with 1.37% for first quarter 2013. Excluding government guaranteed student loans, the quarterly net charge-off rates (annualized) were 1.65% for first quarter 2014 and 1.83% for first quarter 2013, respectively.

**nonperforming assets (Nonaccrual Loans and Foreclosed assets)** Table 24 summarizes nonperforming assets (NPAs) for each of the last four quarters. We generally place loans on nonaccrual status when:

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

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

| Table 2.1 Nonperforming Assets (Nonaccrual Loans and Foreclosed Assets) |  |                           |    |       |      |   |                |       |         |                   |         |        |                    |       |         |               |      |   |
|-------------------------------------------------------------------------|--|---------------------------|----|-------|------|---|----------------|-------|---------|-------------------|---------|--------|--------------------|-------|---------|---------------|------|---|
|                                                                         |  |                           |    |       |      |   | March 31, 2014 |       |         | December 31, 2013 |         |        | September 30, 2013 |       |         | June 30, 2013 |      |   |
|                                                                         |  |                           |    |       |      |   | % of           |       | % of    |                   | % of    |        | % of               |       | % of    |               |      |   |
|                                                                         |  |                           |    |       |      |   | total          |       | total   |                   | total   |        | total              |       | total   |               |      |   |
| (\$ in millions)                                                        |  |                           |    |       |      |   | Balance        | loans | Balance | loans             | Balance | loans  | Balance            | loans | Balance | loans         |      |   |
| Nonaccrual loans:                                                       |  |                           |    |       |      |   |                |       |         |                   |         |        |                    |       |         |               |      |   |
| Commercial:                                                             |  |                           |    |       |      |   |                |       |         |                   |         |        |                    |       |         |               |      |   |
|                                                                         |  | Commercial and industrial | \$ | 630   | 0.32 | % | \$             | 738   | 0.38    | %                 | \$      | 809    | 0.43               | %     | \$      | 1,022         | 0.55 | % |
|                                                                         |  | Real estate mortgage      |    | 2,030 | 1.88 |   |                | 2,252 | 2.10    |                   |         | 2,496  | 2.36               |       |         | 2,708         | 2.59 |   |
|                                                                         |  | Real estate construction  |    | 296   | 1.78 |   |                | 416   | 2.48    |                   |         | 517    | 3.15               |       |         | 665           | 4.04 |   |
|                                                                         |  | Lease financing           |    | 31    | 0.26 |   |                | 29    | 0.24    |                   |         | 17     | 0.15               |       |         | 20            | 0.17 |   |
|                                                                         |  | Foreign                   |    | 40    | 0.08 |   |                | 40    | 0.08    |                   |         | 47     | 0.10               |       |         | 40            | 0.10 |   |
|                                                                         |  | Total commercial (1)      |    | 3,027 | 0.79 |   |                | 3,475 | 0.92    |                   |         | 3,886  | 1.05               |       |         | 4,455         | 1.23 |   |
| Consumer:                                                               |  |                           |    |       |      |   |                |       |         |                   |         |        |                    |       |         |               |      |   |
|                                                                         |  | Real estate 1-4 family    |    |       |      |   |                |       |         |                   |         |        |                    |       |         |               |      |   |
|                                                                         |  | first mortgage (2)        |    | 9,357 | 3.61 |   |                | 9,799 | 3.79    |                   |         | 10,450 | 4.10               |       |         | 10,705        | 4.23 |   |
|                                                                         |  | Real estate 1-4 family    |    |       |      |   |                |       |         |                   |         |        |                    |       |         |               |      |   |
|                                                                         |  | junior lien               |    | 2,072 | 3.24 |   |                | 2,188 | 3.32    |                   |         | 2,333  | 3.45               |       |         | 2,522         | 3.60 |   |

[illegible]

| repair authorization periods. |

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

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

| <b>Table 25: Analysis of Changes in Nonaccrual Loans</b> |                                                                                                             |                               |  |  |    |               |          |           |          |          |
|----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-------------------------------|--|--|----|---------------|----------|-----------|----------|----------|
|                                                          |                                                                                                             |                               |  |  |    |               |          |           |          |          |
|                                                          |                                                                                                             |                               |  |  |    | Quarter ended |          |           |          |          |
|                                                          |                                                                                                             |                               |  |  |    | Mar. 31,      | Dec. 31, | Sept. 30, | June 30, | Mar. 31, |
| (in millions)                                            |                                                                                                             |                               |  |  |    | 2014          | 2013     | 2013      | 2013     | 2013     |
| <b>Commercial nonaccrual loans</b>                       |                                                                                                             |                               |  |  |    |               |          |           |          |          |
| Balance, beginning of quarter                            |                                                                                                             |                               |  |  | \$ | 3,475         | 3,886    | 4,455     | 5,242    | 5,824    |
|                                                          | Inflows                                                                                                     |                               |  |  |    | 367           | 520      | 490       | 557      | 611      |
|                                                          | Outflows:                                                                                                   |                               |  |  |    |               |          |           |          |          |
|                                                          |                                                                                                             | Returned to accruing          |  |  |    | (98)          | (67)     | (192)     | (128)    | (109)    |
|                                                          |                                                                                                             | Foreclosures                  |  |  |    | (79)          | (34)     | (77)      | (120)    | (91)     |
|                                                          |                                                                                                             | Charge-offs                   |  |  |    | (116)         | (191)    | (150)     | (193)    | (189)    |
|                                                          |                                                                                                             | Payments, sales and other (1) |  |  |    | (522)         | (639)    | (640)     | (903)    | (804)    |
|                                                          |                                                                                                             | Total outflows                |  |  |    | (815)         | (931)    | (1,059)   | (1,344)  | (1,193)  |
| Balance, end of quarter                                  |                                                                                                             |                               |  |  |    | 3,027         | 3,475    | 3,886     | 4,455    | 5,242    |
| <b>Consumer nonaccrual loans</b>                         |                                                                                                             |                               |  |  |    |               |          |           |          |          |
| Balance, beginning of quarter                            |                                                                                                             |                               |  |  |    | 12,193        | 13,007   | 13,460    | 14,284   | 14,662   |
|                                                          | Inflows                                                                                                     |                               |  |  |    | 1,650         | 1,691    | 2,015     | 2,071    | 2,340    |
|                                                          | Outflows:                                                                                                   |                               |  |  |    |               |          |           |          |          |
|                                                          |                                                                                                             | Returned to accruing          |  |  |    | (1,104)       | (953)    | (997)     | (1,156)  | (1,031)  |
|                                                          |                                                                                                             | Foreclosures                  |  |  |    | (146)         | (162)    | (167)     | (95)     | (173)    |
|                                                          |                                                                                                             | Charge-offs                   |  |  |    | (400)         | (437)    | (480)     | (651)    | (775)    |
|                                                          |                                                                                                             | Payments, sales and other (1) |  |  |    | (570)         | (953)    | (824)     | (993)    | (739)    |
|                                                          |                                                                                                             | Total outflows                |  |  |    | (2,220)       | (2,505)  | (2,468)   | (2,895)  | (2,718)  |
| Balance, end of quarter                                  |                                                                                                             |                               |  |  |    | 11,623        | 12,193   | 13,007    | 13,460   | 14,284   |
| Total nonaccrual loans                                   |                                                                                                             |                               |  |  | \$ | 14,650        | 15,668   | 16,893    | 17,915   | 19,526   |
| (1)                                                      | Other outflows include the effects of VIE deconsolidations and adjustments for loans carried at fair value. |                               |  |  |    |               |          |           |          |          |

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

While nonaccrual loans are not free of loss content, we believe exposure to loss is significantly mitigated by the following factors at March 31, 2014:

- 97% of total commercial nonaccrual loans and 99% of total consumer nonaccrual loans are secured. Of the consumer nonaccrual loans, 98% are secured by real estate and 66% have a combined LTV (CLTV) ratio of 80% or less.
- losses of \$716 million and \$3.7 billion have already been recognized on 33% of commercial nonaccrual loans and 52% of consumer nonaccrual loans, respectively. Generally, when a consumer real estate loan is 120 days past due (except when required earlier by the Interagency or OCC Guidance), we transfer it to nonaccrual status. When the loan reaches 180 days past due, or is discharged in bankruptcy, it is our policy to write these loans down to net realizable value (fair value of collateral less estimated costs to sell), except for modifications in their trial period that are not written down as long as trial payments are made on time. Thereafter, we reevaluate each loan regularly and record additional write-downs if needed.
- 67% 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.
- \$2.2 billion of consumer loans discharged in bankruptcy and classified as nonaccrual were 60 days or less past due, of which \$2.1 billion were current.

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

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

| Table 26: Foreclosed Assets       |            |                 |  |  |    |             |             |              |             |             |
|-----------------------------------|------------|-----------------|--|--|----|-------------|-------------|--------------|-------------|-------------|
|                                   |            |                 |  |  |    |             |             |              |             |             |
|                                   |            |                 |  |  |    | Mar.<br>31, | Dec.<br>31, | Sept.<br>30, | June<br>30, | Mar.<br>31, |
| (in millions)                     |            |                 |  |  |    | 2014        | 2013        | 2013         | 2013        | 2013        |
| Government insured/guaranteed (1) |            |                 |  |  | \$ | 2,302       | 2,093       | 1,781        | 1,026       | 969         |
| PCI loans:                        |            |                 |  |  |    |             |             |              |             |             |
|                                   | Commercial |                 |  |  |    | 461         | 497         | 559          | 597         | 641         |
|                                   | Consumer   |                 |  |  |    | 177         | 149         | 125          | 127         | 179         |
|                                   |            | Total PCI loans |  |  |    | 638         | 646         | 684          | 724         | 820         |
| All other loans:                  |            |                 |  |  |    |             |             |              |             |             |

|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |    |  |              |       |       |       |       |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--|--------------|-------|-------|-------|-------|
|                                                 | Commercial                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |    |  | <b>736</b>   | 759   | 944   | 1,012 | 1,060 |
|                                                 | Consumer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |    |  | <b>439</b>   | 439   | 393   | 378   | 501   |
|                                                 | Total all other loans                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |    |  | <b>1,175</b> | 1,198 | 1,337 | 1,390 | 1,561 |
|                                                 | Total foreclosed assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | \$ |  | <b>4,115</b> | 3,937 | 3,802 | 3,140 | 3,350 |
| <b>Analysis of changes in foreclosed assets</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |    |  |              |       |       |       |       |
|                                                 | Balance, beginning of quarter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$ |  | <b>3,937</b> | 3,802 | 3,140 | 3,350 | 4,023 |
|                                                 | Net change in government insured/guaranteed (1)(2)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |    |  | <b>209</b>   | 312   | 755   | 57    | (540) |
|                                                 | Additions to foreclosed assets (3)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |    |  | <b>448</b>   | 428   | 459   | 406   | 559   |
|                                                 | Reductions:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |    |  |              |       |       |       |       |
|                                                 | Sales                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |    |  | <b>(490)</b> | (823) | (545) | (647) | (658) |
|                                                 | Write-downs and gains (losses) on sales                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |    |  | <b>11</b>    | 218   | (7)   | (26)  | (34)  |
|                                                 | Total reductions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |    |  | <b>(479)</b> | (605) | (552) | (673) | (692) |
|                                                 | Balance, end of quarter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | \$ |  | <b>4,115</b> | 3,937 | 3,802 | 3,140 | 3,350 |
| (1)                                             | Consistent with regulatory reporting requirements, foreclosed real estate resulting from government insured/guaranteed loans are classified as nonperforming. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA. Foreclosed assets in the latter half of 2013 were elevated due to an increase in completed foreclosures, as enhancements to loan modification programs and an FHA foreclosure moratorium, which previously slowed new foreclosures, were resolved. The increase in balance at March 31, 2014, reflects a slowdown in processing the elevated levels of foreclosed properties through the HUD conveyance requirements as a result of industry resource constraints to deal with the elevated levels, as well as other factors, including an increase in foreclosures in states with longer redemption periods, longer occupant evacuation periods, increased maintenance required for aging foreclosures and longer repair authorization periods. |    |  |              |       |       |       |       |
| (2)                                             | Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as servicer, until reimbursement is received from FHA or VA. The net change in government insured/guaranteed foreclosed assets is made up of inflows from mortgages held for investment and MHFS, and outflows when we are reimbursed by FHA/VA. Transfers from government insured/guaranteed loans to foreclosed assets amounted to \$801 million, \$892 million, \$1.3 billion, \$639 million and \$71 million for the quarter ended March 31, 2014 and December 31, September 30, June 30, and March 31, 2013, respectively. Transfer amounts for the quarter ended September 30, June 30 and March 31, 2013 have been revised to conform with the current period presentation.                                                                                                                                                                                                                                                                                                            |    |  |              |       |       |       |       |
| (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, 2014, included \$3.1 billion of foreclosed residential real estate that had collateralized commercial and consumer loans, of which 74% is predominantly FHA insured or VA guaranteed and expected to have minimal or no loss content. The remaining balance of \$1.0 billion of foreclosed assets has been written down to estimated net realizable value. Foreclosed assets at March 31, 2014 have increased slightly, compared with December 31, 2013. At March 31, 2014, 69% of foreclosed assets of \$4.1 billion have been in the foreclosed assets portfolio one year or less.

Given the industry resource constraints and other factors affecting our ability to meet HUD conveyance requirements, we anticipate continuing to hold an elevated level of foreclosed assets on our balance sheet.

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## Risk Management – Credit Risk Management (continued)

| TROUBLED DEBT RESTRUCTURINGS (TDRs)                                                                                                                                                                                                                                                                                       |                                             |  |  |    |               |                 |          |           |          |          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|--|--|----|---------------|-----------------|----------|-----------|----------|----------|
|                                                                                                                                                                                                                                                                                                                           |                                             |  |  |    |               |                 |          |           |          |          |
| <b>Table 27: Troubled Debt Restructurings (TDRs)</b>                                                                                                                                                                                                                                                                      |                                             |  |  |    |               |                 |          |           |          |          |
|                                                                                                                                                                                                                                                                                                                           |                                             |  |  |    |               | <b>Mar. 31,</b> | Dec. 31, | Sept. 30, | June 30, | Mar. 31, |
| (in millions)                                                                                                                                                                                                                                                                                                             |                                             |  |  |    |               | <b>2014</b>     | 2013     | 2013      | 2013     | 2013     |
| Commercial TDRs                                                                                                                                                                                                                                                                                                           |                                             |  |  |    |               |                 |          |           |          |          |
|                                                                                                                                                                                                                                                                                                                           | Commercial and industrial                   |  |  | \$ | <b>1,081</b>  | 1,032           | 1,153    | 1,238     | 1,493    |          |
|                                                                                                                                                                                                                                                                                                                           | Real estate mortgage                        |  |  |    | <b>2,233</b>  | 2,248           | 2,457    | 2,605     | 2,556    |          |
|                                                                                                                                                                                                                                                                                                                           | Real estate construction                    |  |  |    | <b>454</b>    | 475             | 598      | 680       | 735      |          |
|                                                                                                                                                                                                                                                                                                                           | Lease financing                             |  |  |    | <b>6</b>      | 8               | 9        | 11        | 17       |          |
|                                                                                                                                                                                                                                                                                                                           | Foreign                                     |  |  |    | <b>7</b>      | 2               | 2        | 17        | 17       |          |
|                                                                                                                                                                                                                                                                                                                           | Total commercial TDRs                       |  |  |    | <b>3,781</b>  | 3,765           | 4,219    | 4,551     | 4,818    |          |
| Consumer TDRs                                                                                                                                                                                                                                                                                                             |                                             |  |  |    |               |                 |          |           |          |          |
|                                                                                                                                                                                                                                                                                                                           | Real estate 1-4 family first mortgage       |  |  |    | <b>19,043</b> | 18,925          | 18,974   | 19,093    | 18,928   |          |
|                                                                                                                                                                                                                                                                                                                           | Real estate 1-4 family junior lien mortgage |  |  |    | <b>2,460</b>  | 2,468           | 2,399    | 2,408     | 2,431    |          |
|                                                                                                                                                                                                                                                                                                                           | Credit Card                                 |  |  |    | <b>399</b>    | 431             | 455      | 477       | 501      |          |
|                                                                                                                                                                                                                                                                                                                           | Automobile                                  |  |  |    | <b>169</b>    | 189             | 212      | 246       | 279      |          |
|                                                                                                                                                                                                                                                                                                                           | Other revolving credit and installment      |  |  |    | <b>34</b>     | 33              | 32       | 29        | 27       |          |
|                                                                                                                                                                                                                                                                                                                           | Trial modifications                         |  |  |    | <b>593</b>    | 650             | 717      | 716       | 723      |          |
|                                                                                                                                                                                                                                                                                                                           | Total consumer TDRs (1)                     |  |  |    | <b>22,698</b> | 22,696          | 22,789   | 22,969    | 22,889   |          |
|                                                                                                                                                                                                                                                                                                                           | Total TDRs                                  |  |  | \$ | <b>26,479</b> | 26,461          | 27,008   | 27,520    | 27,707   |          |
| TDRs on nonaccrual status                                                                                                                                                                                                                                                                                                 |                                             |  |  |    | \$            | <b>7,774</b>    | 8,172    | 8,609     | 9,030    | 10,332   |
| TDRs on accrual status (1)                                                                                                                                                                                                                                                                                                |                                             |  |  |    |               | <b>18,705</b>   | 18,289   | 18,399    | 18,490   | 17,375   |
|                                                                                                                                                                                                                                                                                                                           | Total TDRs                                  |  |  | \$ | <b>26,479</b> | 26,461          | 27,008   | 27,520    | 27,707   |          |
| (1) TDR loans include \$2.6 billion, \$2.5 billion, \$2.4 billion, \$2.5 billion and \$2.5 billion at March 31, 2014, and December 31, September 30, June 30 and March 31, 2013, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and are accruing. |                                             |  |  |    |               |                 |          |           |          |          |

Table 27 provides information regarding the recorded investment of loans modified in TDRs. The allowance for loan losses for TDRs was \$4.2 billion and \$4.5 billion at March 31, 2014 and December 31, 2013, respectively. See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for additional information regarding TDRs. In those situations where principal is forgiven, the entire amount of such forgiveness is immediately charged off to the extent not done so prior to the modification. We sometimes delay the timing on the repayment of a portion of principal (principal forbearance) and charge off the amount of forbearance if that amount is not considered fully collectible.

Our nonaccrual policies are generally the same for all loan types when a restructuring is involved. We re-underwrite loans at the time of restructuring to determine whether there is sufficient evidence of sustained repayment capacity

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

Table 28 provides an analysis of the changes in TDRs. Loans that may be modified more than once are reported as TDR inflows only in the period they are first modified. Other than resolutions such as foreclosures, sales and transfers to held for sale, we may remove loans held for investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

| <b>Table 28: Analysis of Changes in TDRs</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    |                 |          |               |          |          |
|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|----|-----------------|----------|---------------|----------|----------|
|                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    |                 |          |               |          |          |
|                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    |                 |          | Quarter ended |          |          |
|                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>Mar. 31,</b> | Dec. 31, | Sept. 30,     | June 30, | Mar. 31, |
| (in millions)                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>2014</b>     | 2013     | 2013          | 2013     | 2013     |
| <b>Commercial TDRs</b>                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    |                 |          |               |          |          |
| Balance, beginning of quarter                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  | \$ | <b>3,765</b>    | 4,219    | 4,551         | 4,818    | 5,146    |
| Inflows                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>442</b>      | 292      | 534           | 468      | 500      |
| Outflows                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    |                 |          |               |          |          |
| Charge-offs                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>(23)</b>     | (44)     | (24)          | (24)     | (40)     |
| Foreclosures                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>(3)</b>      | (16)     | (16)          | (26)     | (30)     |
| Payments, sales and other (1)                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>(400)</b>    | (686)    | (826)         | (685)    | (758)    |
| Balance, end of quarter                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>3,781</b>    | 3,765    | 4,219         | 4,551    | 4,818    |
| <b>Consumer TDRs</b>                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    |                 |          |               |          |          |
| Balance, beginning of quarter                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>22,696</b>   | 22,789   | 22,969        | 22,889   | 21,768   |
| Inflows                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>1,104</b>    | 1,248    | 1,282         | 1,352    | 2,076    |
| Outflows                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    |                 |          |               |          |          |
| Charge-offs                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>(157)</b>    | (155)    | (183)         | (241)    | (280)    |
| Foreclosures                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>(325)</b>    | (417)    | (519)         | (240)    | (114)    |
| Payments, sales and other (1)                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>(563)</b>    | (701)    | (761)         | (785)    | (579)    |
| Net change in trial modifications (2)        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>(57)</b>     | (68)     | 1             | (6)      | 18       |
| Balance, end of quarter                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    | <b>22,698</b>   | 22,696   | 22,789        | 22,969   | 22,889   |
| Total TDRs                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  | \$ | <b>26,479</b>   | 26,461   | 27,008        | 27,520   | 27,707   |
| (1)                                          | Other outflows include normal amortization/accretion of loan basis adjustments and loans transferred to held-for-sale. It also includes \$1 million, \$29 million, \$40 million and \$15 million of loans refinanced or restructured as new loans and removed from TDR classification for the quarters ended March 31, 2014, September 30, June 30, and March 31, 2013, respectively. No loans were removed from TDR classification for the quarter ended December 31, 2013, as a result of being refinanced or restructured as new loans. |  |  |  |    |                 |          |               |          |          |
| (2)                                          | Net change in trial modifications includes: inflows of new TDRs entering the trial payment period, net of outflows for modifications that either (i) successfully perform and enter into a permanent modification, or (ii) did not successfully perform according to the terms of the trial period plan and are subsequently charged-off, foreclosed upon or otherwise resolved. Our experience is that most of the mortgages that enter a trial payment period program are successful in completing the program requirements.             |  |  |  |    |                 |          |               |          |          |

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

**Loans 90 Days or More Past Due and Still Accruing** Loans 90 days or more past due as to interest or principal are still accruing if they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans are not included in past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

Excluding insured/guaranteed loans, loans 90 days or more past due and still accruing at March 31, 2014, were down \$95 million, or 9%, from December 31, 2013, due to payoffs, modifications and other loss mitigation activities, decline in non-strategic and liquidating portfolios, and credit stabilization.

Loans 90 days or more past due and still accruing whose repayments are predominantly insured by the FHA or guaranteed by the VA for mortgages and the U.S. Department of Education for student loans under the Federal Family Education Loan Program (FFELP) were \$20.3 billion at March 31, 2014, down from \$22.2 billion at December 31, 2013.

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 |                            |                                                    |  |                                          |    |          |          |        |          |          |
|-------------------------------------------------------------|----------------------------|----------------------------------------------------|--|------------------------------------------|----|----------|----------|--------|----------|----------|
|                                                             |                            |                                                    |  |                                          |    |          |          |        |          |          |
|                                                             |                            |                                                    |  |                                          |    | Mar. 31, | Dec. 31, | Sept.  | June 30, | Mar. 31, |
|                                                             |                            |                                                    |  |                                          |    | 2014     | 2013     | 2013   | 2013     | 2013     |
| (in millions)                                               |                            |                                                    |  |                                          |    |          |          |        |          |          |
| Loans 90 days or more past due and still accruing:          |                            |                                                    |  |                                          |    |          |          |        |          |          |
|                                                             | Total (excluding PCI (1)): |                                                    |  |                                          | \$ | 21,215   | 23,219   | 22,181 | 22,197   | 23,082   |
|                                                             |                            | Less: FHA insured/VA guaranteed (2)(3)             |  |                                          |    | 19,405   | 21,274   | 20,214 | 20,112   | 20,745   |
|                                                             |                            | Less: Student loans guaranteed under the FFELP (4) |  |                                          |    | 860      | 900      | 917    | 931      | 977      |
|                                                             |                            |                                                    |  | Total, not government insured/guaranteed | \$ | 950      | 1,045    | 1,050  | 1,154    | 1,360    |
|                                                             |                            |                                                    |  |                                          |    |          |          |        |          |          |
| By segment and class, not government insured/guaranteed:    |                            |                                                    |  |                                          |    |          |          |        |          |          |
|                                                             | Commercial:                |                                                    |  |                                          |    |          |          |        |          |          |
|                                                             |                            | Commercial and industrial                          |  |                                          | \$ | 11       | 11       | 125    | 37       | 47       |
|                                                             |                            | Real estate mortgage                               |  |                                          |    | 13       | 35       | 40     | 175      | 164      |
|                                                             |                            | Real estate construction                           |  |                                          |    | 69       | 97       | 1      | 4        | 47       |
|                                                             |                            | Foreign                                            |  |                                          |    | 2        | -        | 1      | -        | 7        |
|                                                             |                            |                                                    |  | Total commercial                         |    | 95       | 143      | 167    | 216      | 265      |
|                                                             | Consumer:                  |                                                    |  |                                          |    |          |          |        |          |          |
|                                                             |                            | Real estate 1-4 family first mortgage (3)          |  |                                          |    | 333      | 354      | 383    | 476      | 563      |

|     |                                                                                                                                                                                           |                                                 |           |            |       |       |       |       |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-----------|------------|-------|-------|-------|-------|
|     |                                                                                                                                                                                           | Real estate 1-4 family junior lien mortgage (3) |           | <b>88</b>  | 86    | 89    | 92    | 112   |
|     |                                                                                                                                                                                           | Credit card                                     |           | <b>308</b> | 321   | 285   | 263   | 306   |
|     |                                                                                                                                                                                           | Automobile                                      |           | <b>41</b>  | 55    | 48    | 32    | 33    |
|     |                                                                                                                                                                                           | Other revolving credit and installment          |           | <b>85</b>  | 86    | 78    | 75    | 81    |
|     |                                                                                                                                                                                           | Total consumer                                  |           | <b>855</b> | 902   | 883   | 938   | 1,095 |
|     |                                                                                                                                                                                           | <b>Total, not government insured/guaranteed</b> | <b>\$</b> | <b>950</b> | 1,045 | 1,050 | 1,154 | 1,360 |
| (1) | PCI loans totaled \$4.3 billion, \$4.5 billion, \$4.9 billion, \$5.4 billion and \$5.8 billion at March 31, 2014 and December 31, September 30, June 30 and March 31, 2013, respectively. |                                                 |           |            |       |       |       |       |
| (2) | Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.                                                                                           |                                                 |           |            |       |       |       |       |
| (3) | Includes mortgages held for sale 90 days or more past due and still accruing.                                                                                                             |                                                 |           |            |       |       |       |       |
| (4) | Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP.                                                 |                                                 |           |            |       |       |       |       |

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| NET CHARGE-OFFS           |                                 |    |      |        |                  |      |      |               |      |    |                |        |   |    |               |        |               |               |      |        |   |
|---------------------------|---------------------------------|----|------|--------|------------------|------|------|---------------|------|----|----------------|--------|---|----|---------------|--------|---------------|---------------|------|--------|---|
|                           |                                 |    |      |        |                  |      |      |               |      |    |                |        |   |    |               |        |               |               |      |        |   |
| Table 30: Net Charge-offs |                                 |    |      |        |                  |      |      |               |      |    |                |        |   |    |               |        |               |               |      |        |   |
|                           |                                 |    |      |        |                  |      |      |               |      |    |                |        |   |    |               |        |               |               |      |        |   |
|                           |                                 |    |      |        |                  |      |      |               |      |    |                |        |   |    |               |        | Quarter ended |               |      |        |   |
|                           |                                 |    |      |        | Mar. 31,<br>2014 |      |      | Dec. 31, 2013 |      |    | Sept. 30, 2013 |        |   |    | June 30, 2013 |        |               | Mar. 31, 2013 |      |        |   |
|                           |                                 |    |      |        | Net<br>loan      | % of |      | Net<br>loan   | % of |    | Net<br>loan    | % of   |   |    | Net loan      | % of   |               | Net loan      | % of |        |   |
|                           |                                 |    |      |        | charge-          | avg. |      | charge-       | avg. |    | charge-        | avg.   |   |    | charge-       | avg.   |               | charge-       | avg. |        |   |
| (\$ in<br>millions)       |                                 |    |      |        | loans<br>(1)     |      |      | loans<br>(1)  |      |    | loans<br>(1)   |        |   |    | loans<br>(1)  |        |               | loans<br>(1)  |      |        |   |
| Commercial:               |                                 |    |      |        |                  |      |      |               |      |    |                |        |   |    |               |        |               |               |      |        |   |
|                           | Commercial<br>and               |    |      |        |                  |      |      |               |      |    |                |        |   |    |               |        |               |               |      |        |   |
|                           | Industrial                      | \$ | 45   | 0.09   | %                | \$   | 107  | 0.22          | %    | \$ | 58             | 0.12   | % | \$ | 77            | 0.17   | %             | \$            | 93   | 0.21   | % |
|                           | Real<br>estate<br>mortgage      |    | (22) | (0.08) |                  |      | (41) | (0.15)        |      |    | (20)           | (0.08) |   |    | (5)           | (0.02) |               |               | 29   | 0.11   |   |
|                           | Real estate<br>construction     |    | (23) | (0.55) |                  |      | (13) | (0.32)        |      |    | (17)           | (0.41) |   |    | (45)          | (1.10) |               |               | (34) | (0.83) |   |
|                           | Lease<br>financing              |    | 1    | 0.03   |                  |      | -    | -             |      |    | -              | -      |   |    | 18            | 0.57   |               |               | (1)  | (0.02) |   |
|                           | Foreign                         |    | 4    | 0.03   |                  |      | -    | -             |      |    | (2)            | (0.02) |   |    | (1)           | (0.01) |               |               | 3    | 0.03   |   |
| Total<br>commercial       |                                 |    |      |        | 5                | 0.01 |      | 53            | 0.06 |    | 19             | 0.02   |   |    | 44            | 0.05   |               |               | 90   | 0.10   |   |
| Consumer:                 |                                 |    |      |        |                  |      |      |               |      |    |                |        |   |    |               |        |               |               |      |        |   |
|                           | Real<br>estate<br>1-4<br>family |    |      |        |                  |      |      |               |      |    |                |        |   |    |               |        |               |               |      |        |   |
|                           | first<br>mortgage               |    | 170  | 0.27   |                  |      | 195  | 0.30          |      |    | 242            | 0.38   |   |    | 328           | 0.52   |               |               | 429  | 0.69   |   |
|                           | Real<br>estate<br>1-4<br>family |    |      |        |                  |      |      |               |      |    |                |        |   |    |               |        |               |               |      |        |   |
|                           | junior<br>lien<br>mortgage      |    | 192  | 1.20   |                  |      | 226  | 1.34          |      |    | 275            | 1.58   |   |    | 359           | 2.02   |               |               | 449  | 2.46   |   |
|                           | Credit<br>card                  |    | 231  | 3.57   |                  |      | 220  | 3.38          |      |    | 207            | 3.28   |   |    | 234           | 3.90   |               |               | 235  | 3.96   |   |
|                           | Automobile                      |    | 90   | 0.70   |                  |      | 108  | 0.85          |      |    | 78             | 0.63   |   |    | 42            | 0.35   |               |               | 76   | 0.66   |   |

|                                                                                                        |  |                        |        |      |   |    |     |      |   |    |     |      |   |    |       |      |   |    |       |      |   |
|--------------------------------------------------------------------------------------------------------|--|------------------------|--------|------|---|----|-----|------|---|----|-----|------|---|----|-------|------|---|----|-------|------|---|
|                                                                                                        |  | Other revolving credit |        |      |   |    |     |      |   |    |     |      |   |    |       |      |   |    |       |      |   |
|                                                                                                        |  | and installment        | 137    | 1.29 |   |    | 161 | 1.50 |   |    | 154 | 1.46 |   |    | 145   | 1.38 |   |    | 140   | 1.37 |   |
| Total consumer                                                                                         |  |                        | 820    | 0.75 |   |    | 910 | 0.82 |   |    | 956 | 0.86 |   |    | 1,108 | 1.01 |   |    | 1,329 | 1.23 |   |
|                                                                                                        |  | Total                  | \$ 825 | 0.41 | % | \$ | 963 | 0.47 | % | \$ | 975 | 0.48 | % | \$ | 1,152 | 0.58 | % | \$ | 1,419 | 0.72 | % |
|                                                                                                        |  |                        |        |      |   |    |     |      |   |    |     |      |   |    |       |      |   |    |       |      |   |
|                                                                                                        |  |                        |        |      |   |    |     |      |   |    |     |      |   |    |       |      |   |    |       |      |   |
| (1) Quarterly net charge-offs (recoveries) as a percentage of average respective loans are annualized. |  |                        |        |      |   |    |     |      |   |    |     |      |   |    |       |      |   |    |       |      |   |

Table 30 presents net charge-offs for first quarter 2014 and each of the four quarters of 2013. Net charge-offs in first quarter 2014 were \$825 million (0.41% of average total loans outstanding) compared with \$1.4 billion (0.72%) in first quarter 2013.

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. We continued to have improvement in our residential real estate secured 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 apply a disciplined process and methodology to establish our allowance for credit losses each quarter. This process takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific characteristics. The process involves subjective and complex judgments. In addition, we review a variety of credit metrics and trends. These credit metrics and trends, however, do not solely determine the amount of the allowance as we use several analytical tools. Our estimation approach for the commercial portfolio reflects the estimated probability of default in accordance with the borrower's financial strength, and the severity of loss in the event of default, considering the quality of any underlying collateral. Probability of default and severity at the time of default are statistically derived through historical observations of defaults and losses after default within each credit risk rating. Our estimation approach for the consumer portfolio uses forecasted losses that represent our best estimate of inherent loss based on historical experience, quantitative and other mathematical techniques over the loss emergence period. For additional information on our allowance for credit losses, see the "Critical Accounting Policies – Allowance for Credit Losses" section in our 2013 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.

[illegible]



[illegible]

The ratio of the allowance for credit losses to total nonaccrual loans may fluctuate significantly from period to period due to such factors as the mix of loan types in the portfolio, borrower credit strength and the value and marketability of collateral. Over one-half of nonaccrual loans were real estate 1-4 family first and junior lien mortgage loans at March 31, 2014.

Total provision for credit losses was \$325 million in first quarter 2014, compared with \$1.2 billion in first quarter 2013. The decline in the allowance for credit losses in first quarter 2014 was impacted by a \$500 million release, which reflected continued improvement in consumer loss severity, delinquency trends and improved portfolio performance, particularly in residential real estate and primarily associated with continued improvement in the housing market.

We believe the allowance for credit losses of \$14.4 billion at March 31, 2014, was appropriate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at that date. The allowance for credit losses is subject to change and reflects existing factors as of the date of determination, including economic or market conditions and ongoing internal and external examination processes. Due to the sensitivity of the allowance for credit losses to changes in the economic and business environment, it is possible that we will incur incremental credit losses not anticipated as of the balance sheet date. We continue to expect future allowance releases, absent a significant deterioration in the economy. Our process for determining the allowance for credit losses is discussed in the “Critical Accounting Policies – Allowance for Credit Losses” section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2013 Form 10-K.

**LIABILITY for Mortgage Loan Repurchase Losses** In connection with our sales and securitization of residential mortgage loans to various parties, we have established a mortgage repurchase liability, initially at fair value, related to various representations and warranties that reflect management's estimate of losses for loans for which we could have a repurchase obligation, whether or not we currently service those loans, based on a combination of factors. Our mortgage repurchase liability estimation process also incorporates a forecast of repurchase demands associated with mortgage insurance rescission activity.

Because we retain the servicing for most of the mortgage loans we sell or securitize, we believe the quality of our residential mortgage loan servicing portfolio provides helpful information in evaluating our repurchase liability. Of the \$1.8 trillion in the residential mortgage loan servicing portfolio at March 31, 2014, 94% was current, less than 2% was subprime at origination, and less than 1% was related to home equity loan securitizations. Our combined delinquency and foreclosure rate on this portfolio was 5.56% at March 31, 2014, compared with 6.40% at December 31, 2013. Three percent of this portfolio is private label securitizations for which we originated the loans and therefore have some repurchase risk.

The overall level of unresolved repurchase demands and mortgage insurance rescissions outstanding at March 31, 2014, was down from a year ago both in number of outstanding loans and in total dollar balances as we continued to work through the new demands and mortgage insurance rescissions and as we announced settlements with both FHLMC and FNMA in 2013, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009, and loans sold to FNMA that were originated prior to January 1, 2009. Demands from private investors declined significantly in first quarter 2014, primarily due to settlements with two private investors that resolved many of the increased demands we experienced commencing in 2012 and significantly in fourth quarter 2013. Both of these settlements were predominantly covered by mortgage loan repurchase accruals established in prior periods.

Table 32 provides the number of unresolved repurchase demands and mortgage insurance rescissions.

| <b>Table 32: Unresolved Repurchase Demands and Mortgage Insurance Rescissions</b> |  |  |                    |               |  |            |              |  |                     |              |                     |
|-----------------------------------------------------------------------------------|--|--|--------------------|---------------|--|------------|--------------|--|---------------------|--------------|---------------------|
|                                                                                   |  |  |                    |               |  |            |              |  |                     |              |                     |
|                                                                                   |  |  | Government         |               |  |            |              |  | Mortgage insurance  |              |                     |
|                                                                                   |  |  | sponsored entities |               |  | Private    |              |  | rescissions with no |              |                     |
|                                                                                   |  |  | (1)                |               |  |            |              |  | demand (2)          |              |                     |
|                                                                                   |  |  |                    |               |  |            |              |  | Total               |              |                     |
|                                                                                   |  |  | Number             | Original      |  | Number     | Original     |  | Number              | Original     |                     |
|                                                                                   |  |  | of                 | loan          |  | of         | loan         |  | of                  | loan         |                     |
|                                                                                   |  |  |                    |               |  |            |              |  |                     |              |                     |
| (\$ in                                                                            |  |  |                    | balance       |  |            | balance      |  |                     | balance      |                     |
| millions)                                                                         |  |  | loans              | (3)           |  | loans      | (3)          |  | loans               | (3)          |                     |
|                                                                                   |  |  |                    |               |  |            |              |  |                     |              |                     |
| <b>2014</b>                                                                       |  |  |                    |               |  |            |              |  |                     |              |                     |
| <b>March 31,</b>                                                                  |  |  | <b>599</b>         | <b>\$ 126</b> |  | <b>391</b> | <b>\$ 89</b> |  | <b>409</b>          | <b>\$ 90</b> | <b>1,399 \$ 305</b> |
|                                                                                   |  |  |                    |               |  |            |              |  |                     |              |                     |
| <b>2013</b>                                                                       |  |  |                    |               |  |            |              |  |                     |              |                     |
|                                                                                   |  |  | 674                | \$ 124        |  | 2,260      | \$ 497       |  | 394                 | \$ 87        | 3,328 708           |

|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |    |       |  |       |    |     |  |     |    |     |  |       |  |       |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-------|--|-------|----|-----|--|-----|----|-----|--|-------|--|-------|
| December 31,  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |    |       |  |       |    |     |  |     |    |     |  |       |  |       |
| September 30, | 4,422                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | \$ | 958   |  | 1,240 | \$ | 264 |  | 385 | \$ | 87  |  | 6,047 |  | 1,309 |
| June 30,      | 6,313                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | \$ | 1,413 |  | 1,206 | \$ | 258 |  | 561 | \$ | 127 |  | 8,080 |  | 1,798 |
| March 31,     | 5,910                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | \$ | 1,371 |  | 1,278 | \$ | 278 |  | 652 | \$ | 145 |  | 7,840 |  | 1,794 |
|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |    |       |  |       |    |     |  |     |    |     |  |       |  |       |
| (1)           | Includes unresolved repurchase demands of 25 and \$3 million, 42 and \$6 million, 1,247 and \$225 million, 942 and \$190 million, and 674 and \$147 million at March 31, 2014, and December 31, September 30, June 30 and March 31, 2013, respectively, received from investors on mortgage servicing rights acquired from other originators. We generally have the right of recourse against the seller and may be able to recover losses related to such repurchase demands subject to counterparty risk associated with the seller.                                                                                                                                                                                                                                                                                                                                                                    |    |       |  |       |    |     |  |     |    |     |  |       |  |       |
| (2)           | As part of our representations and warranties in our loan sales contracts, we typically represent to GSEs and private investors that certain loans have mortgage insurance to the extent there are loans that have loan to value ratios in excess of 80% that require mortgage insurance. To the extent the mortgage insurance is rescinded by the mortgage insurer due to a claim of breach of a contractual representation or warranty, the lack of insurance may result in a repurchase demand from an investor. Similar to repurchase demands, we evaluate mortgage insurance rescission notices for validity and appeal for reinstatement if the rescission was not based on a contractual breach. When investor demands are received due to lack of mortgage insurance, they are reported as unresolved repurchase demands based on the applicable investor category for the loan (GSE or private). |    |       |  |       |    |     |  |     |    |     |  |       |  |       |
| (3)           | While the original loan balances related to these demands are presented above, the establishment of the repurchase liability is based on a combination of factors, such as our appeals success rates, reimbursement by correspondent and other third party originators, and projected loss severity, which is driven by the difference between the current loan balance and the estimated collateral value less costs to sell the property.                                                                                                                                                                                                                                                                                                                                                                                                                                                               |    |       |  |       |    |     |  |     |    |     |  |       |  |       |
|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |    |       |  |       |    |     |  |     |    |     |  |       |  |       |

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

Table 33 summarizes the changes in our mortgage repurchase liability. We incurred net losses on repurchased loans and investor reimbursements totaling \$106 million in first quarter 2014, compared with \$198 million a year ago.

| <b>Table 33: Changes in Mortgage Repurchase Liability</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |  |  |    |                     |                 |                      |                              |
|-----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|----|---------------------|-----------------|----------------------|------------------------------|
|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |  |  |    |                     |                 |                      |                              |
|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |  |  |    |                     | Quarter ended   |                      |                              |
|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |  |  |    | <b>Mar.<br/>31,</b> | <b>Dec. 31,</b> | <b>Sept.<br/>30,</b> | <b>June<br/>30, Mar. 31,</b> |
| (in millions)                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |  |  |    | <b>2014</b>         | <b>2013</b>     | <b>2013</b>          | <b>2013</b>                  |
| Balance, beginning of period                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |  |  | \$ | <b>899</b>          | 1,421           | 2,222                | 2,317                        |
|                                                           | Provision for repurchase losses:                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |  |    |                     |                 |                      |                              |
|                                                           | Loan sales                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |  |  |    | <b>10</b>           | 16              | 28                   | 40                           |
|                                                           | Change in estimate (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |  |  |    | <b>(4)</b>          | 10              | -                    | 25                           |
|                                                           | Total additions                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |  |  |    | <b>6</b>            | 26              | 28                   | 65                           |
|                                                           | Losses (2)                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |  |  |    | <b>(106)</b>        | (548)           | (829)                | (160)                        |
| Balance, end of period                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |  |  | \$ | <b>799</b>          | 899             | 1,421                | 2,222                        |
|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |  |  |    |                     |                 |                      |                              |
| (1)                                                       | Results from changes in investor demand and mortgage insurer practices, credit deterioration and changes in the financial stability of correspondent lenders.                                                                                                                                                                                                                                                                                                               |  |  |  |    |                     |                 |                      |                              |
| (2)                                                       | Quarter ended September 30, 2013, reflects \$746 million as a result of the agreement with Freddie Mac that substantially resolves all repurchase liabilities related to loans sold to Freddie Mac prior to January 1, 2009. Quarter ended December 31, 2013, reflects \$508 million as a result of the agreement with Fannie Mae that substantially resolves all repurchase liabilities related to loans sold to Fannie Mae that were originated prior to January 1, 2009. |  |  |  |    |                     |                 |                      |                              |
|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |  |  |    |                     |                 |                      |                              |

Our liability for mortgage repurchases, included in “Accrued expenses and other liabilities” in our consolidated balance sheet, represents our best estimate of the probable loss that we expect to incur for various representations and warranties in the contractual provisions of our sales of mortgage loans. The liability was \$799 million at March 31, 2014 and \$2.3 billion at March 31, 2013. In first quarter 2014, we provided \$6 million, which reduced net gains on mortgage loan origination/sales activities, compared with a provision of \$309 million for first quarter 2013. The provision in first quarter 2014 was primarily associated with new loan sales.

Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that are reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of assumptions that are subject to change. The high end of this range of reasonably possible losses in excess of our recorded liability was \$940 million at March 31, 2014, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) utilized in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions.

For additional information on our repurchase liability, see the “Risk Management –Credit Risk Management –Liability For Mortgage Loan Repurchase Losses” and the “Critical Accounting Policies Liability for Mortgage Loan Repurchase Losses” sections in our 2013 Form 10-K and Note 8 (Mortgage Banking Activities) to Financial Statements in this

Report.

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**RISKS RELATING TO SERVICING ACTIVITIES** In addition to servicing loans in our portfolio, we act as servicer and/or master servicer of residential mortgage loans included in GSE-guaranteed mortgage securitizations, GNMA-guaranteed mortgage securitizations of FHA-insured/VA-guaranteed mortgages and private label mortgage securitizations, as well as for unsecuritized loans owned by institutional investors. In connection with our servicing activities we have entered into various settlements with federal and state regulators to resolve certain alleged servicing issues and practices. In general, these settlements require us to provide customers with loan modification relief, refinancing relief, and foreclosure prevention and assistance, as well as imposed certain monetary penalties on us.

In particular, on February 28, 2013, we entered into amendments to the April 2011 Consent Order with both the Office of the Comptroller of the Currency (OCC) and the FRB, which effectively ceased the Independent Foreclosure Review program created by such Consent Order and replaced it with an accelerated remediation process to be administered by the OCC and the FRB. We are required to meet the commitment to provide foreclosure prevention actions on \$1.2 billion of loans under this accelerated remediation process by January 7, 2015, and we anticipate that we will be able to meet our commitment within the required timeline primarily through first lien modification and short sale activities. This commitment did not result in any charge as we believe it is covered through the existing allowance for credit losses and the nonaccretable difference related to the purchased credit-impaired loan portfolios.

On February 9, 2012, a federal/state settlement was announced among the DOJ, HUD, the Department of the Treasury, the Department of Veteran Affairs, the Federal Trade Commission, the Executive Office of the U.S. Trustee, the Consumer Financial Protection Bureau, a task force of Attorneys General, Wells Fargo, and four other servicers related to investigations of mortgage industry servicing and foreclosure practices. Under the terms of this settlement, which will remain in effect for three and a half years (subject to a trailing review period) we have agreed to the following programmatic commitments, consisting of three components totaling approximately \$5.3 billion:

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

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

As announced on March 18, 2014, we have successfully fulfilled our commitments under both the Consumer Relief (and state-level sub-commitments) and the Refinance Programs in accordance with the terms of our commitments.

For additional information about the risks and various settlements related to our servicing activities see “Risk Management – Credit Risk Management – Risks Relating to Servicing Activities” in our 2013 Form 10-K.





## Asset/Liability Management

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

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

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

We assess interest rate risk by comparing outcomes under various earnings simulations using many interest rate scenarios that differ in the direction of interest rate changes, the degree of change over time, the speed of change and the projected shape of the yield curve. These simulations require assumptions regarding how changes in interest rates and related market conditions could influence drivers of earnings and balance sheet composition such as loan origination demand, prepayment speeds, deposit balances and mix, as well as pricing strategies.

Our risk measures include both net interest income sensitivity and interest rate sensitive noninterest income and expense impacts. We refer to the combination of these exposures as interest rate sensitive earnings. In general, the Company is positioned to benefit from higher interest rates. Currently, our profile is such that net interest income will benefit from higher interest rates as our assets reprice faster and to a greater degree than our liabilities, and, in

response to lower market rates, our assets will reprice downward and to a greater degree than our liabilities. Our interest rate sensitive noninterest income and expense is largely driven by mortgage activity, and tends to move in the opposite direction of our net interest income. So, in response to higher interest rates, mortgage activity, primarily refinancing activity, generally declines. And in response to lower rates, mortgage activity generally increases. Mortgage results are also impacted by the valuation of MSRs and related hedge positions. See the “Risk Management – Mortgage Banking Interest Rate and Market Risk” section in this Report for more information.

The degree to which these sensitivities offset each other is dependent upon the timing and magnitude of changes in interest rates, and the slope of the yield curve. During a transition to a higher or lower interest rate environment, a reduction or increase in interest-sensitive earnings from the mortgage banking business could occur quickly, while the benefit or detriment from balance sheet repricing could take more time to develop. For example, our lowest rate scenario (scenario 1) in the following table initially measures a decline in long-term interest rates versus our most likely scenario. Although the performance in this rate scenario contains initial benefit from increased mortgage banking activity, the result is lower earnings relative to the most likely scenario over time given pressure on net interest income. The higher rate scenarios (scenario 3 and scenario 4) measure the impact of varying degrees of rising short-term and long-term interest rates over the course of the forecast horizon relative to the most likely scenario, both resulting in positive earnings sensitivity.

As of March 31, 2014, our most recent simulations estimate earnings at risk over the next 24 months under a range of both lower and higher interest rates. The results of the simulations are summarized in Table 34, indicating cumulative net income after tax earnings sensitivity relative to the most likely earnings plan over the 24 month horizon (a positive range indicates a beneficial earnings sensitivity measurement relative to the most likely earnings plan and a negative range indicates a detrimental earnings sensitivity relative to the most likely earnings plan).

| Table 34: Earnings Sensitivity Over 24 Month Horizon Relative to Most Likely Earnings Plan |                                      |  |  |        |   |             |            |         |              |            |
|--------------------------------------------------------------------------------------------|--------------------------------------|--|--|--------|---|-------------|------------|---------|--------------|------------|
|                                                                                            |                                      |  |  |        |   |             |            |         |              |            |
|                                                                                            |                                      |  |  | Most   |   | Lower rates |            |         | Higher rates |            |
|                                                                                            |                                      |  |  | likely |   | Scenario 1  | Scenario 2 |         | Scenario 3   | Scenario 4 |
| Ending rates:                                                                              |                                      |  |  |        |   |             |            |         |              |            |
|                                                                                            | Federal funds                        |  |  | 1.00   | % | 0.25        |            | 0.50    |              | 1.75 4.50  |
|                                                                                            | 10-year treasury (1)                 |  |  | 3.56   |   | 1.70        |            | 3.06    |              | 4.06 5.40  |
| Earnings relative to                                                                       |                                      |  |  |        |   |             |            |         |              |            |
|                                                                                            | most likely                          |  |  | N/A    |   | (3)-(4)     | %          | (2)-(3) |              | 0-5 >5     |
| (1)                                                                                        | U.S. Constant Maturity Treasury Rate |  |  |        |   |             |            |         |              |            |

We use the investment securities portfolio and exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. See the “Balance Sheet Analysis – Investment Securities” section in this Report for more information on the use of the available-for-sale and held-to-maturity securities portfolios. The notional or contractual amount, credit risk amount and fair value of the derivatives used to hedge our interest rate risk exposures as of March 31, 2014, and December 31, 2013, are presented in Note 12 (Derivatives) to Financial Statements in this Report. We use derivatives for asset/liability management in three main ways:

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

**Mortgage Banking Interest Rate and Market Risk** We originate, fund and service mortgage loans, which subjects us to various risks, including credit, liquidity and interest rate risks. For a discussion of mortgage banking interest rate and market risk, see pages 85-87 of our 2013 Form 10-K.

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

The total carrying value of our residential and commercial MSRs was \$16.2 billion at March 31, 2014, and \$16.8 billion at December 31, 2013. The weighted-average note rate on our portfolio of loans serviced for others was 4.51% at March 31, 2014, and 4.52% at December 31, 2013. The carrying value of our total MSRs represented 0.85% of mortgage loans serviced for others at March 31, 2014, and 0.88% at December 31, 2013.

**Market Risk – Trading Activities** We engage in trading activities primarily to accommodate the investment and risk management activities of our customers, execute economic hedging to manage certain balance sheet risks and for a very limited amount of proprietary trading for our own account. These activities primarily occur within our trading businesses and include entering into transactions with our customers that are recorded as trading assets and liabilities on our balance sheet. All of our trading assets and liabilities, including securities, foreign exchange transactions, commodity transactions and derivatives are carried at fair value. Income earned related to these trading activities include net interest income and changes in fair value related to trading assets and liabilities. Net interest income earned on trading assets and liabilities is reflected in the interest income and interest expense components of our income statement. Changes in fair value of trading assets and liabilities are reflected in net gains on trading activities, a component of noninterest income in our income statement.

Table 35 presents total revenue from trading activities.

| <b>Table 35: Income from Trading Activities</b>           |                                                                                                                                                                                |  |  |  |                         |      |      |
|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|-------------------------|------|------|
|                                                           |                                                                                                                                                                                |  |  |  |                         |      |      |
|                                                           |                                                                                                                                                                                |  |  |  | Quarter ended March 31, |      |      |
| (in millions)                                             |                                                                                                                                                                                |  |  |  |                         | 2014 | 2013 |
| Interest income (1)                                       |                                                                                                                                                                                |  |  |  | \$                      | 374  | 327  |
| Less: Interest expense (2)                                |                                                                                                                                                                                |  |  |  |                         | 87   | 65   |
| Net interest income                                       |                                                                                                                                                                                |  |  |  |                         | 287  | 262  |
| Noninterest income:                                       |                                                                                                                                                                                |  |  |  |                         |      |      |
| Net gains from trading activities (3):                    |                                                                                                                                                                                |  |  |  |                         |      |      |
| Customer accommodation                                    |                                                                                                                                                                                |  |  |  |                         | 360  | 467  |
| Economic hedges and other (4)                             |                                                                                                                                                                                |  |  |  |                         | 66   | 99   |
| Proprietary trading                                       |                                                                                                                                                                                |  |  |  |                         | 6    | 4    |
| Total net trading gains                                   |                                                                                                                                                                                |  |  |  |                         | 432  | 570  |
| Total trading-related net interest and noninterest income |                                                                                                                                                                                |  |  |  | \$                      | 719  | 832  |
| (1)                                                       | Represents interest and dividend income earned on trading securities.                                                                                                          |  |  |  |                         |      |      |
| (2)                                                       | Represents interest and dividend expense incurred on trading securities we have sold but have not yet purchased.                                                               |  |  |  |                         |      |      |
| (3)                                                       | Represents realized gains from our trading activity and unrealized gains due to changes in fair value of our trading positions, attributable to the type of business activity. |  |  |  |                         |      |      |
| (4)                                                       | Excludes economic hedging of mortgage banking activities and asset/liability management.                                                                                       |  |  |  |                         |      |      |

*Customer accommodation* Customer accommodation activities are conducted to help customers manage their investment needs and risk management and hedging activities. We engage in market-making activities or act as an

intermediary to purchase or sell financial instruments in anticipation of or in response to customer needs. This category also includes positions we use to manage our exposure to such transactions.

For the majority of our customer accommodation trading, we serve as intermediary between buyer and seller. For example, we may purchase or sell a derivative to a customer who wants to manage interest rate risk exposure. We typically enter into offsetting derivative or security positions with a separate counterparty or exchange to manage our exposure to the derivative with our customer. We earn income on this activity based on the transaction price difference between the customer and offsetting derivative or security positions, which is reflected in the fair value changes of the positions recorded in net gains on trading activities.

Customer accommodation trading also includes net gains related to market-making activities in which we take positions to facilitate

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

customer order flow. For example, we may own securities recorded as trading assets (long positions) or sold securities we have not yet purchased, recorded as trading liabilities (short positions), typically on a short-term basis, to facilitate anticipated buying and selling demand from our customers. As market-maker in these securities, we earn income due to: (1) the difference between the price paid or received for the purchase and sale of the security (bid-ask spread), (2) the net interest income, and (3) the change in fair value of the long or short positions during the short-term period held on our balance sheet. Additionally, we may enter into separate derivative or security positions to manage our exposure related to our long or short security positions. Collectively, income earned on this type of market-making activity is reflected in the fair value changes of these positions recorded in net gain on trading activities.

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

*Proprietary trading* Proprietary trading consists of security or derivative positions executed for our own account based upon market expectations or to benefit from price differences between financial instruments and markets. Proprietary trading activity has been substantially restricted by the Dodd-Frank Act provisions known as the “Volcker Rule.” Accordingly, we reduced and are exiting certain business activities in anticipation of the rule’s compliance date. As discussed within this section and the noninterest income section of our financial results, proprietary trading activity is insignificant to our business and financial results. For more details on the Volcker Rule, see the “Regulatory Reform” section in this Report and in our 2013 Form 10-K.

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

**Table 36: Distribution of Daily Trading-Related Revenues (for the quarter ended March 31, 2014)**

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

*Market Risk Governance* The Finance Committee of our Board reviews and approves the acceptable level of market risk for the Company. The Corporate Risk Group's Market Risk Committee is responsible for governance and oversight over market risk-taking activities across the Company as well as the establishment of market risk appetite and associated limits. The Corporate Market Risk Group, which is part of the Corporate Risk Group, administers and monitors compliance with the requirements established by the Market Risk Committee. The Corporate Market Risk Group has oversight responsibilities in identifying, measuring and monitoring the Company's market risk. The group is responsible for quantitative market risk model development, establishing independent risk limits,



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

calculation and analysis of market risk capital, and reporting aggregated and line of business market risk information. Limits are regularly reviewed to ensure they remain relevant and within the market risk appetite for the Company. There is an automated limits monitoring system that enables a daily comprehensive review of multiple limits mandated across businesses by the Corporate Market Risk Group. Limits are set with inner boundaries that will be periodically breached to promote an ongoing dialogue of risk exposure within the Company. Each line of business that exposes the Company to market risk has direct responsibility for managing market risk in accordance with defined risk tolerances and approved market risk mandates and hedging strategies. As described below, we measure and monitor market risk for both management and regulatory capital purposes.

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

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

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

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

VaR models are subject to limitations which include, but are not limited to, the use of historical changes in market values which may not accurately reflect future changes in market values, and the inability to predict market liquidity in extreme market conditions. Limitations such as model inputs, model assumptions, and calculation methodology risk are monitored by the Corporate Market Risk Group and the Corporate Model Risk Group. Given the inherent limitations of the VaR models, the Company utilizes other measures, including sensitivity analysis and stress testing,

to measure and monitor risk.

**Sensitivity Analysis Overview** Sensitivity analysis is the measure of exposure to a single risk factor, such as a one basis point increase in rates or a 1% increase in equity prices. We conduct and monitor sensitivity on interest rates, credit spreads, volatility, equity, commodity, and foreign exchange exposure. Since VaR is based upon previous moves in market risk factors over recent historical periods, it may not provide accurate predictions of future market moves. Sensitivity analysis complements VaR as it provides an indication of risk relative to each factor irrespective of historical market moves.

**Stress Testing Overview** While VaR captures the risk of loss due to adverse changes in markets using recent historical market data, stress testing captures the Company's exposure to extreme, but low probability market movements. Stress scenarios estimate the risk of losses based on management's assumptions of abnormal but severe market movements such as severe credit spread widening or a large decline in equity prices. These scenarios also assume that the market moves happen instantaneously and no repositioning or hedging activity takes place to mitigate losses as events unfold (although experience demonstrates otherwise).

An inventory of scenarios is maintained representing both historical and hypothetical stress events that affect a broad range of market risk factors with varying degrees of correlation and differing time horizons. Historical scenarios utilize an event-driven approach: the stress scenarios are based on plausible but rare events, and the analysis addresses how these events might affect the risk factors relevant to a portfolio. Hypothetical scenarios assess the impact of large movements in financial variables on portfolio values. Typical examples include a 100 basis point increase across the yield curve or a 10% decline in stock market indexes. However, this analysis lacks historical and economic content, which can limit its usefulness.

The Company's stress testing framework is also used in calculating results in support of the Federal Reserve Board's Comprehensive Capital Analysis & Review (CCAR) and internal risk measures. Stress scenarios are regularly reviewed and updated to address potential market events or concerns. For more detail on the CCAR process, see the "Capital Management" section in this Report.

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

Table 38 shows the results of the Company's Trading VaR by risk category. As presented in the table, average Trading VaR was \$23

million for the quarter ended March 31, 2014, compared with \$21 million for the quarter ended December 31, 2013. The increase was primarily driven by changes in portfolio composition.

| Table 38: Trading 1-Day 99% VaR Metrics |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |        |                |  |               |     |      |                   |        |         |  |      |     |      |    |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--------|----------------|--|---------------|-----|------|-------------------|--------|---------|--|------|-----|------|----|
|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |        |                |  |               |     |      |                   |        |         |  |      |     |      |    |
|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |        |                |  | Quarter ended |     |      |                   |        |         |  |      |     |      |    |
|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |        | March 31, 2014 |  |               |     |      | December 31, 2013 |        |         |  |      |     |      |    |
|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  | Period |                |  |               |     |      |                   | Period |         |  |      |     |      |    |
| (in millions)                           |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  | end    | Average        |  |               | Low | High |                   | end    | Average |  |      | Low | High |    |
| VaR Risk Categories                     |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |        |                |  |               |     |      |                   |        |         |  |      |     |      |    |
| Credit                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  | \$     | 33             |  | 32            |     | 31   | 35                |        | 32      |  | 33   |     | 30   | 36 |
| Interest rate                           |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |        | 23             |  | 24            |     | 16   | 32                |        | 20      |  | 19   |     | 13   | 25 |
| Equity                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |        | 7              |  | 7             |     | 7    | 9                 |        | 9       |  | 6    |     | 4    | 9  |
| Commodity                               |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |        | 1              |  | 1             |     | 1    | 2                 |        | 1       |  | 2    |     | 1    | 3  |
| Foreign exchange                        |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |        | 2              |  | 2             |     | 1    | 3                 |        | -       |  | 1    |     | -    | 2  |
| Diversification benefit (1)             |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |        | (44)           |  | (43)          |     |      |                   |        | (38)    |  | (40) |     |      |    |
|                                         | Total VaR                                                                                                                                                                                                                                                                                                                                                                                                                              |  |  | \$     | 22             |  | 23            |     |      |                   |        | 24      |  | 21   |     |      |    |
|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |        |                |  |               |     |      |                   |        |         |  |      |     |      |    |
| (1)                                     | The period-end VaR was less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone. The diversification benefit is not meaningful for low and high metrics since they may occur on different days. |  |  |        |                |  |               |     |      |                   |        |         |  |      |     |      |    |
|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |        |                |  |               |     |      |                   |        |         |  |      |     |      |    |

**Model Risk Management** Internal market risk models are governed by our Corporate Model Risk Committee (CMoR) policies and procedures, which include model validation. The purpose of model validation includes ensuring the model is appropriate for its intended use and that appropriate controls exist to help mitigate the risk of invalid results. Model validation assesses the adequacy and appropriateness of the model, including reviewing its key components such as inputs, processing components, logic or theory, output results and supporting model documentation. Validation also includes ensuring significant unobservable model inputs are

**appropriate given observable market transactions or other market data within the same or similar asset classes. This ensures modeled approaches are appropriate given similar product valuation techniques and are in line with their intended purpose. The Corporate Model Risk group provides oversight of model validation and assessment processes.**

**All internal valuation models are subject to ongoing review by business-unit-level management, and all models are subject to additional oversight by a corporate-level risk management department. Corporate oversight responsibilities include evaluating the adequacy of business unit risk management programs, maintaining company-wide model validation policies and standards and reporting the results of these activities to management and CMoR.**

*Regulatory Market Risk Capital* Effective January 1, 2013, U.S. banking regulators adopted “Risk-Based Capital Guidelines: Market Risk” as the regulations covering the calculation of market risk regulatory capital. The market risk capital rule, commonly known as Basel 2.5, requires banking organizations with significant trading activities to adjust their capital requirements to better account for the market risks of those activities. The rule substantially modified the determination of market risk-weighted assets, and implements a more risk sensitive methodology. The Basel 2.5 regulatory market risk capital rule introduced new measures of market risk including stressed VaR, an incremental risk charge, and updates to standard specific risk charges. The market risk capital rule was reflected in the Company’s calculation of risk-weighted assets upon initial adoption in first quarter 2013. Effective January 1, 2014, U.S. banking regulators adopted a final rule that revised the market risk capital rule (Basel 2.5) and is commonly known as Basel III. The market risk capital rule (Basel III) was reflected in the Company’s calculation of risk-weighted assets in first quarter 2014.

Table 39 summarizes the market risk-based capital requirements charge and market RWA as of March 31, 2014, and December 31, 2013, in accordance with the Basel 2.5 market risk capital rule. The increase in market risk risk-based regulatory capital was due primarily to the increase in the standard specific risk charge which is assessed to those products that do not flow through a specific risk model.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

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

| Table 39: Market Risk Regulatory Capital and RWA |                                  |  |       |    |                |  |          |                   |         |  |
|--------------------------------------------------|----------------------------------|--|-------|----|----------------|--|----------|-------------------|---------|--|
|                                                  |                                  |  |       |    |                |  |          |                   |         |  |
|                                                  |                                  |  |       |    | March 31, 2014 |  |          | December 31, 2013 |         |  |
|                                                  |                                  |  |       |    | Risk-          |  | Risk-    |                   | Risk-   |  |
|                                                  |                                  |  |       |    | based          |  | weighted |                   | based   |  |
|                                                  |                                  |  |       |    | capital        |  | assets   |                   | capital |  |
| (in millions)                                    |                                  |  |       |    |                |  |          |                   |         |  |
| Total VaR Measure                                |                                  |  |       | \$ | 173            |  | 2,164    |                   | 252     |  |
| Total Stressed VaR Measure                       |                                  |  |       |    | 1,059          |  | 13,238   |                   | 921     |  |
| Incremental Risk Charge (IRC)                    |                                  |  |       |    | 376            |  | 4,692    |                   | 393     |  |
| Total Modeled Capital (1)                        |                                  |  |       |    | 1,608          |  | 20,094   |                   | 1,566   |  |
| Comprehensive Risk Charge (CRC)                  |                                  |  |       |    | -              |  | -        |                   | -       |  |
| Securitized Product Charge                       |                                  |  |       |    | 799            |  | 9,990    |                   | 633     |  |
| Standard Specific Risk Charge                    |                                  |  |       |    | 1,288          |  | 16,104   |                   | 583     |  |
| De minimus Charges                               |                                  |  |       |    | 155            |  | 1,939    |                   | 125     |  |
|                                                  |                                  |  | Total | \$ | 3,850          |  | 48,127   |                   | 2,907   |  |
|                                                  |                                  |  |       |    |                |  |          |                   |         |  |
| (1)                                              | Includes the capital multiplier. |  |       |    |                |  |          |                   |         |  |
|                                                  |                                  |  |       |    |                |  |          |                   |         |  |

*Composition of Material Portfolio of Covered Positions* The Basel 2.5 market risk capital rule substantially modified the determination of market RWA, and implemented a more risk sensitive methodology for the risks inherent in certain “covered” trading positions. The positions that are “covered” by the market risk capital rule are generally a subset of our trading assets and trading liabilities, specifically those held by the Company for the purpose of short-term resale or with the intent of benefiting from actual or expected short-term price movements, or to lock in arbitrage profits.

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

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

Basel 2.5 prescribes various VaR measures (e.g., Total VaR Measure) in the determination of regulatory capital and risk-weighted assets. The Company uses the same VaR models for both market risk management purposes as well as regulatory capital calculations.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

Regulatory VaR The Regulatory VaR measures include:

- General VaR – measures the risk of broad market movements such as changes in the level of interest rates, credit spreads, equity prices, foreign exchange rates, and commodity prices. General VaR uses historical simulation analysis based on 99% confidence level and a 10-day time horizon.
- Specific Risk VaR – measures the risk of loss that could result from factors other than broad market movement or name specific market risk. Specific Risk VaR uses Monte Carlo simulation analysis based on a 99% confidence level and a 10-day time horizon.
- Total VaR Measure – composed of General VaR and Specific Risk VaR and uses the previous 12 months of historical market data to comply with regulatory requirements.
- Total Stressed VaR Measure – uses a historical period of significant financial stress over a continuous 12 month period using historically available market data and is composed of General Stressed VaR and Specific Risk Stressed VaR. Stressed VaR uses the same methodology and models as the Total VaR measure.

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

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

Table 40 shows the General VaR measure categorized by major risk categories. Table 41 shows the results of the Company's modeled components for regulatory capital calculations. As presented in Table 40, average 10-day General VaR was \$48 million for the quarter ended March 31, 2014, compared with \$80 million for the quarter ended December 31, 2013. As of January 1, 2014, the market risk capital rules were modified to exclude certain interest rate hedges from the credit valuation adjustment (CVA) of counterparty risk. The removal of these CVA hedge positions, in addition to changes in portfolio

composition, resulted in the reduction of Regulatory VaR from the prior quarter.

| Table 40: 10-Day 99% Regulatory General VaR Categories |  |  |  |        |                |  |               |     |      |     |                   |         |  |      |     |      |     |
|--------------------------------------------------------|--|--|--|--------|----------------|--|---------------|-----|------|-----|-------------------|---------|--|------|-----|------|-----|
|                                                        |  |  |  |        |                |  |               |     |      |     |                   |         |  |      |     |      |     |
|                                                        |  |  |  |        |                |  | Quarter ended |     |      |     |                   |         |  |      |     |      |     |
|                                                        |  |  |  |        | March 31, 2014 |  |               |     |      |     | December 31, 2013 |         |  |      |     |      |     |
|                                                        |  |  |  | Period |                |  |               |     |      |     | Period            |         |  |      |     |      |     |
| (in millions)                                          |  |  |  | end    | Average        |  |               | Low | High |     | end               | Average |  |      | Low | High |     |
| Wholesale General VaR Risk Categories                  |  |  |  |        |                |  |               |     |      |     |                   |         |  |      |     |      |     |
| Credit                                                 |  |  |  | \$     | 108            |  | 113           |     | 97   | 132 |                   | 102     |  | 107  |     | 92   | 120 |
| Interest rate                                          |  |  |  |        | 54             |  | 58            |     | 36   | 78  |                   | 40      |  | 40   |     | 24   | 61  |
| Equity                                                 |  |  |  |        | 4              |  | 4             |     | 1    | 8   |                   | 7       |  | 4    |     | 2    | 8   |
| Commodity                                              |  |  |  |        | 3              |  | 3             |     | 2    | 4   |                   | 4       |  | 4    |     | 2    | 5   |
| Foreign exchange                                       |  |  |  |        | 2              |  | 4             |     | 1    | 7   |                   | 1       |  | 2    |     | 1    | 6   |
| Diversification benefit (1)                            |  |  |  |        | (127)          |  | (138)         |     | -    | -   |                   | (81)    |  | (92) |     | -    | -   |
| Wholesale General VaR                                  |  |  |  | \$     | 44             |  | 44            |     | 33   | 62  |                   | 73      |  | 65   |     | 49   | 79  |
| Company General VaR                                    |  |  |  |        | 47             |  | 48            |     | 37   | 66  |                   | 79      |  | 80   |     | 60   | 96  |
|                                                        |  |  |  |        |                |  |               |     |      |     |                   |         |  |      |     |      |     |

(1) The period-end VaR was less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone. The diversification benefit is not meaningful for low and high metrics since they may occur on different days.

| <b>Table 41: Regulatory Modeled Components Used to Calculate RWA</b> |    |     |        |         |  |     |     |      |  |  |        |         |     |  |
|----------------------------------------------------------------------|----|-----|--------|---------|--|-----|-----|------|--|--|--------|---------|-----|--|
| Quarter ended                                                        |    |     |        |         |  |     |     |      |  |  |        |         |     |  |
| March 31, 2014                                                       |    |     |        |         |  |     |     |      |  |  |        |         |     |  |
| December 31, 2013                                                    |    |     |        |         |  |     |     |      |  |  |        |         |     |  |
|                                                                      |    |     | Period |         |  |     |     |      |  |  | Period |         |     |  |
| (in millions)                                                        |    |     | end    | Average |  |     | Low | High |  |  | end    | Average |     |  |
| Total VaR Measure                                                    | \$ | 57  |        | 58      |  | 46  | 73  |      |  |  | 84     |         | 84  |  |
| Total Stressed VaR Measure                                           |    | 364 |        | 353     |  | 270 | 449 |      |  |  | 328    |         | 307 |  |
| Incremental Risk Charge (IRC)                                        |    | 339 |        | 375     |  | 307 | 469 |      |  |  | 425    |         | 393 |  |
| Comprehensive Risk Charge (CRC)                                      |    | -   |        | -       |  | -   | -   |      |  |  | -      |         | -   |  |
| Total Modeled Capital                                                | \$ | 760 |        | 786     |  |     |     |      |  |  | 837    |         | 784 |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are





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

**Securitization Positions** Basel 2.5 imposes a separate market risk capital charge for positions classified as a securitization or re-securitization. The primary criteria for classification as a securitization is whether there is a transfer of risk and whether the credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority. Covered trading securitizations positions under Basel 2.5 include ABS, commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), and collateralized loan and other debt obligations (CLO/CDO) positions. The securitization capital requirements are the greater of the capital requirements of the net long or short exposure, and are capped at the maximum loss that could be incurred on any given transaction. Table 42 shows the aggregate net fair market value of securities and derivative securitization positions by exposure type that meet the regulatory definition of a covered trading securitization position at March 31, 2014, and December 31, 2013.

| <b>Table 42: Covered Securitization Positions by Exposure Type (Market Value)</b> |       |  |  |                       |             |             |                |      |                          |             |             |                |  |
|-----------------------------------------------------------------------------------|-------|--|--|-----------------------|-------------|-------------|----------------|------|--------------------------|-------------|-------------|----------------|--|
|                                                                                   |       |  |  |                       |             |             |                |      |                          |             |             |                |  |
|                                                                                   |       |  |  | <b>March 31, 2014</b> |             |             |                |      | <b>December 31, 2013</b> |             |             |                |  |
| (in millions)                                                                     |       |  |  | <b>ABS</b>            | <b>CMBS</b> | <b>RMBS</b> | <b>CLO/CDO</b> |      | <b>ABS</b>               | <b>CMBS</b> | <b>RMBS</b> | <b>CLO/CDO</b> |  |
|                                                                                   |       |  |  |                       |             |             |                |      |                          |             |             |                |  |
| <b>Securitization Exposure</b>                                                    |       |  |  |                       |             |             |                |      |                          |             |             |                |  |
| Securities                                                                        |       |  |  | \$                    | 1,037       | 530         | 547            | 431  | 604                      | 559         | 479         | 561            |  |
| Derivatives                                                                       |       |  |  |                       | 3           | 5           | 15             | (60) | (2)                      | 2           | 16          | (72)           |  |
|                                                                                   | Total |  |  | \$                    | 1,040       | 535         | 562            | 371  | 602                      | 561         | 495         | 489            |  |
|                                                                                   |       |  |  |                       |             |             |                |      |                          |             |             |                |  |

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

**Comprehensive Risk Charge / Correlation Trading** The market risk capital rule requires capital for correlation trading positions. The net market value of correlation trading positions that meet the definition of a covered position at March 31, 2014 was a net gain of less than \$1 million. Correlation trading is a discontinued business in which the Company is no longer active, with current positions hedged and maturing over time. Given the immaterial aspect of this discontinued activity, the Company has elected not to develop an internal model based approach but will utilize standard specific risk charges for these positions.

Other Specific Risk For positions that are not evaluated by the approved internal specific risk models, a regulatory prescribed standard specific risk charge is applied. The standard specific risk add-on for sovereign entities, public sector entities and depository institutions is based on the Organization for Economic Co-operation and Development (OECD) country risk classifications (CRC) and the remaining contractual maturity of the position. These risk add-ons for debt positions ranges from 0.25% to 12%. The add-on for corporate debt is based on credit spreads and the remaining contractual maturity of the position. All other types of debt positions are subject to an 8% add-on. The standard specific risk add-on for equity positions is generally 8%.

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

Any observed clean P&L loss in excess of the Total VaR Measure is considered an exception. The actual number of exceptions (that is, the number of business days for which the clean P&L losses exceed the corresponding 1-day, 99% Total VaR Measure) over the preceding 12 months is used to determine the VaR multiplier for the capital calculation. The number of actual backtesting exceptions is dependent on current market performance relative to historic market volatility. This capital multiplier increases from a minimum of three to a maximum of four, depending on the number of exceptions.

There were no backtesting exceptions which occurred in first quarter 2014. There were exceptions in second quarter 2013 that were driven by increased volatility in the fixed income markets from uncertainty about the Federal Reserve's intentions regarding their quantitative easing efforts. These exceptions did not result in an increase in the capital multiplier.

Table 43 shows daily Total VaR Measure (1-day, 99%) for the 12 months ended March 31, 2014. The Wells Fargo average Total VaR Measure for first quarter 2014 was \$22 million with a low of \$19 million and a high of \$26 million.

**Table 43: Daily Total VaR Measure (Rolling 12 Months)**



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

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

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

Changes in equity market prices may also indirectly affect our net income by (1) the value of third party assets under management and, hence, fee income, (2) borrowers whose ability to repay principal and/or interest may be affected by the stock market, or (3) brokerage activity, related commission income and other business activities. Each business line monitors and manages these indirect risks.

Table 44 provides information regarding our marketable and nonmarketable equity investments.

| Table 44: Nonmarketable and Marketable Equity Investments |                          |                            |                               |                     |                        |    |          |          |
|-----------------------------------------------------------|--------------------------|----------------------------|-------------------------------|---------------------|------------------------|----|----------|----------|
|                                                           |                          |                            |                               |                     |                        |    |          |          |
|                                                           |                          |                            |                               |                     |                        |    | Mar. 31, | Dec. 31, |
| (in millions)                                             |                          |                            |                               |                     |                        |    | 2014     | 2013     |
| Nonmarketable equity investments:                         |                          |                            |                               |                     |                        |    |          |          |
|                                                           | Cost method:             |                            |                               |                     |                        |    |          |          |
|                                                           |                          | Private equity investments |                               |                     |                        | \$ | 2,525    | 2,308    |
|                                                           |                          | Federal bank stock         |                               |                     |                        |    | 4,555    | 4,670    |
|                                                           |                          |                            | Total cost method             |                     |                        |    | 7,080    | 6,978    |
|                                                           | Equity method and other: |                            |                               |                     |                        |    |          |          |
|                                                           |                          | LIHTC investments (1)      |                               |                     |                        |    | 6,217    | 6,209    |
|                                                           |                          | Private equity and other   |                               |                     |                        |    | 5,532    | 5,782    |
|                                                           |                          |                            | Total equity method and other |                     |                        |    | 11,749   | 11,991   |
|                                                           | Fair value (2)           |                            |                               |                     |                        |    | 1,933    | 1,386    |
|                                                           |                          |                            |                               | Total nonmarketable |                        |    |          |          |
|                                                           |                          |                            |                               |                     | equity investments (3) | \$ | 20,762   | 20,355   |
| Marketable equity securities:                             |                          |                            |                               |                     |                        |    |          |          |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|     |                                                                                                                                                                                                                                               |  |  |                       |    |       |       |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|-----------------------|----|-------|-------|
|     | Cost                                                                                                                                                                                                                                          |  |  |                       | \$ | 1,935 | 2,039 |
|     | Net unrealized gains                                                                                                                                                                                                                          |  |  |                       |    | 1,526 | 1,346 |
|     |                                                                                                                                                                                                                                               |  |  | Total marketable      |    |       |       |
|     |                                                                                                                                                                                                                                               |  |  | equity securities (4) | \$ | 3,461 | 3,385 |
|     |                                                                                                                                                                                                                                               |  |  |                       |    |       |       |
| (1) | Represents low income housing tax credit investments.                                                                                                                                                                                         |  |  |                       |    |       |       |
| (2) | Represents nonmarketable equity investments for which we have elected the fair value option. See Note 6 (Other Assets) and Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information. |  |  |                       |    |       |       |
| (3) | Included in other assets on the balance sheet. See Note 6 (Other Assets) to Financial Statements in this Report for additional information.                                                                                                   |  |  |                       |    |       |       |
| (4) | Included in available-for-sale securities. See Note 4 (Investment Securities) to Financial Statements in this Report for additional information.                                                                                              |  |  |                       |    |       |       |
|     |                                                                                                                                                                                                                                               |  |  |                       |    |       |       |

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

We maintain liquidity in the form of cash, cash equivalents and unencumbered high-quality, liquid securities. These assets make up our primary sources of liquidity, which are presented in Table 45. Our cash is primarily on deposit with the Federal Reserve. Securities included as part of our primary sources of liquidity are comprised of U.S. Treasury and federal agency debt, and mortgage-backed securities issued by federal agencies within our investment securities portfolio. We believe these securities provide quick sources of liquidity through sales or by pledging to obtain financing, regardless of market conditions. Some of these securities are within the held-to-maturity portion of our investment securities portfolio and as such are not intended for sale but may be pledged to obtain financing. Some of the legal entities within our consolidated group of companies are subject to various regulatory, tax, legal and other restrictions that can limit the transferability of their funds. Accordingly, we believe we maintain adequate liquidity at these entities in consideration of such funds transfer restrictions.

| <b>Table 45: Primary Sources of Liquidity</b>        |                                                                                                                                                                                                                                                                                                                                                    |                       |                   |                     |           |                          |                   |                     |  |
|------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------|---------------------|-----------|--------------------------|-------------------|---------------------|--|
|                                                      |                                                                                                                                                                                                                                                                                                                                                    |                       |                   |                     |           |                          |                   |                     |  |
|                                                      |                                                                                                                                                                                                                                                                                                                                                    | <b>March 31, 2014</b> |                   |                     |           | <b>December 31, 2013</b> |                   |                     |  |
| (in millions)                                        |                                                                                                                                                                                                                                                                                                                                                    | <b>Total</b>          | <b>Encumbered</b> | <b>Unencumbered</b> |           | <b>Total</b>             | <b>Encumbered</b> | <b>Unencumbered</b> |  |
| Cash on deposit                                      | \$                                                                                                                                                                                                                                                                                                                                                 | 194,100               | -                 | 194,100             | \$        | 186,249                  | -                 | 186,249             |  |
| Securities of U.S. Treasury and federal agencies (1) |                                                                                                                                                                                                                                                                                                                                                    | 12,194                | 810               | 11,384              |           | 6,280                    | 571               | 5,709               |  |
| Mortgage-backed securities of federal agencies (2)   |                                                                                                                                                                                                                                                                                                                                                    | 124,258               | 56,602            | 67,656              |           | 123,796                  | 60,605            | 63,191              |  |
| <b>Total</b>                                         | <b>\$</b>                                                                                                                                                                                                                                                                                                                                          | <b>330,552</b>        | <b>57,412</b>     | <b>273,140</b>      | <b>\$</b> | <b>316,325</b>           | <b>61,176</b>     | <b>255,149</b>      |  |
| (1)                                                  | Included in encumbered securities were securities with a fair value of \$209 million which were purchased in March 2014, but settled in April 2014.                                                                                                                                                                                                |                       |                   |                     |           |                          |                   |                     |  |
| (2)                                                  | Included in encumbered securities at March 31, 2014, were securities with a fair value of \$347 million, which were purchased in March, but settled in April 2014. Included in encumbered securities at December 31, 2013, were securities with a fair value of \$653 million, which were purchased in December 2013, but settled in January 2014. |                       |                   |                     |           |                          |                   |                     |  |

Other than our primary sources of liquidity shown in Table 45, liquidity is also available through the sale or financing of other securities including trading and/or available-for-sale securities, as well as through the sale, securitization or financing of loans, to the extent such securities and loans are not encumbered. In addition, other securities in our held-to-maturity portfolio, to the extent not encumbered, may be pledged to obtain financing.

Core customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. At March 31, 2014, core deposits were 120% of total loans compared with 119% at December 31, 2013. Additional funding is provided by long-term debt, other foreign deposits, and short-term borrowings.

Table 46 shows selected information for short-term borrowings, which generally mature in less than 30 days.

| <b>Table 46: Short-Term Borrowings</b> |  |  |  |  |                      |                 |                  |                 |                 |
|----------------------------------------|--|--|--|--|----------------------|-----------------|------------------|-----------------|-----------------|
|                                        |  |  |  |  |                      |                 |                  |                 |                 |
|                                        |  |  |  |  | <b>Quarter ended</b> |                 |                  |                 |                 |
|                                        |  |  |  |  | <b>Mar. 31,</b>      | <b>Dec. 31,</b> | <b>Sept. 30,</b> | <b>June 30,</b> | <b>Mar. 31,</b> |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are



| (in millions)                                                                  |                                                                                                                               |    | 2014   | 2013   | 2013   | 2013   | 2013   |
|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|----|--------|--------|--------|--------|--------|
| <b>Balance, period end</b>                                                     |                                                                                                                               |    |        |        |        |        |        |
| Federal funds purchased and securities sold under agreements to repurchase     |                                                                                                                               | \$ | 39,254 | 36,263 | 36,881 | 38,486 | 38,430 |
| Commercial paper                                                               |                                                                                                                               |    | 6,070  | 5,162  | 5,116  | 4,132  | 5,699  |
| Other short-term borrowings                                                    |                                                                                                                               |    | 11,737 | 12,458 | 11,854 | 14,365 | 16,564 |
| Total                                                                          |                                                                                                                               | \$ | 57,061 | 53,883 | 53,851 | 56,983 | 60,693 |
| <b>Average daily balance for period</b>                                        |                                                                                                                               |    |        |        |        |        |        |
| Federal funds purchased and securities sold under agreements to repurchase     |                                                                                                                               | \$ | 37,711 | 36,232 | 35,894 | 38,206 | 34,561 |
| Commercial paper                                                               |                                                                                                                               |    | 5,713  | 4,731  | 4,610  | 4,855  | 4,611  |
| Other short-term borrowings                                                    |                                                                                                                               |    | 11,078 | 11,323 | 12,899 | 14,751 | 16,239 |
| Total                                                                          |                                                                                                                               | \$ | 54,502 | 52,286 | 53,403 | 57,812 | 55,411 |
| <b>Maximum month-end balance for period</b>                                    |                                                                                                                               |    |        |        |        |        |        |
| Federal funds purchased and securities sold under agreements to repurchase (1) |                                                                                                                               | \$ | 39,589 | 36,263 | 36,881 | 39,451 | 38,430 |
| Commercial paper (2)                                                           |                                                                                                                               |    | 6,070  | 5,162  | 5,116  | 5,500  | 5,699  |
| Other short-term borrowings (3)                                                |                                                                                                                               |    | 11,737 | 12,458 | 13,384 | 14,916 | 16,564 |
|                                                                                |                                                                                                                               |    |        |        |        |        |        |
|                                                                                |                                                                                                                               |    |        |        |        |        |        |
| (1)                                                                            | Highest month-end balance in each of the last five quarters was in February 2014 and December, September, May and March 2013. |    |        |        |        |        |        |
| (2)                                                                            | Highest month-end balance in each of the last five quarters was in March 2014 and December, September, May and March 2013.    |    |        |        |        |        |        |
| (3)                                                                            | Highest month-end balance in each of the last five quarters was in March 2014 and December, July, April and March 2013.       |    |        |        |        |        |        |
|                                                                                |                                                                                                                               |    |        |        |        |        |        |

We access domestic and international capital markets for long-term funding (generally greater than one year) through issuances of registered debt securities, private placements and asset-backed secured funding. Investors in the long-term capital markets, as well as other market participants, generally will consider, among other factors, a company's debt rating in making investment decisions. Rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, the level and quality of earnings, and rating agency assumptions regarding the probability and extent of federal financial assistance or support for certain large financial institutions. Adverse changes in these factors could result in a reduction of our credit rating; however, our debt securities do not contain credit rating covenants.

Generally, rating agencies review a firm's ratings at least annually. There were no changes to our credit ratings in first quarter 2014, and both the Parent and Wells Fargo Bank, N.A. remain among the top-rated financial firms in the U.S. Standard and Poor's Rating Services (S&P) is continuing its reassessment of whether to incorporate the likelihood of extraordinary government support into the ratings of certain bank holding companies, including the Parent, in light of regulatory developments related to the Title II Orderly Liquidation Authority of the Dodd-Frank Act that could make federal support less certain and predictable. S&P has not specified a timeframe for completion of their review.

See the "Risk Factors" section in our 2013 Form 10-K for additional information on the potential impact a credit rating downgrade would have on our liquidity and operations, as well as Note 12 (Derivatives) to Financial Statements in this Report for information regarding additional collateral and funding obligations required for

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

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

certain derivative instruments in the event our credit ratings were to fall below investment grade.

The credit ratings of the Parent and Wells Fargo Bank, N.A. as of March 31, 2014, are presented in Table 47.

| <b>Table 47: Credit Ratings</b> |  |  |                       |  |            |  |                        |  |            |
|---------------------------------|--|--|-----------------------|--|------------|--|------------------------|--|------------|
|                                 |  |  |                       |  |            |  |                        |  |            |
|                                 |  |  | Wells Fargo & Company |  |            |  | Wells Fargo Bank, N.A. |  |            |
|                                 |  |  |                       |  | Short-term |  | Long-term              |  | Short-term |
|                                 |  |  | Senior debt           |  | borrowings |  | deposits               |  | borrowings |
| Moody's                         |  |  | A2                    |  | P-1        |  | Aa3                    |  | P-1        |
| S&P                             |  |  | A+                    |  | A-1        |  | AA-                    |  | A-1+       |
| Fitch Ratings                   |  |  | AA-                   |  | F1+        |  | AA                     |  | F1+        |
| DBRS                            |  |  | AA                    |  | R-1*       |  | AA**                   |  | R-1**      |
|                                 |  |  |                       |  |            |  |                        |  |            |
| * middle **high                 |  |  |                       |  |            |  |                        |  |            |
|                                 |  |  |                       |  |            |  |                        |  |            |

On January 6, 2013, the Basel Committee on Bank Supervision (BCBS) endorsed a revised Basel III liquidity framework for banks. In October 2013, a Notice of Proposed Rulemaking (NPR) regarding the U.S. implementation of the Basel III liquidity coverage ratio (LCR) was issued by the FRB, OCC and FDIC. The NPR's public comment period closed on January 31, 2014, and the agencies will review and take into consideration the comments filed on the proposal before adopting a final rule. The FRB recently finalized rules imposing enhanced liquidity management standards on large bank holding companies (BHC) such as Wells Fargo. We will continue to analyze these proposed and recently finalized rules and other regulatory proposals that may affect liquidity risk management to determine the level of operational or compliance impact to Wells Fargo. For additional information see the "Capital Management" and "Regulatory Reform" sections in this Report and in our 2013 Form 10-K.

**Parent** Under SEC rules, our Parent is classified as a "well-known seasoned issuer," which allows it to file a registration statement that does not have a limit on issuance capacity. In April 2012, the Parent filed a registration statement with the SEC for the issuance of senior and subordinated notes, preferred stock and other securities. In May 2014, the Parent filed a registration statement with the SEC for the issuance of senior and subordinated notes, preferred stock and other securities. This registration statement will replace the registration statement filed in April 2012. The Parent's ability to issue debt and other securities under this registration statement is limited by the debt issuance authority granted by the Board. The Parent is currently authorized by the Board to issue \$60 billion in outstanding short-term debt and \$170 billion in outstanding long-term debt. At March 31, 2014, the Parent had available \$39.1 billion in short-term debt issuance authority and \$81.5 billion in long-term debt issuance authority. The Parent's debt issuance authority granted by the Board includes short-term and long-term debt issued to affiliates. During first quarter 2014, the Parent issued \$2.0 billion of senior notes, all of which were registered with the SEC. In addition, in April 2014, the Parent issued \$3.5 billion of registered senior notes.

The Parent's proceeds from securities issued were used for general corporate purposes, and, unless otherwise specified in the applicable prospectus or prospectus supplement, we expect the proceeds from securities issued in the future will

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

be used for the same purposes. Depending on market conditions, we may purchase our outstanding debt securities from time to time in privately negotiated or open market transactions, by tender offer, or otherwise.

Table 48 provides information regarding the Parent's medium-term note (MTN) programs. The Parent may issue senior and subordinated debt securities under Series L & M, and the European and Australian programmes. Under Series K, the Parent may issue senior debt securities linked to one or more indices or bearing interest at a fixed or floating rate.

| <b>Table 48: Medium-Term Note (MTN) Programs</b> |                                                                                                                                                                                                                                                                                                    |  |               |  |     |                |           |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------------|--|-----|----------------|-----------|
|                                                  |                                                                                                                                                                                                                                                                                                    |  |               |  |     |                |           |
|                                                  |                                                                                                                                                                                                                                                                                                    |  |               |  |     | March 31, 2014 |           |
|                                                  |                                                                                                                                                                                                                                                                                                    |  |               |  |     | Debt           | Available |
|                                                  |                                                                                                                                                                                                                                                                                                    |  | Date          |  |     | issuance       | for       |
| (in billions)                                    |                                                                                                                                                                                                                                                                                                    |  | established   |  |     | authority      | issuance  |
| MTN program:                                     |                                                                                                                                                                                                                                                                                                    |  |               |  |     |                |           |
|                                                  | Series L & M (1)                                                                                                                                                                                                                                                                                   |  | May 2012      |  | \$  | 25.0           | 7.6       |
|                                                  | Series K (1)(3)                                                                                                                                                                                                                                                                                    |  | April 2010    |  |     | 25.0           | 22.2      |
|                                                  | European (2)(4)                                                                                                                                                                                                                                                                                    |  | December 2009 |  |     | 25.0           | 16.6      |
|                                                  | European (2)(5)                                                                                                                                                                                                                                                                                    |  | August 2013   |  |     | 10.0           | 10.0      |
|                                                  | Australian (2)(6)                                                                                                                                                                                                                                                                                  |  | June 2005     |  | AUD | 10.0           | 5.6       |
|                                                  |                                                                                                                                                                                                                                                                                                    |  |               |  |     |                |           |
|                                                  |                                                                                                                                                                                                                                                                                                    |  |               |  |     |                |           |
| (1)                                              | SEC registered.                                                                                                                                                                                                                                                                                    |  |               |  |     |                |           |
| (2)                                              | Not registered with the SEC. May not be offered in the United States without applicable exemptions from registration.                                                                                                                                                                              |  |               |  |     |                |           |
| (3)                                              | As amended in April 2012.                                                                                                                                                                                                                                                                          |  |               |  |     |                |           |
| (4)                                              | As amended in April 2012, April 2013 and April 2014. For securities to be admitted to listing on the Official List of the United Kingdom Financial Conduct Authority and to trade on the Regulated Market of the London Stock Exchange.                                                            |  |               |  |     |                |           |
| (5)                                              | As amended in May 2014, for securities that will not be admitted to listing, trading and/or quotation by any stock exchange or quotation system, or will be admitted to listing, trading and/or quotation by a stock exchange or quotation system that is not considered to be a regulated market. |  |               |  |     |                |           |
| (6)                                              | As amended in October 2005, March 2010 and September 2013.                                                                                                                                                                                                                                         |  |               |  |     |                |           |
|                                                  |                                                                                                                                                                                                                                                                                                    |  |               |  |     |                |           |

**Wells Fargo Bank, N.A.** Wells Fargo Bank, N.A. is authorized by its board of directors to issue \$100 billion in outstanding short-term debt and \$125 billion in outstanding long-term debt. At March 31, 2014, Wells Fargo Bank, N.A. had available \$100 billion in short-term debt issuance authority and \$80.1 billion in long-term debt issuance authority. In March 2012, Wells Fargo Bank, N.A. established a \$100 billion bank note program under which, subject to any other debt outstanding under the limits described above, it may issue \$50 billion in outstanding short-term senior notes and \$50 billion in outstanding long-term senior or subordinated notes. At March 31, 2014, Wells Fargo Bank, N.A. had remaining issuance capacity under the bank note program of \$50 billion in short-term senior notes and \$36.6 billion in long-term senior or subordinated notes. In addition, as of March 31, 2014, Wells Fargo Bank, N.A. had outstanding advances of \$19.0 billion with the Federal Home Loan Bank of Des Moines.

**Wells Fargo Canada Corporation** In February 2014, Wells Fargo Canada Corporation (WFCC), an indirect wholly owned Canadian subsidiary of the Parent, qualified with the Canadian provincial securities commissions a base shelf prospectus for the distribution from

time to time in Canada of up to CAD \$7.0 billion in medium-term notes. During first quarter 2014, WFCC issued CAD \$1.3 billion in medium-term notes using availability outstanding under its prior base shelf prospectus. All medium-term notes issued by WFCC are unconditionally guaranteed by the Parent.

**Federal Home Loan Bank Membership** The Federal Home Loan Banks (the FHLBs) are a group of cooperatives that lending institutions use to finance housing and economic development in local communities. We are a member of the FHLBs based in Dallas, Des Moines and San Francisco. Each member of the FHLBs is required to maintain a minimum investment in capital stock of the applicable FHLB. The board of directors of each FHLB can increase the minimum investment requirements in the event it has concluded that additional capital is required to allow it to meet its own regulatory capital requirements. Any increase in the minimum investment requirements outside of specified ranges requires the approval of the Federal Housing Finance Board. Because the extent of any obligation to increase our investment in any of the FHLBs depends entirely upon the occurrence of a future event, potential future payments to the FHLBs are not determinable.

## **Capital Management**

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We have an active program for managing regulatory capital through a comprehensive process for assessing the Company's overall capital adequacy. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. Our potential sources of capital primarily include retention of earnings net of dividends, as well as issuances of common and preferred stock. Retained earnings increased \$4.0 billion from December 31, 2013, predominantly from Wells Fargo net income of \$5.9 billion, less common and preferred stock dividends of \$1.9 billion. During first quarter 2014, we issued approximately 42 million shares of common stock. In April 2014, we issued 2 million Depositary Shares, each representing 1/25<sup>th</sup> interest in a share of the Company's newly issued 5.9% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series S, for an aggregate public offering price of \$2.0 billion. During first quarter 2014, we repurchased approximately 23 million shares of common stock in open market transactions and from employee benefit plans, at a net cost of \$1.0 billion, and approximately 11 million shares of common stock in settlement of a \$500 million forward purchase contract entered into in fourth quarter 2013. In addition, the Company entered into a \$750 million forward purchase contract in April 2014 with an unrelated third party that is expected to settle in second quarter 2014 for approximately 16 million shares. For additional information about our forward repurchase agreements, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

## **Regulatory Capital Guidelines**

The Company and each of our insured depository institutions are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC. Risk-based capital (RBC) guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures. At March 31, 2014, the Company and each of our insured depository institutions were "well-capitalized" under applicable regulatory capital adequacy guidelines. See Note 19 (Regulatory and Agency Capital Requirements) to Financial Statements in this

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Report for additional information.

Current regulatory RBC rules are based primarily on broad credit risk considerations and market-related risks, but do not take into account other types of risk facing a financial services company. The RBC rules are based primarily upon the 1988 capital accord of the Basel Committee on Banking Supervision (BCBS) establishing international guidelines for determining regulatory capital known as “Basel I.” Our capital adequacy assessment process contemplates a wide range of risks that the Company is exposed to and also takes into consideration our performance under a variety of stressed economic conditions, as well as regulatory expectations and guidance, rating agency viewpoints and the view of capital markets participants.

The market risk capital rule, effective January 1, 2013, is reflected in the Company’s calculation of RWAs to address the market risks of significant trading activities. In December 2013, the FRB approved a final rule, effective April 1, 2014, revising the market risk capital rule to, among other things, conform the rule to the FRB’s new capital framework finalized in July 2013 and discussed below. For additional information see the “Risk Management – Asset/Liability Management” section in this Report.

In 2007, federal banking regulators approved a final rule adopting revised international guidelines for determining regulatory capital known as “Basel II.” Basel II incorporates three pillars that address (a) capital adequacy, (b) supervisory review, which relates to the computation of capital and internal assessment processes, and (c) market discipline, through increased disclosure requirements. We entered the “parallel run phase” of Basel II in July 2012. During the “parallel run phase,” banking organizations must successfully complete an evaluation period under supervision from regulatory agencies in order to receive approval to calculate risk-based capital requirements under the Advanced Approach guidelines. The parallel run phase will continue until we receive regulatory approval to exit parallel reporting and subsequently begin publicly reporting our Advanced Approach regulatory capital results and related disclosures.

In December 2010, the BCBS finalized a set of further revised international guidelines for determining regulatory capital known as “Basel III.” These guidelines were developed in response to the 2008 financial crisis and were intended to address many of the weaknesses identified in the previous Basel standards, as well as in the banking sector that contributed to the crisis including excessive leverage, inadequate and low quality capital and insufficient liquidity buffers.

In July 2013, federal banking regulators approved final and interim final rules to implement the BCBS Basel III capital guidelines for U.S. banking organizations. These final capital rules, among other things:

- implement in the United States the Basel III regulatory capital reforms including those that revise the definition of capital, increase minimum capital ratios, and introduce a minimum Common Equity Tier 1 (CET1) ratio of 4.5% and a capital conservation buffer of 2.5% (for a total minimum CET1 ratio of 7.0%) and a potential countercyclical buffer of up to 2.5%, which would be imposed by regulators at their discretion if it is

## Capital Management *(continued)*

determined that a period of excessive credit growth is contributing to an increase in systemic risk;

- require a Tier 1 capital to average total consolidated assets ratio of 4% and introduce, for large and internationally active bank holding companies (BHCs), a Tier 1 supplementary leverage ratio of 3% that incorporates off-balance sheet exposures;
- revise Basel I rules for calculating RWA to enhance risk sensitivity under a standardized approach;
- modify the existing Basel II advanced approaches rules for calculating RWA to implement Basel III;
- deduct certain assets from CET1, such as deferred tax assets that could not be realized through net operating loss carry-backs, significant investments in non-consolidated financial entities, and MSRs, to the extent any one category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1;
- eliminate the accumulated other comprehensive income or loss filter that applies under RBC rules over a five-year phase in beginning in 2014; and
- comply with the Dodd-Frank Act provision prohibiting the reliance on external credit ratings.

We were required to comply with the final Basel III capital rules beginning January 2014, with certain provisions subject to phase-in periods. The Basel III capital rules are scheduled to be fully phased in by January 1, 2022. Based on our interpretation of the final capital rules, we estimate that our CET1 ratio under the final Basel III capital rules using the Advanced Approach exceeded the fully phased-in minimum of 7.0% by 307 basis points at March 31, 2014. Because the rules were only recently finalized, the interpretations and assumptions we use in estimating our calculations are subject to change depending on our ongoing review of the final capital rules and any guidance received from our regulators.

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

In April 2014, federal banking regulators finalized a rule that enhances the supplementary leverage ratio requirements for large BHCs, like Wells Fargo, and their insured depository institutions. The rule, which becomes effective on January 1, 2018, will require a covered BHC to maintain a supplementary leverage ratio of at least 5% to avoid restrictions on capital distributions and discretionary bonus payments. The rule will also require that all of our insured depository institutions maintain a supplementary leverage ratio of 6% in order to be considered well capitalized. Based on our review, our current leverage levels would exceed the applicable requirements for the holding company and each of our insured depository institutions. Federal banking regulators, however, have recently proposed additional changes to the supplementary leverage ratio requirements to implement revisions to the Basel III leverage framework finalized by the BCBS in January 2014. In addition, as discussed in the “Risk Management – Asset/Liability Management – Liquidity and Funding” section in this Report, a Notice of Proposed Rulemaking regarding the U.S. implementation of the Basel III LCR was issued by the FRB, OCC and FDIC in October 2013. The proposal, which has not been finalized, was substantially similar to the BCBS proposal but differed in some respects that may be

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viewed as a stricter version of the LCR, such as proposing a more aggressive phase-in period.

The FRB has also indicated that it is in the process of considering new rules to address the amount of equity and unsecured debt a company must hold to facilitate its orderly liquidation and to address risks related to banking organizations that are substantially reliant on short-term wholesale funding. In addition, the FRB is developing rules to implement an additional CET1 capital surcharge on those U.S. banking organizations, such as the Company, that have been designated by the Financial Stability Board (FSB) as global systemically important banks (G-SIBs). The G-SIB surcharge would be in addition to the minimum Basel III 7.0% CET1 requirement and ranges from 1.0% to 3.5% of RWA, depending on the bank's systemic importance, which would be determined under an indicator-based approach that considers five broad categories: cross-jurisdictional activity; size; inter-connectedness; substitutability/financial institution infrastructure; and complexity. The G-SIB surcharge is expected to be phased in beginning in January 2016 and become fully effective on January 1, 2019. The FSB, in an updated listing published in November 2013 based on year-end 2012 data, identified the Company as one of the 29 G-SIBs and provisionally determined that the Company's surcharge would be 1.0%. The FSB is expected to update the list of G-SIBs and their required surcharges prior to implementation based on additional or future data.

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

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

Our 2014 CCAR, which was submitted on January 3, 2014, included a comprehensive capital plan supported by an assessment of expected uses and sources of capital over a given planning horizon under a range of expected and stress scenarios, similar to the process the FRB used to conduct the CCAR in 2013. As part of the 2014 CCAR, the FRB also generated a supervisory stress test, which assumed a sharp decline in the economy and significant decline in asset pricing using the information provided by the Company to estimate performance. The FRB reviewed the supervisory stress results both as required under the Dodd-Frank Act using a common set of capital actions for all large BHCs and by taking into account the Company's proposed capital actions. The FRB published its supervisory stress test results as required under the Dodd-Frank Act on March 20, 2014. On March 26, 2014, the FRB notified us that it did not object to our capital plan included in the 2014 CCAR. The capital plan included an increase in our second quarter 2014 common stock dividend rate to \$0.35 per share, which was approved by the Board on April 29, 2014.

In addition to CCAR, federal banking regulators also require stress tests to evaluate whether an institution has sufficient capital to continue to operate during periods of adverse economic and financial conditions. These stress testing requirements set forth the timing and type of stress test activities large BHCs and banks must undertake as well as rules governing stress testing controls, oversight and disclosure

requirements. As required under the FRB's stress testing rule, we must submit a mid-cycle stress test each year based on first quarter data and scenarios developed by the Company.

## Securities Repurchases

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

In October 2012, the Board authorized the repurchase of 200 million shares. At March 31, 2014, we had remaining authority under this authorization to repurchase approximately 40 million shares, subject to regulatory and legal conditions. In March 2014, the Board authorized the repurchase of an additional 350 million shares. For more information about share repurchases during 2014, see Part II, Item 2 in this Report.

Historically, our policy has been to repurchase shares under the "safe harbor" conditions of Rule 10b-18 of the Securities Exchange Act of 1934 including a limitation on the daily volume of repurchases. Rule 10b-18 imposes an additional daily volume limitation on share repurchases during a pending merger or acquisition in which shares of our stock will constitute some or all of the consideration. Our management may determine that during a pending stock merger or acquisition when the safe harbor would otherwise be available, it is in our best interest to repurchase shares in excess of this additional daily volume limitation. In such cases, we intend to repurchase shares in compliance with the other conditions of the safe harbor, including the standing daily volume limitation that applies whether or not there is a pending stock merger or acquisition.

In connection with our participation in the Capital Purchase Program (CPP), a part of the Troubled Asset Relief Program (TARP), we issued to the U.S. Treasury Department warrants to purchase 110,261,688 shares of our common stock with an exercise price of \$34.01 per share expiring on October 28, 2018. The terms of the warrants require the exercise price to be adjusted when the Company's quarterly common stock dividend exceeds \$0.34 per share, which we expect to occur in second quarter 2014. The Board authorized the repurchase by the Company of up to \$1 billion of the warrants. At March 31, 2014, there were 39,108,764 warrants outstanding and exercisable and \$452 million of unused warrant repurchase authority. Depending on market conditions, we may purchase from time to time additional warrants in privately negotiated or open market transactions, by tender offer or otherwise.

## Risk-Based Capital and Risk-Weighted Assets

Table 49 and Table 50 provide information regarding the composition of and change in our risk-based capital, respectively, under Basel I and Basel III (General Approach).

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## Capital Management (continued)

| Table 49: Risk-Based Capital Components                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 |          |   |          |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|---------|--|-----------------|----------|---|----------|
|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 |          |   |          |
|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  | Under Basel III |          |   |          |
|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  | (General        |          |   | Under    |
|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  | Approach) (1)   |          |   | Basel I  |
|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | Mar. 31, |   | Dec. 31, |
| (in billions)                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | 2014     |   | 2013     |
| Total equity                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  | \$              | 176.5    |   | 171.0    |
| Noncontrolling interests                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | (0.8)    |   | (0.9)    |
| Total Wells Fargo stockholders' equity                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | 175.7    |   | 170.1    |
| Adjustments:                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 |          |   |          |
| Preferred stock                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | (15.2)   |   | (15.2)   |
| Cumulative other comprehensive income (2)                               |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | (2.2)    |   | (1.4)    |
| Goodwill and other intangible assets (2)(3)                             |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | (25.6)   |   | (29.6)   |
| Investment in certain subsidiaries and other                            |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | -        |   | (0.4)    |
| Common Equity Tier 1 (1)(4)                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  | (A)     |  |                 | 132.7    |   | 123.5    |
| Preferred stock                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | 15.2     |   | 15.2     |
| Qualifying hybrid securities and noncontrolling interests               |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | -        |   | 2.0      |
| Other                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | (0.3)    |   | -        |
| Total Tier 1 capital                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | 147.6    |   | 140.7    |
| Long-term debt and other instruments qualifying as Tier 2               |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | 21.7     |   | 20.5     |
| Qualifying allowance for credit losses                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | 14.1     |   | 14.3     |
| Other                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | 0.2      |   | 0.7      |
| Total Tier 2 capital                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | 36.0     |   | 35.5     |
| Total qualifying capital                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  | (B)     |  | \$              | 183.6    |   | 176.2    |
| Basel III (General Approach) / Basel I Risk-Weighted Assets (RWAs) (5): |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 |          |   |          |
| Credit risk                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  | \$              | 1,120.3  |   | 1,105.2  |
| Market risk                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 | 48.1     |   | 36.3     |
| Total Basel III (General Approach) / Basel I RWAs                       |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  | (C)     |  | \$              | 1,168.4  |   | 1,141.5  |
| Capital Ratios:                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |         |  |                 |          |   |          |
| Common Equity Tier 1 to total RWAs                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  | (A)/(C) |  |                 | 11.36    | % | 10.82    |
| Total capital to total RWAs                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  | (B)/(C) |  |                 | 15.71    |   | 15.43    |
| (1)                                                                     | Basel III revises the definition of capital, increases minimum capital ratios, and introduces a minimum Common Equity Tier 1 (CET1) ratio. These changes are being phased in effective January 1, 2014, through the end of 2021 and the capital ratios will be determined using Basel III (General Approach) RWAs during 2014. See Table 52 in this section for a summary of changes in RWAs from December 31, 2013, to March 31, 2014. |  |  |         |  |                 |          |   |          |

|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (2) | Under transition provisions to Basel III, cumulative other comprehensive income (previously deducted under Basel I) is included in CET1 over a specified phase-in period. In addition, certain intangible assets includable in CET1 are phased out over a specified period.                                                                                                                                                                                                                                                              |
| (3) | Goodwill and other intangible assets are net of any associated deferred tax liabilities.                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| (4) | CET1 (formerly Tier 1 common equity under Basel I) is a non-GAAP financial measure that is used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Management reviews CET1 along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliation to total equity, because of current interest in such information on the part of market participants.                       |
| (5) | Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total RWAs. |

| <b>Table 50: Analysis of Changes in Capital Under Basel III (General Approach)</b>    |  |  |  |  |  |  |              |    |       |
|---------------------------------------------------------------------------------------|--|--|--|--|--|--|--------------|----|-------|
| (in billions)                                                                         |  |  |  |  |  |  |              |    |       |
| Common Equity Tier 1 at December 31, 2013                                             |  |  |  |  |  |  |              | \$ | 123.5 |
| Net income                                                                            |  |  |  |  |  |  |              |    | 5.6   |
| Common stock dividends                                                                |  |  |  |  |  |  |              |    | (1.6) |
| Goodwill and other intangible assets (net of any associated deferred tax liabilities) |  |  |  |  |  |  |              |    | 4.0   |
| Other                                                                                 |  |  |  |  |  |  |              |    | 1.2   |
| Change in Common Equity Tier 1                                                        |  |  |  |  |  |  |              |    | 9.2   |
| Common Equity Tier 1 at March 31, 2014                                                |  |  |  |  |  |  |              | \$ | 132.7 |
| Tier 1 capital at December 31, 2013                                                   |  |  |  |  |  |  |              | \$ | 140.7 |
| Change in Common Equity Tier 1                                                        |  |  |  |  |  |  |              |    | 9.2   |
| Other                                                                                 |  |  |  |  |  |  |              |    | (2.3) |
| Change in Tier 1 capital                                                              |  |  |  |  |  |  |              |    | 6.9   |
| Tier 1 capital at March 31, 2014                                                      |  |  |  |  |  |  | (A)          | \$ | 147.6 |
| Tier 2 capital at December 31, 2013                                                   |  |  |  |  |  |  |              | \$ | 35.5  |
| Change in long-term debt and other instruments qualifying as Tier 2                   |  |  |  |  |  |  |              |    | 1.2   |
| Change in qualifying allowance for credit losses                                      |  |  |  |  |  |  |              |    | (0.3) |
| Other                                                                                 |  |  |  |  |  |  |              |    | (0.4) |
| Change in Tier 2 capital                                                              |  |  |  |  |  |  |              |    | 0.5   |
| Tier 2 capital at March 31, 2014                                                      |  |  |  |  |  |  | (B)          |    | 36.0  |
| Total qualifying capital                                                              |  |  |  |  |  |  | (A) +<br>(B) | \$ | 183.6 |

Table 51 presents information on the components of RWAs included within our regulatory capital ratios. RWAs prior to 2014 were determined under Basel I, and RWAs in 2014 reflect the transition to Basel III (General Approach).

| <b>Table 51: Basel III (General Approach) / Basel I Risk-Weighted Assets (RWAs)</b> |  |  |  |  |  |  |  |                  |                  |
|-------------------------------------------------------------------------------------|--|--|--|--|--|--|--|------------------|------------------|
| (in millions)                                                                       |  |  |  |  |  |  |  |                  |                  |
| On-balance sheet RWAs                                                               |  |  |  |  |  |  |  |                  |                  |
| Investment securities                                                               |  |  |  |  |  |  |  | Mar. 31,<br>2014 | Dec. 31,<br>2013 |
| Securities financing transactions (1)                                               |  |  |  |  |  |  |  |                  |                  |
| Loans (2)                                                                           |  |  |  |  |  |  |  |                  |                  |
| Market risk                                                                         |  |  |  |  |  |  |  |                  |                  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                        |                                                                                      |  |  |  |  |                     |  |           |
|------------------------|--------------------------------------------------------------------------------------|--|--|--|--|---------------------|--|-----------|
|                        | Other                                                                                |  |  |  |  | <b>104,897</b>      |  | 91,788    |
|                        | Total on-balance sheet RWAs                                                          |  |  |  |  | <b>937,021</b>      |  | 912,910   |
| Off-balance sheet RWAs |                                                                                      |  |  |  |  |                     |  |           |
|                        | Commitments and guarantees (3)                                                       |  |  |  |  | <b>198,208</b>      |  | 199,197   |
|                        | Derivatives                                                                          |  |  |  |  | <b>10,340</b>       |  | 10,545    |
|                        | Other                                                                                |  |  |  |  | <b>22,802</b>       |  | 18,862    |
|                        | Total off-balance sheet RWAs                                                         |  |  |  |  | <b>231,350</b>      |  | 228,604   |
|                        | Total Basel III (General Approach) /<br>Basel I RWAs                                 |  |  |  |  | <b>\$ 1,168,371</b> |  | 1,141,514 |
|                        |                                                                                      |  |  |  |  |                     |  |           |
| (1)                    | Represents federal funds sold and securities purchased under resale agreements.      |  |  |  |  |                     |  |           |
| (2)                    | Represents loans held for sale and loans held for investment.                        |  |  |  |  |                     |  |           |
| (3)                    | Primarily includes financial standby letters of credit and other unused commitments. |  |  |  |  |                     |  |           |

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**Capital Management (continued)**

Table 52 presents changes in RWAs for the quarter ended March 31, 2014. Effective January 1, 2014, we commenced transitioning RWAs from Basel I to Basel III (General Approach) under final rules adopted by federal banking regulators in July 2013.

| Table 52: Analysis of Changes in RWAs               |                                   |                                        |                      |  |  |  |  |    |           |
|-----------------------------------------------------|-----------------------------------|----------------------------------------|----------------------|--|--|--|--|----|-----------|
|                                                     |                                   |                                        |                      |  |  |  |  |    |           |
| (in millions)                                       |                                   |                                        |                      |  |  |  |  |    |           |
| Basel I RWAs at December 31, 2013                   |                                   |                                        |                      |  |  |  |  | \$ | 1,141,514 |
| Net change in on-balance sheet RWAs:                |                                   |                                        |                      |  |  |  |  |    |           |
|                                                     | Investment securities             |                                        |                      |  |  |  |  |    | (2,163)   |
|                                                     | Securities financing transactions |                                        |                      |  |  |  |  |    | (1,301)   |
|                                                     | Loans                             |                                        |                      |  |  |  |  |    | 2,678     |
|                                                     | Market risk                       |                                        |                      |  |  |  |  |    | 11,788    |
|                                                     | Other                             |                                        |                      |  |  |  |  |    | 13,109    |
|                                                     |                                   | Total change in on-balance sheet RWAs  |                      |  |  |  |  |    | 24,111    |
| Net change in off-balance sheet RWAs:               |                                   |                                        |                      |  |  |  |  |    |           |
|                                                     | Commitments and guarantees        |                                        |                      |  |  |  |  |    | (989)     |
|                                                     | Derivatives                       |                                        |                      |  |  |  |  |    | (205)     |
|                                                     | Other                             |                                        |                      |  |  |  |  |    | 3,940     |
|                                                     |                                   | Total change in off-balance sheet RWAs |                      |  |  |  |  |    | 2,746     |
|                                                     |                                   |                                        | Total change in RWAs |  |  |  |  |    | 26,857    |
| Basel III (General Approach) RWAs at March 31, 2014 |                                   |                                        |                      |  |  |  |  | \$ | 1,168,371 |
|                                                     |                                   |                                        |                      |  |  |  |  |    |           |

The increase in total RWAs from December 31, 2013, was primarily due to increased market risk, lending activity and mix of company investments.

Table 53 provides information regarding our CET1 calculation as estimated under Basel III using the Advanced Approach, fully phased-in method.

| <b>Table 53: Common Equity Tier 1 Under Basel III (Advanced Approach, Fully Phased-In)</b> |                                                                      |  |  |  |  |  |  |                |       |
|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------|--|--|--|--|--|--|----------------|-------|
| <b>(1)(2)</b>                                                                              |                                                                      |  |  |  |  |  |  |                |       |
|                                                                                            |                                                                      |  |  |  |  |  |  |                |       |
| (in billions)                                                                              |                                                                      |  |  |  |  |  |  | March 31, 2014 |       |
| Common Equity Tier 1 (transition amount) under Basel III                                   |                                                                      |  |  |  |  |  |  | \$             | 132.7 |
|                                                                                            | Adjustments from transition amount to fully phased-in Basel III (3): |  |  |  |  |  |  |                |       |
|                                                                                            | Cumulative other comprehensive income                                |  |  |  |  |  |  |                | 2.2   |
|                                                                                            | Other                                                                |  |  |  |  |  |  |                | (2.8) |
|                                                                                            | Total adjustments                                                    |  |  |  |  |  |  |                | (0.6) |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are



|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                     |  |  |         |    |         |   |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|--|--|---------|----|---------|---|
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Common Equity Tier 1 (fully phased-in) under Basel III                                              |  |  | (C)     | \$ | 132.1   |   |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Total RWAs anticipated under Basel III (4)                                                          |  |  | (D)     | \$ | 1,311.9 |   |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Common Equity Tier 1 to total RWAs anticipated under Basel III (Advanced Approach, fully phased-in) |  |  | (C)/(D) |    | 10.07   | % |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                     |  |  |         |    |         |   |
| (1) | Common Equity Tier 1 (CET1) is a non-GAAP financial measure that is used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Management reviews CET1 along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliation to total equity, because of current interest in such information on the part of market participants.                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                     |  |  |         |    |         |   |
| (2) | The Basel III CET1 and RWAs are estimated based on the Basel III capital rules adopted July 2, 2013, by the FRB. The rules establish a new comprehensive capital framework for U.S. banking organizations that implement the Basel III capital framework and certain provisions of the Dodd-Frank Act. The rules are being phased in effective January 1, 2014, through the end of 2021.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                     |  |  |         |    |         |   |
| (3) | Assumes cumulative other comprehensive income is fully phased in and certain other intangible assets are fully phased out under Basel III capital rules.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                     |  |  |         |    |         |   |
| (4) | The final Basel III capital rules provide for two capital frameworks: the Standardized Approach intended to replace Basel I, and the Advanced Approach applicable to certain institutions. Under the final rules, we will be subject to the lower of our CET1 ratio calculated under the Standardized Approach and under the Advanced Approach in the assessment of our capital adequacy. Accordingly, the estimate of RWAs has been determined under the Advanced Approach because management expects RWAs to be higher using the Advanced Approach, and thus result in a lower CET1, compared with the Standardized Approach. Basel III capital rules adopted by the Federal Reserve Board incorporate different classification of assets, with risk weights based on Wells Fargo's internal models, along with adjustments to address a combination of credit/counterparty, operational and market risks, and other Basel III elements. |                                                                                                     |  |  |         |    |         |   |

## **Regulatory Reform**

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Since the enactment of the Dodd-Frank Act in 2010, the U.S. financial services industry has been subject to a significant increase in regulation and regulatory oversight initiatives. This increased regulation and oversight has substantially changed how most U.S. financial services companies conduct business and has increased their regulatory compliance costs.

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

**VOLCKER RULE** The Volcker Rule substantially restricts banking entities from engaging in proprietary trading or owning any interest in or sponsoring or having certain relationships with a hedge fund, a private equity fund or certain structured transactions that are deemed covered funds. The FRB recently announced that it intends to exercise its authority to give banking entities two additional one-year extensions to conform their ownership interests in and sponsorships of certain collateralized loan obligations that meet the definition of covered fund under the rule.

**REGULATION OF INTERCHANGE TRANSACTION FEES (THE DURBIN AMENDMENT)** On October 1, 2011, the FRB rule enacted to implement the Durbin Amendment to the Dodd-Frank Act that limits debit card interchange transaction fees to those “reasonable” and “proportional” to the cost of the transaction became effective. The rule generally established that the maximum allowable interchange fee that an issuer may receive or charge for an electronic debit transaction is the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction. On July 31, 2013, the U.S. District Court for the District of Columbia ruled that the approach used by the FRB in setting the maximum allowable interchange transaction fee impermissibly included costs that were specifically excluded from consideration under the Durbin Amendment. The District Court’s decision maintained the current interchange transaction fee standards until the FRB drafted new regulations or interim standards. In August 2013, the FRB filed a notice of appeal of the decision to the United States Court of Appeals for the District of Columbia. In September 2013, the Court of Appeals granted a joint motion for an expedited appeal, and the District Court’s order was stayed pending the appeal. In March 2014, the Court of Appeals reversed the District Court’s decision, but did direct the FRB to provide further explanation regarding its treatment of the costs of monitoring transactions.

## **Critical Accounting Policies**

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Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2013 Form 10-K) are fundamental to understanding our results of operations and financial condition because they require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

results. Six of these policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. These policies govern:

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

Management has reviewed and approved these critical accounting policies and has discussed these policies with the Board's Audit and Examination Committee. These policies are described further in the "Financial Review – Critical Accounting Policies" section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2013 Form 10-K.

**Current Accounting  
Developments**

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

- Accounting Standards Update (ASU or Update) 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*; and
- ASU 2014-01, *Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*.

**ASU 2014-08** changes the definition and reporting requirements for discontinued operations. Under the new guidance, an entity's disposal of a component or group of components must be reported in discontinued operations if the disposal is a strategic shift that has or will have a significant effect on the entity's operations and financial results. Major strategic shifts include disposals of a major geographic area or line of business. This guidance also requires new disclosures on discontinued operations. These changes are effective for us in first quarter 2015 with prospective application. Early adoption is permitted for disposals that have not been previously reported. This Update will not have a material impact on our consolidated financial statements.

**ASU 2014-01** amends the accounting guidance for investments in affordable housing projects that qualify for the low-income housing tax credit. The Update replaces the effective yield method and allows companies to make an accounting policy election to amortize the cost of its investments in proportion to the tax benefits received if certain criteria are met and present the amortization as a component of income tax expense. The new guidance is effective in first quarter 2015 with early adoption permitted. We are currently evaluating the impact this Update will have on our consolidated financial statements.

## **Forward-Looking Statements**

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

Forward-looking statements are not based on historical facts but instead represent our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

- current and future economic and market conditions, including the effects of declines in housing prices, high unemployment rates, U.S. fiscal debt, budget and tax matters, and the overall slowdown in global economic growth;
- our capital and liquidity requirements (including under regulatory capital standards, such as the Basel III capital standards) and our ability to generate capital internally or raise capital on favorable terms;
- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and other legislation and regulation relating to bank products and services;
- the extent of our success in our loan modification efforts, as well as the effects of regulatory requirements or guidance regarding loan modifications;
- the amount of mortgage loan repurchase demands that we receive and our ability to satisfy any such demands without having to repurchase loans related thereto or otherwise indemnify or reimburse third parties, and the credit quality of or losses on such repurchased mortgage loans;

- negative effects relating to our mortgage servicing and foreclosure practices, including our obligations under the settlement with the Department of Justice and other federal and state government entities, as well as changes in industry standards or practices, regulatory or judicial requirements, penalties or fines, increased servicing and other costs or obligations, including loan modification requirements, or delays or moratoriums on foreclosures;
- our ability to realize our efficiency ratio target as part of our expense management initiatives, including as a result of business and economic cyclicality, seasonality, changes in our business composition and operating environment, growth in our businesses and/or acquisitions, and unexpected expenses relating to, among other things, litigation and regulatory matters;
- the effect of the current low interest rate environment or changes in interest rates on our net interest income, net interest margin and our mortgage originations, mortgage servicing rights and mortgages held for sale;
- a recurrence of significant turbulence or disruption in the capital or financial markets, which could result in, among other things, reduced investor demand for mortgage loans, a reduction in the availability of funding or increased funding costs, and declines in asset values and/or recognition of other-than-temporary impairment on securities held in our investment securities portfolio;
- the effect of a fall in stock market prices on our investment banking business and our fee income from our brokerage, asset and wealth management businesses;
- reputational damage from negative publicity, protests, fines, penalties and other negative consequences from regulatory violations and legal actions;
- a failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors or other service providers, including as a result of cyber attacks;
- the effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin;
- fiscal and monetary policies of the Federal Reserve Board; and
- the other risk factors and uncertainties described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2013.

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

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

For more information about factors that could cause actual results to differ materially from our expectations, refer to our reports filed with the Securities and Exchange Commission, including the discussion under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission and available on its website at [www.sec.gov](http://www.sec.gov).

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

**Risk**  
**Factors**

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An investment in the Company involves risk, including the possibility that the value of the investment could fall substantially and that dividends or other distributions on the investment could be reduced or eliminated. For a discussion of risk factors that could adversely affect our financial results and condition, and the value of, and return on, an investment in the Company, we refer you to the “Risk Factors” section of our 2013 Form 10-K.

## Controls and Procedures

### **Disclosure Controls and Procedures**

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The Company's management evaluated the effectiveness, as of March 31, 2014, of the Company's disclosure controls and procedures. The Company's chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2014.

### **Internal Control Over Financial Reporting**

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. No change occurred during first quarter 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



| Wells Fargo & Company and Subsidiaries                |    |  |                         |  |        |
|-------------------------------------------------------|----|--|-------------------------|--|--------|
| Consolidated Statement of Income (Unaudited)          |    |  |                         |  |        |
|                                                       |    |  |                         |  |        |
|                                                       |    |  | Quarter ended March 31, |  |        |
| (in millions, except per share amounts)               |    |  | 2014                    |  | 2013   |
| <b>Interest income</b>                                |    |  |                         |  |        |
| Trading assets                                        | \$ |  | 374                     |  | 327    |
| Investment securities                                 |    |  | 2,110                   |  | 1,925  |
| Mortgages held for sale                               |    |  | 170                     |  | 371    |
| Loans held for sale                                   |    |  | 2                       |  | 3      |
| Loans                                                 |    |  | 8,746                   |  | 8,861  |
| Other interest income                                 |    |  | 210                     |  | 163    |
| Total interest income                                 |    |  | 11,612                  |  | 11,650 |
| <b>Interest expense</b>                               |    |  |                         |  |        |
| Deposits                                              |    |  | 279                     |  | 369    |
| Short-term borrowings                                 |    |  | 12                      |  | 20     |
| Long-term debt                                        |    |  | 619                     |  | 697    |
| Other interest expense                                |    |  | 87                      |  | 65     |
| Total interest expense                                |    |  | 997                     |  | 1,151  |
| <b>Net interest income</b>                            |    |  | 10,615                  |  | 10,499 |
| Provision for credit losses                           |    |  | 325                     |  | 1,219  |
| Net interest income after provision for credit losses |    |  | 10,290                  |  | 9,280  |
| <b>Noninterest income</b>                             |    |  |                         |  |        |
| Service charges on deposit accounts                   |    |  | 1,215                   |  | 1,214  |
| Trust and investment fees                             |    |  | 3,412                   |  | 3,202  |
| Card fees                                             |    |  | 784                     |  | 738    |
| Other fees                                            |    |  | 1,047                   |  | 1,034  |
| Mortgage banking                                      |    |  | 1,510                   |  | 2,794  |
| Insurance                                             |    |  | 432                     |  | 463    |
| Net gains from trading activities                     |    |  | 432                     |  | 570    |
| Net gains on debt securities (1)                      |    |  | 83                      |  | 45     |
| Net gains from equity investments (2)                 |    |  | 847                     |  | 113    |
| Lease income                                          |    |  | 133                     |  | 130    |
| Other                                                 |    |  | 115                     |  | 457    |
| Total noninterest income                              |    |  | 10,010                  |  | 10,760 |
| <b>Noninterest expense</b>                            |    |  |                         |  |        |
| Salaries                                              |    |  | 3,728                   |  | 3,663  |
| Commission and incentive compensation                 |    |  | 2,416                   |  | 2,577  |
| Employee benefits                                     |    |  | 1,372                   |  | 1,583  |
| Equipment                                             |    |  | 490                     |  | 528    |
| Net occupancy                                         |    |  | 742                     |  | 719    |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are 107

|                                                          |    |                |  |              |
|----------------------------------------------------------|----|----------------|--|--------------|
| Core deposit and other intangibles                       |    | 341            |  | 377          |
| FDIC and other deposit assessments                       |    | 243            |  | 292          |
| Other                                                    |    | 2,616          |  | 2,661        |
| Total noninterest expense                                |    | 11,948         |  | 12,400       |
| <b>Income before income tax expense</b>                  |    | <b>8,352</b>   |  | <b>7,640</b> |
| Income tax expense                                       |    | 2,277          |  | 2,420        |
| <b>Net income before noncontrolling interests</b>        |    | <b>6,075</b>   |  | <b>5,220</b> |
| Less: Net income from noncontrolling interests           |    | 182            |  | 49           |
| <b>Wells Fargo net income</b>                            | \$ | <b>5,893</b>   |  | <b>5,171</b> |
|                                                          |    |                |  |              |
| Less: Preferred stock dividends and other                |    | 286            |  | 240          |
| <b>Wells Fargo net income applicable to common stock</b> | \$ | <b>5,607</b>   |  | <b>4,931</b> |
| <b>Per share information</b>                             |    |                |  |              |
| Earnings per common share                                | \$ | <b>1.07</b>    |  | 0.93         |
| Diluted earnings per common share                        |    | <b>1.05</b>    |  | 0.92         |
| Dividends declared per common share                      |    | <b>0.30</b>    |  | 0.25         |
| Average common shares outstanding                        |    | <b>5,262.8</b> |  | 5,279.0      |
| Diluted average common shares outstanding                |    | <b>5,353.3</b> |  | 5,353.5      |
|                                                          |    |                |  |              |

(1) Total other-than-temporary impairment (OTTI) losses (reversal of losses) were \$(14) million and \$(15) million for first quarter ended 2014 and 2013, respectively. Of total OTTI, losses of \$7 million and \$34 million were recognized in earnings, and reversal of losses of \$(21) million and \$(49) million were recognized as non-credit-related OTTI in other comprehensive income for first quarter 2014 and 2013, respectively.

(2) Includes OTTI losses of \$128 million and \$44 million for first quarter 2014 and 2013, respectively.

The accompanying notes are an integral part of these statements.

| Wells Fargo & Company and Subsidiaries                                   |  |  |  |    |                         |  |              |
|--------------------------------------------------------------------------|--|--|--|----|-------------------------|--|--------------|
| Consolidated Statement of Comprehensive Income (Unaudited)               |  |  |  |    |                         |  |              |
|                                                                          |  |  |  |    |                         |  |              |
|                                                                          |  |  |  |    | Quarter ended March 31, |  |              |
| (in millions)                                                            |  |  |  |    | 2014                    |  | 2013         |
| Wells Fargo net income                                                   |  |  |  | \$ | 5,893                   |  | 5,171        |
| Other comprehensive income (loss), before tax:                           |  |  |  |    |                         |  |              |
| Investment securities:                                                   |  |  |  |    |                         |  |              |
| Net unrealized gains (losses) arising during the period                  |  |  |  |    | 2,725                   |  | (634)        |
| Reclassification of net gains to net income                              |  |  |  |    | (394)                   |  | (113)        |
| Derivatives and hedging activities:                                      |  |  |  |    |                         |  |              |
| Net unrealized gains arising during the period                           |  |  |  |    | 44                      |  | 7            |
| Reclassification of net gains on cash flow hedges to net income          |  |  |  |    | (106)                   |  | (87)         |
| Defined benefit plans adjustments:                                       |  |  |  |    |                         |  |              |
| Net actuarial gains arising during the period                            |  |  |  |    | -                       |  | 6            |
| Amortization of net actuarial loss, settlements, and other to net income |  |  |  |    | 18                      |  | 49           |
| Foreign currency translation adjustments:                                |  |  |  |    |                         |  |              |
| Net unrealized losses arising during the period                          |  |  |  |    | (17)                    |  | (18)         |
| Reclassification of net losses to net income                             |  |  |  |    | 6                       |  | -            |
| <b>Other comprehensive income (loss), before tax</b>                     |  |  |  |    | <b>2,276</b>            |  | <b>(790)</b> |
| Income tax (expense) benefit related to other comprehensive income       |  |  |  |    | (831)                   |  | 288          |
| <b>Other comprehensive income (loss), net of tax</b>                     |  |  |  |    | <b>1,445</b>            |  | <b>(502)</b> |
| Less: Other comprehensive income from noncontrolling interests           |  |  |  |    | 79                      |  | 3            |
| <b>Wells Fargo other comprehensive income (loss), net of tax</b>         |  |  |  |    | <b>1,366</b>            |  | <b>(505)</b> |
| <b>Wells Fargo comprehensive income</b>                                  |  |  |  |    | <b>7,259</b>            |  | <b>4,666</b> |
| Comprehensive income from noncontrolling interests                       |  |  |  |    | 261                     |  | 52           |
| <b>Total comprehensive income</b>                                        |  |  |  | \$ | <b>7,520</b>            |  | <b>4,718</b> |

The accompanying notes are an integral part of these statements.

| Wells Fargo & Company and Subsidiaries                                                            |  |  |  |  |  |    |             |           |  |
|---------------------------------------------------------------------------------------------------|--|--|--|--|--|----|-------------|-----------|--|
| Consolidated Balance Sheet                                                                        |  |  |  |  |  |    |             |           |  |
|                                                                                                   |  |  |  |  |  |    | Mar. 31,    | Dec. 31,  |  |
| (in millions, except shares)                                                                      |  |  |  |  |  |    | 2014        | 2013      |  |
| <b>Assets</b>                                                                                     |  |  |  |  |  |    | (Unaudited) |           |  |
| Cash and due from banks                                                                           |  |  |  |  |  | \$ | 19,731      | 19,919    |  |
| Federal funds sold, securities purchased under resale agreements and other short-term investments |  |  |  |  |  |    | 222,781     | 213,793   |  |
| Trading assets                                                                                    |  |  |  |  |  |    | 63,753      | 62,813    |  |
| Investment securities:                                                                            |  |  |  |  |  |    |             |           |  |
| Available-for-sale, at fair value                                                                 |  |  |  |  |  |    | 252,665     | 252,007   |  |
| Held-to-maturity, at cost (fair value \$17,621 and \$12,247)                                      |  |  |  |  |  |    | 17,662      | 12,346    |  |
| Mortgages held for sale (includes \$12,994 and \$13,879 carried at fair value) (1)                |  |  |  |  |  |    | 16,233      | 16,763    |  |
| Loans held for sale (includes \$1 and \$1 carried at fair value) (1)                              |  |  |  |  |  |    | 91          | 133       |  |
| Loans (includes \$5,959 and \$5,995 carried at fair value) (1)(2)                                 |  |  |  |  |  |    | 826,443     | 822,286   |  |
| Allowance for loan losses                                                                         |  |  |  |  |  |    | (13,695)    | (14,502)  |  |
| Net loans (2)                                                                                     |  |  |  |  |  |    | 812,748     | 807,784   |  |
| Mortgage servicing rights:                                                                        |  |  |  |  |  |    |             |           |  |
| Measured at fair value                                                                            |  |  |  |  |  |    | 14,953      | 15,580    |  |
| Amortized                                                                                         |  |  |  |  |  |    | 1,219       | 1,229     |  |
| Premises and equipment, net                                                                       |  |  |  |  |  |    | 9,020       | 9,156     |  |
| Goodwill                                                                                          |  |  |  |  |  |    | 25,637      | 25,637    |  |
| Other assets (includes \$1,933 and \$1,386 carried at fair value) (1)                             |  |  |  |  |  |    | 90,214      | 86,342    |  |
| Total assets (2)(3)                                                                               |  |  |  |  |  | \$ | 1,546,707   | 1,523,502 |  |
| <b>Liabilities</b>                                                                                |  |  |  |  |  |    |             |           |  |
| Noninterest-bearing deposits                                                                      |  |  |  |  |  | \$ | 294,863     | 288,117   |  |
| Interest-bearing deposits                                                                         |  |  |  |  |  |    | 799,713     | 791,060   |  |
| Total deposits                                                                                    |  |  |  |  |  |    | 1,094,576   | 1,079,177 |  |
| Short-term borrowings                                                                             |  |  |  |  |  |    | 57,061      | 53,883    |  |
| Accrued expenses and other liabilities (2)                                                        |  |  |  |  |  |    | 65,179      | 66,436    |  |
| Long-term debt                                                                                    |  |  |  |  |  |    | 153,422     | 152,998   |  |
| Total liabilities (2)(4)                                                                          |  |  |  |  |  |    | 1,370,238   | 1,352,494 |  |
| <b>Equity</b>                                                                                     |  |  |  |  |  |    |             |           |  |
| Wells Fargo stockholders' equity:                                                                 |  |  |  |  |  |    |             |           |  |
| Preferred stock                                                                                   |  |  |  |  |  |    | 17,179      | 16,267    |  |
| Common stock – \$1-2/3 par value, authorized 9,000,000,000 shares;                                |  |  |  |  |  |    |             |           |  |
| issued 5,481,811,474 shares and 5,481,811,474 shares                                              |  |  |  |  |  |    | 9,136       | 9,136     |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|  |                                                            |  |  |                     |  |           |
|--|------------------------------------------------------------|--|--|---------------------|--|-----------|
|  | Additional paid-in capital                                 |  |  | <b>60,618</b>       |  | 60,296    |
|  | Retained earnings                                          |  |  | <b>96,368</b>       |  | 92,361    |
|  | Cumulative other comprehensive income                      |  |  | <b>2,752</b>        |  | 1,386     |
|  | Treasury stock – 216,084,768 shares and 224,648,769 shares |  |  | <b>(8,206)</b>      |  | (8,104)   |
|  | Unearned ESOP shares                                       |  |  | <b>(2,193)</b>      |  | (1,200)   |
|  | Total Wells Fargo stockholders' equity                     |  |  | <b>175,654</b>      |  | 170,142   |
|  | Noncontrolling interests                                   |  |  | <b>815</b>          |  | 866       |
|  | Total equity                                               |  |  | <b>176,469</b>      |  | 171,008   |
|  | Total liabilities and equity (2)                           |  |  | <b>\$ 1,546,707</b> |  | 1,523,502 |
|  |                                                            |  |  |                     |  |           |

(1) Parenthetical amounts represent assets and liabilities for which we have elected the fair value option.

(2) Prior period financial information has been revised to reflect our determination that certain factoring arrangements did not qualify as loans. See Note 1 for more information.

(3) Our consolidated assets at March 31, 2014 and December 31, 2013, include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs: Cash and due from banks, \$176 million and \$165 million; Trading assets, \$126 million and \$162 million; Investment Securities, \$1.2 billion and \$1.4 billion; Mortgages held for sale, \$3 million and \$38 million; Net loans, \$5.7 billion and \$6.0 billion; Other assets, \$301 million and \$347 million, and Total assets, \$7.5 billion and \$8.1 billion, respectively.

(4) Our consolidated liabilities at March 31, 2014 and December 31, 2013, include the following VIE liabilities for which the VIE creditors do not have recourse to Wells Fargo: Short-term borrowings, \$23 million and \$29 million; Accrued expenses and other liabilities, \$81 million and \$90 million; Long-term debt, \$2.2 billion and \$2.3 billion; and Total liabilities, \$2.3 billion and \$2.4 billion, respectively.

The accompanying notes are an integral part of these statements.

|                                                         |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
|---------------------------------------------------------|--|--|--|--|--|--|-----------------|--|--|-----------|--|---------------|--|----------|
| Wells Fargo & Company and Subsidiaries                  |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Consolidated Statement of Changes in Equity (Unaudited) |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
|                                                         |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
|                                                         |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
|                                                         |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
|                                                         |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
|                                                         |  |  |  |  |  |  | Preferred stock |  |  |           |  | Common stock  |  |          |
| (in millions, except shares)                            |  |  |  |  |  |  | Shares          |  |  | Amount    |  | Shares        |  | Amount   |
| Balance January 1, 2013                                 |  |  |  |  |  |  | 10,558,865      |  |  | \$ 12,883 |  | 5,266,314,176 |  | \$ 9,136 |
| Net income                                              |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Other comprehensive income (loss), net of tax           |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Noncontrolling interests                                |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Common stock issued                                     |  |  |  |  |  |  |                 |  |  |           |  | 31,062,036    |  |          |
| Common stock repurchased                                |  |  |  |  |  |  |                 |  |  |           |  | (16,635,291)  |  |          |
| Preferred stock issued to ESOP                          |  |  |  |  |  |  | 1,200,000       |  |  | 1,200     |  |               |  |          |
| Preferred stock released by ESOP                        |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Preferred stock converted to common shares              |  |  |  |  |  |  | (295,879)       |  |  | (296)     |  | 8,031,929     |  |          |
| Preferred stock issued                                  |  |  |  |  |  |  | 25,000          |  |  | 625       |  |               |  |          |
| Common stock dividends                                  |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Preferred stock dividends                               |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Tax benefit from stock incentive compensation           |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Stock incentive compensation expense                    |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Net change in deferred compensation and related plans   |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Net change                                              |  |  |  |  |  |  | 929,121         |  |  | 1,529     |  | 22,458,674    |  | -        |
| Balance March 31, 2013                                  |  |  |  |  |  |  | 11,487,986      |  |  | \$ 14,412 |  | 5,288,772,850 |  | \$ 9,136 |
|                                                         |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Balance January 1, 2014                                 |  |  |  |  |  |  | 10,881,195      |  |  | \$ 16,267 |  | 5,257,162,705 |  | \$ 9,136 |
| Net income                                              |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Other comprehensive income, net of tax                  |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Noncontrolling interests                                |  |  |  |  |  |  |                 |  |  |           |  |               |  |          |
| Common stock issued                                     |  |  |  |  |  |  |                 |  |  |           |  | 35,873,142    |  |          |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                                       |  |           |  |            |       |           |               |  |    |       |
|-------------------------------------------------------|--|-----------|--|------------|-------|-----------|---------------|--|----|-------|
| Common stock repurchased                              |  |           |  |            |       |           | (33,500,073)  |  |    |       |
| Preferred stock issued to ESOP                        |  | 1,217,000 |  |            | 1,217 |           |               |  |    |       |
| Preferred stock released by ESOP                      |  |           |  |            |       |           |               |  |    |       |
| Preferred stock converted to common shares            |  | (305,336) |  |            | (305) |           | 6,190,932     |  |    |       |
| Preferred stock issued                                |  |           |  |            |       |           |               |  |    |       |
| Common stock dividends                                |  |           |  |            |       |           |               |  |    |       |
| Preferred stock dividends                             |  |           |  |            |       |           |               |  |    |       |
| Tax benefit from stock incentive compensation         |  |           |  |            |       |           |               |  |    |       |
| Stock incentive compensation expense                  |  |           |  |            |       |           |               |  |    |       |
| Net change in deferred compensation and related plans |  |           |  |            |       |           |               |  |    |       |
| Net change                                            |  |           |  | 911,664    |       | 912       | 8,564,001     |  |    | -     |
| Balance March 31, 2014                                |  |           |  | 11,792,859 |       | \$ 17,179 | 5,265,726,706 |  | \$ | 9,136 |
|                                                       |  |           |  |            |       |           |               |  |    |       |

The accompanying notes are an integral part of these statements.

|            |          |               |            |                                  |  |          |  |               |                |           |  |  |  |         |  |
|------------|----------|---------------|------------|----------------------------------|--|----------|--|---------------|----------------|-----------|--|--|--|---------|--|
|            |          |               |            |                                  |  |          |  |               |                |           |  |  |  |         |  |
|            |          |               |            |                                  |  |          |  |               |                |           |  |  |  |         |  |
|            |          |               |            |                                  |  |          |  |               |                |           |  |  |  |         |  |
|            |          |               |            | Wells Fargo stockholders' equity |  |          |  |               |                |           |  |  |  |         |  |
|            |          |               | Cumulative |                                  |  |          |  | Total         |                |           |  |  |  |         |  |
| Additional |          |               | other      |                                  |  | Unearned |  | Wells Fargo   |                |           |  |  |  |         |  |
| paid-in    | Retained | comprehensive |            | Treasury                         |  | ESOP     |  | stockholders' | Noncontrolling |           |  |  |  | Total   |  |
| capital    | earnings |               | income     | stock                            |  | shares   |  | equity        |                | interests |  |  |  | equity  |  |
| 59,802     | 77,679   |               | 5,650      | (6,610)                          |  | (986)    |  | 157,554       |                | 1,357     |  |  |  | 158,911 |  |
|            | 5,171    |               |            |                                  |  |          |  | 5,171         |                | 49        |  |  |  | 5,220   |  |
|            |          |               | (505)      |                                  |  |          |  | (505)         |                | 3         |  |  |  | (502)   |  |
|            |          |               |            |                                  |  |          |  | -             |                | (100)     |  |  |  | (100)   |  |
| (10)       | (10)     |               |            | 898                              |  |          |  | 878           |                |           |  |  |  | 878     |  |
| 200        |          |               |            | (583)                            |  |          |  | (383)         |                |           |  |  |  | (383)   |  |
| 108        |          |               |            |                                  |  | (1,308)  |  | -             |                |           |  |  |  | -       |  |
| (27)       |          |               |            |                                  |  | 323      |  | 296           |                |           |  |  |  | 296     |  |
| 51         |          |               |            | 245                              |  |          |  | -             |                |           |  |  |  | -       |  |
| (15)       |          |               |            |                                  |  |          |  | 610           |                |           |  |  |  | 610     |  |
| 17         | (1,336)  |               |            |                                  |  |          |  | (1,319)       |                |           |  |  |  | (1,319) |  |
|            | (240)    |               |            |                                  |  |          |  | (240)         |                |           |  |  |  | (240)   |  |
| 84         |          |               |            |                                  |  |          |  | 84            |                |           |  |  |  | 84      |  |
| 317        |          |               |            |                                  |  |          |  | 317           |                |           |  |  |  | 317     |  |
| (391)      |          |               |            | 14                               |  |          |  | (377)         |                |           |  |  |  | (377)   |  |
| 334        | 3,585    |               | (505)      | 574                              |  | (985)    |  | 4,532         |                | (48)      |  |  |  | 4,484   |  |
| 60,136     | 81,264   |               | 5,145      | (6,036)                          |  | (1,971)  |  | 162,086       |                | 1,309     |  |  |  | 163,395 |  |
|            |          |               |            |                                  |  |          |  |               |                |           |  |  |  |         |  |
| 60,296     | 92,361   |               | 1,386      | (8,104)                          |  | (1,200)  |  | 170,142       |                | 866       |  |  |  | 171,008 |  |
|            | 5,893    |               |            |                                  |  |          |  | 5,893         |                | 182       |  |  |  | 6,075   |  |
|            |          |               | 1,366      |                                  |  |          |  | 1,366         |                | 79        |  |  |  | 1,445   |  |
| (1)        |          |               |            |                                  |  |          |  | (1)           |                | (312)     |  |  |  | (313)   |  |
| (185)      |          |               |            | 1,179                            |  |          |  | 994           |                |           |  |  |  | 994     |  |
| 500        |          |               |            | (1,525)                          |  |          |  | (1,025)       |                |           |  |  |  | (1,025) |  |
| 108        |          |               |            |                                  |  | (1,325)  |  | -             |                |           |  |  |  | -       |  |
| (27)       |          |               |            |                                  |  | 332      |  | 305           |                |           |  |  |  | 305     |  |
| 75         |          |               |            | 230                              |  |          |  | -             |                |           |  |  |  | -       |  |
|            |          |               |            |                                  |  |          |  | -             |                |           |  |  |  | -       |  |
| 22         | (1,601)  |               |            |                                  |  |          |  | (1,579)       |                |           |  |  |  | (1,579) |  |
|            | (285)    |               |            |                                  |  |          |  | (285)         |                |           |  |  |  | (285)   |  |
| 269        |          |               |            |                                  |  |          |  | 269           |                |           |  |  |  | 269     |  |
| 374        |          |               |            |                                  |  |          |  | 374           |                |           |  |  |  | 374     |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are



|        |  |        |  |       |         |  |         |  |         |  |      |         |
|--------|--|--------|--|-------|---------|--|---------|--|---------|--|------|---------|
| (813)  |  |        |  |       | 14      |  |         |  | (799)   |  |      | (799)   |
| 322    |  | 4,007  |  | 1,366 | (102)   |  | (993)   |  | 5,512   |  | (51) | 5,461   |
| 60,618 |  | 96,368 |  | 2,752 | (8,206) |  | (2,193) |  | 175,654 |  | 815  | 176,469 |
|        |  |        |  |       |         |  |         |  |         |  |      |         |

| Wells Fargo & Company and Subsidiaries                                            |  |  |  |  |  |    |                         |  |          |
|-----------------------------------------------------------------------------------|--|--|--|--|--|----|-------------------------|--|----------|
| Consolidated Statement of Cash Flows (Unaudited)                                  |  |  |  |  |  |    |                         |  |          |
|                                                                                   |  |  |  |  |  |    |                         |  |          |
|                                                                                   |  |  |  |  |  |    | Quarter ended March 31, |  |          |
| (in millions)                                                                     |  |  |  |  |  |    | 2014                    |  | 2013     |
| <b>Cash flows from operating activities:</b>                                      |  |  |  |  |  |    |                         |  |          |
| Net income before noncontrolling interests                                        |  |  |  |  |  | \$ | 6,075                   |  | 5,220    |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |  |  |  |    |                         |  |          |
| Provision for credit losses                                                       |  |  |  |  |  |    | 325                     |  | 1,219    |
| Changes in fair value of MSRs, MHFS and LHFS carried at fair value                |  |  |  |  |  |    | 410                     |  | (984)    |
| Depreciation, amortization and accretion                                          |  |  |  |  |  |    | 571                     |  | 834      |
| Other net gains                                                                   |  |  |  |  |  |    | (351)                   |  | (2,695)  |
| Stock-based compensation                                                          |  |  |  |  |  |    | 692                     |  | 625      |
| Excess tax benefits related to stock incentive compensation                       |  |  |  |  |  |    | (269)                   |  | (86)     |
| Originations of MHFS                                                              |  |  |  |  |  |    | (29,798)                |  | (99,777) |
| Proceeds from sales of and principal collected on mortgages originated for sale   |  |  |  |  |  |    | 26,480                  |  | 86,880   |
| Proceeds from sales of and principal collected on LHFS                            |  |  |  |  |  |    | 121                     |  | 92       |
| Purchases of LHFS                                                                 |  |  |  |  |  |    | (96)                    |  | (75)     |
| Net change in:                                                                    |  |  |  |  |  |    |                         |  |          |
| Trading assets                                                                    |  |  |  |  |  |    | 4,190                   |  | 13,135   |
| Deferred income taxes                                                             |  |  |  |  |  |    | 408                     |  | 235      |
| Accrued interest receivable                                                       |  |  |  |  |  |    | (139)                   |  | (288)    |
| Accrued interest payable                                                          |  |  |  |  |  |    | 221                     |  | 156      |
| Other assets                                                                      |  |  |  |  |  |    | (3,545)                 |  | 3,110    |
| Other accrued expenses and liabilities                                            |  |  |  |  |  |    | (2,454)                 |  | 1,536    |
| Net cash provided by operating activities                                         |  |  |  |  |  |    | 2,841                   |  | 9,137    |
| <b>Cash flows from investing activities:</b>                                      |  |  |  |  |  |    |                         |  |          |
| Net change in:                                                                    |  |  |  |  |  |    |                         |  |          |
| Federal funds sold, securities purchased under resale agreements                  |  |  |  |  |  |    |                         |  |          |
| and other short-term investments                                                  |  |  |  |  |  |    | (8,878)                 |  | (8,186)  |
| Available-for-sale securities:                                                    |  |  |  |  |  |    |                         |  |          |
| Sales proceeds                                                                    |  |  |  |  |  |    | 877                     |  | 1,303    |
| Prepayments and maturities                                                        |  |  |  |  |  |    | 7,709                   |  | 13,302   |
| Purchases                                                                         |  |  |  |  |  |    | (6,178)                 |  | (32,098) |
| Held-to-maturity securities:                                                      |  |  |  |  |  |    |                         |  |          |
| Paydowns and maturities                                                           |  |  |  |  |  |    | 1,566                   |  | -        |
| Purchases                                                                         |  |  |  |  |  |    | (7,276)                 |  | -        |
| Nonmarketable equity investments:                                                 |  |  |  |  |  |    |                         |  |          |
| Sales proceeds                                                                    |  |  |  |  |  |    | 943                     |  | 283      |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are 146

|                                                             |                                                                        |    |               |  |                |
|-------------------------------------------------------------|------------------------------------------------------------------------|----|---------------|--|----------------|
|                                                             | Purchases                                                              |    | (945)         |  | (467)          |
| Loans:                                                      |                                                                        |    |               |  |                |
|                                                             | Loans originated by banking subsidiaries, net of principal collected   |    | (10,628)      |  | (6,907)        |
|                                                             | Proceeds from sales (including participations) of loans originated for |    |               |  |                |
|                                                             | investment                                                             |    | 3,592         |  | 2,764          |
|                                                             | Purchases (including participations) of loans                          |    | (1,189)       |  | (1,105)        |
|                                                             | Principal collected on nonbank entities' loans                         |    | 3,266         |  | 5,828          |
|                                                             | Loans originated by nonbank entities                                   |    | (2,936)       |  | (5,289)        |
| Proceeds from sales of foreclosed assets and short sales    |                                                                        |    | 2,212         |  | 2,656          |
| Net cash from purchases and sales of MSRs                   |                                                                        |    | (40)          |  | 396            |
| Other, net                                                  |                                                                        |    | (320)         |  | 1,363          |
|                                                             | Net cash used by investing activities                                  |    | (18,225)      |  | (26,157)       |
| <b>Cash flows from financing activities:</b>                |                                                                        |    |               |  |                |
| Net change in:                                              |                                                                        |    |               |  |                |
|                                                             | Deposits                                                               |    | 15,399        |  | 7,898          |
|                                                             | Short-term borrowings                                                  |    | 3,808         |  | 3,507          |
| Long-term debt:                                             |                                                                        |    |               |  |                |
|                                                             | Proceeds from issuance                                                 |    | 3,110         |  | 7,820          |
|                                                             | Repayment                                                              |    | (4,214)       |  | (7,134)        |
| Preferred stock:                                            |                                                                        |    |               |  |                |
|                                                             | Proceeds from issuance                                                 |    | -             |  | 610            |
|                                                             | Cash dividends paid                                                    |    | (352)         |  | (306)          |
| Common stock:                                               |                                                                        |    |               |  |                |
|                                                             | Proceeds from issuance                                                 |    | 617           |  | 644            |
|                                                             | Repurchased                                                            |    | (1,025)       |  | (383)          |
|                                                             | Cash dividends paid                                                    |    | (1,545)       |  | (1,284)        |
| Excess tax benefits related to stock incentive compensation |                                                                        |    | 269           |  | 86             |
| Net change in noncontrolling interests                      |                                                                        |    | (923)         |  | (81)           |
| Other, net                                                  |                                                                        |    | 52            |  | -              |
|                                                             | Net cash provided by financing activities                              |    | 15,196        |  | 11,377         |
|                                                             | <b>Net change in cash and due from banks</b>                           |    | <b>(188)</b>  |  | <b>(5,643)</b> |
| Cash and due from banks at beginning of period              |                                                                        |    | 19,919        |  | 21,860         |
| <b>Cash and due from banks at end of period</b>             |                                                                        | \$ | <b>19,731</b> |  | <b>16,217</b>  |
| Supplemental cash flow disclosures:                         |                                                                        |    |               |  |                |
|                                                             | Cash paid for interest                                                 | \$ | 776           |  | 995            |
|                                                             | Cash paid for income taxes                                             |    | 81            |  | 377            |
|                                                             |                                                                        |    |               |  |                |
|                                                             |                                                                        |    |               |  |                |

The accompanying notes are an integral part of these statements. See Note 1 (Summary of Significant Accounting Policies) for noncash activities.

*See the Glossary of Acronyms at the end of this Report for terms used throughout the Financial Statements and related Notes.*

**Note 1: Summary of Significant Accounting Policies**

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

Our accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. For discussion of our significant accounting policies, see Note 1 (Summary of Significant Accounting Policies) in our Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Form 10-K). There were no material changes to these policies in first quarter 2014. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period and the related disclosures. Although our estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Management has made significant estimates in several areas, including allowance for credit losses and purchased credit-impaired (PCI) loans (Note 5 (Loans and Allowance for Credit Losses)), valuations of residential mortgage servicing rights (MSRs) (Note 7 (Securitizations and Variable Interest Entities) and Note 8 (Mortgage Banking Activities)) and financial instruments (Note 13 (Fair Values of Assets and Liabilities)), liability for mortgage loan repurchase losses (Note 8 (Mortgage Banking Activities)) and income taxes. Actual results could differ from those estimates.

These unaudited interim financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q. The results of operations in the interim financial statements do not necessarily indicate the results that may be expected for the full year. The interim financial information should be read in conjunction with our 2013 Form 10-K.

**Accounting for Certain Factored Loan Receivable Arrangements**

The Company determined that certain factoring arrangements previously included within commercial loans, which were recorded with a corresponding obligation in other liabilities, did not qualify as loan purchases under Accounting Standard Codification (ASC) Topic 860 (Transfers and Servicing of Financial Assets) based on interpretations of the specific arrangements. Accordingly, we revised our commercial loan balances for year-end 2012 and each of the quarters in 2013 in order to present the Company’s lending trends on a comparable basis over this period. This revision, which resulted in a reduction to total commercial loans and a corresponding decrease to other liabilities, did not impact the Company’s consolidated net income or total cash flows. We reduced our commercial loans by \$3.5

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billion, \$3.2 billion, \$2.1 billion, \$1.6 billion, and \$1.2 billion at December 31, September 30, June 30 and March 31, 2013, and December 31, 2012, respectively, which represented less than 1% of total commercial loans and less than 0.5% of our total loan portfolio. We also appropriately revised other affected financial information, including financial guarantees and financial ratios, to reflect this revision.

### Accounting Standards Adopted in 2014

In first quarter 2014, we adopted the following new accounting guidance:

- Accounting Standards Update (ASU or Update) 2014-04, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40) – Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*;
- ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*; and
- ASU 2013-08, *Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements*.

**ASU 2014-04** clarifies the timing of when a creditor is considered to have taken physical possession of residential real estate collateral for a consumer mortgage loan, resulting in the reclassification of the loan receivable to real estate owned. A creditor has taken physical possession of the property when either (1) the creditor obtains legal title through foreclosure, or (2) the borrower transfers all interests in the property to the creditor via a deed in lieu of foreclosure or a similar legal agreement. The Update also requires disclosure of the amount of foreclosed residential real estate property held by the creditor and the recorded investment in residential real estate mortgage loans that are in process of foreclosure. We have included this disclosure through an early adoption of this guidance in first quarter 2014 with prospective application. Our adoption of this guidance did not have a material effect on our consolidated financial statements as this guidance was consistent with our prior practice. See Note 5 (Loans and Allowance for Credit Losses) for the new disclosures.

**ASU 2013-11** eliminates diversity in practice as it provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward exists. We adopted this guidance in first quarter 2014 with prospective application to all unrecognized tax benefits that exist at the effective date. This Update did not have a material effect on our consolidated financial statements.

**ASU 2013-08** amends the scope, measurement and disclosure requirements for investment companies. The Update changes criteria

companies use to assess whether an entity is an investment company. In addition, investment companies must measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting. This Update also requires new disclosures, including information about changes, if any, in an entity's status as an investment company and information about financial support provided or contractually required to be provided by an investment company to any of its investees. We adopted this guidance in first quarter 2014. The Update did not have a material effect on our consolidated financial statements, as our existing practice complies with the requirements.

### Private Share Repurchases

From time to time we enter into private forward repurchase transactions with unrelated third parties to complement our open-market common stock repurchase strategies, to allow us to manage our share repurchases in a manner consistent with our capital plans, currently submitted under the 2014 Comprehensive Capital Analysis and Review (CCAR), and to provide an economic benefit to the Company.

Our payments to the counterparties for these contracts are recorded in permanent equity in the quarter paid and are not subject to re-measurement. The classification of the up-front payments as permanent equity assures that we have appropriate repurchase timing consistent with our 2014 capital plan, which contemplated a fixed dollar amount available per quarter for share repurchases pursuant to Federal Reserve Board (FRB) supervisory guidance. In return, the counterparty agrees to deliver a variable number of shares based on a per share discount to the volume-weighted average stock price over the contract period. There are no scenarios where the contracts would not either physically settle in shares or allow us to choose the settlement method. We did not have any unsettled private share repurchase contracts at March 31, 2014.

In April 2014, we entered into a private share repurchase contract and paid \$750 million to an unrelated third party. This contract expires in second quarter 2014.

**Supplemental Cash Flow Information** Significant noncash activities are presented below.

|                                                     |    |       | Quarter ended March 31, |  |        |
|-----------------------------------------------------|----|-------|-------------------------|--|--------|
| (in millions)                                       |    |       | 2014                    |  | 2013   |
| Trading assets retained from securitization of MHFS | \$ | 5,348 |                         |  | 17,940 |
| Transfers from loans to MHFS                        |    | 2,602 |                         |  | 2,475  |
| Transfers from loans to foreclosed assets (1)       |    | 1,216 |                         |  | 576    |
|                                                     |    |       |                         |  |        |
|                                                     |    |       |                         |  |        |

(1) Includes \$776 million and \$69 million in transfers of government insured/guaranteed loans for the quarters ended March 31, 2014 and 2013, respectively. Quarter ended March 31, 2013, has been revised to correct previously reported amount.

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**Subsequent Events** We have evaluated the effects of events that have occurred subsequent to March 31, 2014, and there have been no material events that would require recognition in our first quarter 2014 consolidated financial statements or disclosure in the Notes to the consolidated financial statements.

**Note 2: Business Combinations**

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We regularly explore opportunities to acquire financial services companies and businesses. Generally, we do not make a public announcement about an acquisition opportunity until a definitive agreement has been signed. For information on additional contingent consideration related to acquisitions, which is considered to be a guarantee, see Note 10 (Guarantees, Pledged Assets and Collateral).

We did not complete any acquisitions of businesses in the first quarter 2014. At March 31, 2014, we had one business combination pending related to a railcar and locomotive leasing business with total assets of approximately \$380 million. We expect to complete this transaction during second quarter 2014.

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

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The following table provides the detail of federal funds sold, securities purchased under short-term resale agreements (generally less than one year) and other short-term investments. The majority of interest-earning deposits at March 31, 2014 and December 31, 2013, were held at the Federal Reserve.

|  |  |  |                 |  |                 |
|--|--|--|-----------------|--|-----------------|
|  |  |  |                 |  |                 |
|  |  |  | <b>Mar. 31,</b> |  | <b>Dec. 31,</b> |

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| (in millions)                     |                                   |    | 2014    |  | 2013    |
|-----------------------------------|-----------------------------------|----|---------|--|---------|
| Federal funds sold and securities |                                   |    |         |  |         |
|                                   | purchased under resale agreements | \$ | 26,759  |  | 25,801  |
| Interest-earning deposits         |                                   |    | 194,100 |  | 186,249 |
| Other short-term investments      |                                   |    | 1,922   |  | 1,743   |
|                                   | Total                             | \$ | 222,781 |  | 213,793 |
|                                   |                                   |    |         |  |         |

We have classified securities purchased under long-term resale agreements (generally one year or more), which totaled \$9.3 billion and \$10.1 billion at March 31, 2014 and December 31, 2013, respectively, in loans. For additional information on the collateral we receive from other entities under resale agreements and securities borrowings, see the “Offsetting of Resale and Repurchase Agreements and Securities Borrowing and Lending Agreements” section of Note 10 (Guarantees, Pledged Assets and Collateral).

### **Note 4: Investment Securities**

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The following table provides the amortized cost and fair value by major categories of available-for-sale securities, which are carried at fair value, and held-to-maturity debt securities, which are carried at amortized cost. The net unrealized gains (losses) for available-for-sale securities are reported on an after tax basis as a component of cumulative OCI.

|                                       |                                                             |                                           |  |                                           |                                            |              |            |            |            |         |  |
|---------------------------------------|-------------------------------------------------------------|-------------------------------------------|--|-------------------------------------------|--------------------------------------------|--------------|------------|------------|------------|---------|--|
|                                       |                                                             |                                           |  |                                           |                                            |              |            |            |            |         |  |
|                                       |                                                             |                                           |  |                                           |                                            |              |            |            |            |         |  |
|                                       |                                                             |                                           |  |                                           |                                            |              |            | Gross      | Gross      |         |  |
|                                       |                                                             |                                           |  |                                           |                                            |              |            | unrealized | unrealized | Fair    |  |
| (in millions)                         |                                                             |                                           |  |                                           |                                            |              | Cost       | gains      | losses     | value   |  |
|                                       |                                                             |                                           |  |                                           |                                            |              |            |            |            |         |  |
| <b>March 31, 2014</b>                 |                                                             |                                           |  |                                           |                                            |              |            |            |            |         |  |
|                                       |                                                             |                                           |  |                                           |                                            |              |            |            |            |         |  |
| <b>Available-for-sale securities:</b> |                                                             |                                           |  |                                           |                                            |              |            |            |            |         |  |
|                                       | <b>Securities of U.S. Treasury and federal agencies</b>     |                                           |  |                                           |                                            |              | \$ 6,578   | 15         | (234)      | 6,359   |  |
|                                       | <b>Securities of U.S. states and political subdivisions</b> |                                           |  |                                           |                                            |              | 42,982     | 1,530      | (372)      | 44,140  |  |
|                                       | <b>Mortgage-backed securities:</b>                          |                                           |  |                                           |                                            |              |            |            |            |         |  |
|                                       |                                                             | <b>Federal agencies</b>                   |  |                                           |                                            |              | 118,722    | 2,066      | (2,698)    | 118,090 |  |
|                                       |                                                             | <b>Residential</b>                        |  |                                           |                                            |              | 10,323     | 1,487      | (19)       | 11,791  |  |
|                                       |                                                             | <b>Commercial</b>                         |  |                                           |                                            |              | 17,472     | 1,168      | (69)       | 18,571  |  |
|                                       |                                                             | <b>Total mortgage-backed securities</b>   |  |                                           |                                            |              | 146,517    | 4,721      | (2,786)    | 148,452 |  |
|                                       | <b>Corporate debt securities</b>                            |                                           |  |                                           |                                            |              | 19,718     | 997        | (91)       | 20,624  |  |
|                                       | <b>Collateralized loan and other debt obligations (1)</b>   |                                           |  |                                           |                                            |              | 20,806     | 611        | (78)       | 21,339  |  |
|                                       | <b>Other (2)</b>                                            |                                           |  |                                           |                                            |              | 7,858      | 438        | (6)        | 8,290   |  |
|                                       |                                                             |                                           |  | <b>Total debt securities</b>              |                                            |              | 244,459    | 8,312      | (3,567)    | 249,204 |  |
|                                       | <b>Marketable equity securities:</b>                        |                                           |  |                                           |                                            |              |            |            |            |         |  |
|                                       |                                                             | <b>Perpetual preferred securities</b>     |  |                                           |                                            |              | 1,648      | 212        | (50)       | 1,810   |  |
|                                       |                                                             | <b>Other marketable equity securities</b> |  |                                           |                                            |              | 287        | 1,365      | (1)        | 1,651   |  |
|                                       |                                                             |                                           |  | <b>Total marketable equity securities</b> |                                            |              | 1,935      | 1,577      | (51)       | 3,461   |  |
|                                       |                                                             |                                           |  |                                           | <b>Total available-for-sale securities</b> |              | 246,394    | 9,889      | (3,618)    | 252,665 |  |
| <b>Held-to-maturity securities:</b>   |                                                             |                                           |  |                                           |                                            |              |            |            |            |         |  |
|                                       | <b>Securities of U.S. Treasury and federal agencies</b>     |                                           |  |                                           |                                            |              | 5,861      | 1          | (27)       | 5,835   |  |
|                                       | <b>Federal agency mortgage-backed securities</b>            |                                           |  |                                           |                                            |              | 6,199      | 8          | (39)       | 6,168   |  |
|                                       | <b>Other (2)</b>                                            |                                           |  |                                           |                                            |              | 5,602      | 18         | (2)        | 5,618   |  |
|                                       |                                                             |                                           |  |                                           | <b>Total held-to-maturity securities</b>   |              | 17,662     | 27         | (68)       | 17,621  |  |
|                                       |                                                             |                                           |  |                                           |                                            | <b>Total</b> | \$ 264,056 | 9,916      | (3,686)    | 270,286 |  |

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All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                       |  |  |  |  |                                                                 |    |         |         |  |       |        |  |         |         |  |
|---------------------------------------|--|--|--|--|-----------------------------------------------------------------|----|---------|---------|--|-------|--------|--|---------|---------|--|
|                                       |  |  |  |  | <b>Total<br/>available-for-sale<br/>securities</b>              |    |         |         |  |       |        |  |         |         |  |
| <b>Held-to-maturity securities:</b>   |  |  |  |  |                                                                 |    |         |         |  |       |        |  |         |         |  |
|                                       |  |  |  |  | <b>Securities of U.S. Treasury and<br/>federal agencies</b>     |    | (27)    | 4,556   |  | -     | -      |  | (27)    | 4,556   |  |
|                                       |  |  |  |  | <b>Federal agency mortgage-backed<br/>securities</b>            |    | (39)    | 4,788   |  | -     | -      |  | (39)    | 4,788   |  |
|                                       |  |  |  |  | <b>Other</b>                                                    |    | (2)     | 394     |  | -     | -      |  | (2)     | 394     |  |
|                                       |  |  |  |  | <b>Total<br/>held-to-maturity<br/>securities</b>                |    | (68)    | 9,738   |  | -     | -      |  | (68)    | 9,738   |  |
|                                       |  |  |  |  | <b>Total</b>                                                    | \$ | (3,081) | 91,628  |  | (605) | 13,016 |  | (3,686) | 104,644 |  |
| December 31, 2013                     |  |  |  |  |                                                                 |    |         |         |  |       |        |  |         |         |  |
| <b>Available-for-sale securities:</b> |  |  |  |  |                                                                 |    |         |         |  |       |        |  |         |         |  |
|                                       |  |  |  |  | <b>Securities of U.S. Treasury and federal<br/>agencies</b>     | \$ | (329)   | 5,786   |  | -     | -      |  | (329)   | 5,786   |  |
|                                       |  |  |  |  | <b>Securities of U.S. states and political<br/>subdivisions</b> |    | (399)   | 9,238   |  | (328) | 4,120  |  | (727)   | 13,358  |  |
| <b>Mortgage-backed securities:</b>    |  |  |  |  |                                                                 |    |         |         |  |       |        |  |         |         |  |
|                                       |  |  |  |  | <b>Federal agencies</b>                                         |    | (3,562) | 67,045  |  | (52)  | 1,132  |  | (3,614) | 68,177  |  |
|                                       |  |  |  |  | <b>Residential</b>                                              |    | (18)    | 1,242   |  | (22)  | 232    |  | (40)    | 1,474   |  |
|                                       |  |  |  |  | <b>Commercial</b>                                               |    | (15)    | 2,128   |  | (100) | 2,027  |  | (115)   | 4,155   |  |
|                                       |  |  |  |  | <b>Total mortgage-backed<br/>securities</b>                     |    | (3,595) | 70,415  |  | (174) | 3,391  |  | (3,769) | 73,806  |  |
|                                       |  |  |  |  | <b>Corporate debt securities</b>                                |    | (85)    | 2,542   |  | (55)  | 428    |  | (140)   | 2,970   |  |
|                                       |  |  |  |  | <b>Collateralized loan and other debt<br/>obligations</b>       |    | (55)    | 7,202   |  | (38)  | 343    |  | (93)    | 7,545   |  |
|                                       |  |  |  |  | <b>Other</b>                                                    |    | (11)    | 1,690   |  | (18)  | 365    |  | (29)    | 2,055   |  |
|                                       |  |  |  |  | <b>Total debt securities</b>                                    |    | (4,474) | 96,873  |  | (613) | 8,647  |  | (5,087) | 105,520 |  |
| <b>Marketable equity securities:</b>  |  |  |  |  |                                                                 |    |         |         |  |       |        |  |         |         |  |
|                                       |  |  |  |  | <b>Perpetual preferred securities</b>                           |    | (28)    | 424     |  | (32)  | 308    |  | (60)    | 732     |  |
|                                       |  |  |  |  | <b>Other marketable equity securities</b>                       |    | (4)     | 34      |  | -     | -      |  | (4)     | 34      |  |
|                                       |  |  |  |  | <b>Total marketable equity<br/>securities</b>                   |    | (32)    | 458     |  | (32)  | 308    |  | (64)    | 766     |  |
|                                       |  |  |  |  | <b>Total<br/>available-for-sale<br/>securities</b>              |    | (4,506) | 97,331  |  | (645) | 8,955  |  | (5,151) | 106,286 |  |
| <b>Held-to-maturity securities:</b>   |  |  |  |  |                                                                 |    |         |         |  |       |        |  |         |         |  |
|                                       |  |  |  |  | <b>Federal agency mortgage-backed<br/>securities</b>            |    | (99)    | 6,153   |  | -     | -      |  | (99)    | 6,153   |  |
|                                       |  |  |  |  | <b>Total<br/>held-to-maturity<br/>securities</b>                |    | (99)    | 6,153   |  | -     | -      |  | (99)    | 6,153   |  |
|                                       |  |  |  |  | <b>Total</b>                                                    | \$ | (4,605) | 103,484 |  | (645) | 8,955  |  | (5,250) | 112,439 |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

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All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

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

For complete descriptions of the factors we consider when analyzing securities for impairment, see Note 1 (Summary of Significant Accounting Policies) and Note 5 (Investment Securities) to Financial Statements in our 2013 Form 10-K. There have been no material changes to our methodologies for assessing impairment in first quarter 2014.

The following table shows the gross unrealized losses and fair value of debt and perpetual preferred investment securities by those rated investment grade and those rated less than investment grade, according to their lowest credit rating by Standard & Poor's Rating Services (S&P) or Moody's Investors Service (Moody's). Credit ratings express opinions about the credit quality of a security. Securities rated investment grade, that is those rated BBB- or higher by S&P or Baa3 or higher by Moody's, are generally considered by the rating agencies and market participants to be low credit risk. Conversely, securities rated below investment grade, labeled as "speculative grade" by the rating agencies, are considered to be distinctively higher credit risk than investment grade securities. We have also included securities not rated by S&P or Moody's in the table below based on the internal credit grade of the securities (used for credit risk management purposes) equivalent to the credit rating assigned by major credit agencies. The unrealized losses and fair value of unrated securities categorized as investment grade based on internal credit grades were \$15 million and \$1.8 billion, respectively, at March 31, 2014, and \$18 million and \$1.9 billion, respectively, at December 31, 2013. If an internal credit grade was not assigned, we categorized the security as non-investment grade.

[illegible]

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                       |                                                             |    |         |         |  |       |       |
|---------------------------------------|-------------------------------------------------------------|----|---------|---------|--|-------|-------|
|                                       | <b>Collateralized loan and other debt obligations</b>       |    | (59)    | 6,062   |  | (19)  | 166   |
|                                       | <b>Other</b>                                                |    | (4)     | 783     |  | (2)   | 87    |
|                                       | <b>Total debt securities</b>                                |    | (3,406) | 92,206  |  | (161) | 2,004 |
|                                       | <b>Perpetual preferred securities</b>                       |    | (50)    | 687     |  | -     | -     |
|                                       | <b>Total available-for-sale securities</b>                  |    | (3,456) | 92,893  |  | (161) | 2,004 |
| <b>Held-to-maturity securities:</b>   |                                                             |    |         |         |  |       |       |
|                                       | <b>Securities of U.S. Treasury and federal agencies</b>     |    | (27)    | 4,556   |  | -     | -     |
|                                       | <b>Federal agency mortgage-backed securities</b>            |    | (39)    | 4,788   |  | -     | -     |
|                                       | <b>Other</b>                                                |    | (2)     | 394     |  | -     | -     |
|                                       | <b>Total held-to-maturity securities</b>                    |    | (68)    | 9,738   |  | -     | -     |
|                                       | <b>Total</b>                                                | \$ | (3,524) | 102,631 |  | (161) | 2,004 |
| December 31, 2013                     |                                                             |    |         |         |  |       |       |
| <b>Available-for-sale securities:</b> |                                                             |    |         |         |  |       |       |
|                                       | <b>Securities of U.S. Treasury and federal agencies</b>     | \$ | (329)   | 5,786   |  | -     | -     |
|                                       | <b>Securities of U.S. states and political subdivisions</b> |    | (671)   | 12,915  |  | (56)  | 443   |
| <b>Mortgage-backed securities:</b>    |                                                             |    |         |         |  |       |       |
|                                       | <b>Federal agencies</b>                                     |    | (3,614) | 68,177  |  | -     | -     |
|                                       | <b>Residential</b>                                          |    | (2)     | 177     |  | (38)  | 1,297 |
|                                       | <b>Commercial</b>                                           |    | (46)    | 3,364   |  | (69)  | 791   |
|                                       | <b>Total mortgage-backed securities</b>                     |    | (3,662) | 71,718  |  | (107) | 2,088 |
|                                       | <b>Corporate debt securities</b>                            |    | (96)    | 2,343   |  | (44)  | 627   |
|                                       | <b>Collateralized loan and other debt obligations</b>       |    | (72)    | 7,376   |  | (21)  | 169   |
|                                       | <b>Other</b>                                                |    | (19)    | 1,874   |  | (10)  | 181   |
|                                       | <b>Total debt securities</b>                                |    | (4,849) | 102,012 |  | (238) | 3,508 |
|                                       | <b>Perpetual preferred securities</b>                       |    | (60)    | 732     |  | -     | -     |
|                                       | <b>Total available-for-sale securities</b>                  |    | (4,909) | 102,744 |  | (238) | 3,508 |
| <b>Held-to-maturity securities:</b>   |                                                             |    |         |         |  |       |       |
|                                       | <b>Federal agency mortgage-backed securities</b>            |    | (99)    | 6,153   |  | -     | -     |
|                                       | <b>Total held-to-maturity securities</b>                    |    | (99)    | 6,153   |  | -     | -     |
|                                       | <b>Total</b>                                                | \$ | (5,008) | 108,897 |  | (238) | 3,508 |



**Note 4: Investment Securities (continued)****Contractual Maturities**

The following table shows the remaining contractual maturities and contractual weighted-average yields (taxable-equivalent basis) of available-for-sale debt securities. The remaining contractual principal maturities for MBS do not consider prepayments. Remaining expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations before the underlying mortgages mature.

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All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

Internal valuation models are subject to ongoing review by business-unit-level management, and all

|     |                                                                                                                                                                                                |
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| (1) | Weighted-average yields displayed by maturity bucket are weighted based on fair value and predominantly represent contractual coupon rates without effect for any related hedging derivatives. |
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77

The following table shows the amortized cost and weighted-average yields of held-to-maturity debt securities by contractual maturity.

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All internal valuation models are subject to ongoing review by business-unit-level management, and all models are 164

|                                                                                                                                                     |    |        |      |   |    |     |      |   |    |       |      |   |    |       |      |   |    |       |      |   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|----|--------|------|---|----|-----|------|---|----|-------|------|---|----|-------|------|---|----|-------|------|---|
| Held-to-maturity securities (1):                                                                                                                    |    |        |      |   |    |     |      |   |    |       |      |   |    |       |      |   |    |       |      |   |
| Amortized cost:                                                                                                                                     |    |        |      |   |    |     |      |   |    |       |      |   |    |       |      |   |    |       |      |   |
| Federal agency mortgage-backed securities                                                                                                           | \$ | 6,304  | 3.90 | % | \$ | -   | -    | % | \$ | -     | -    | % | \$ | -     | -    | % | \$ | 6,304 | 3.90 | % |
| Other                                                                                                                                               |    | 6,042  | 1.89 |   |    | 195 | 1.72 |   |    | 4,468 | 1.87 |   |    | 1,379 | 1.98 |   |    | -     | -    |   |
| Total held-to-maturity debt securities at amortized cost                                                                                            | \$ | 12,346 | 2.92 | % | \$ | 195 | 1.72 | % | \$ | 4,468 | 1.87 | % | \$ | 1,379 | 1.98 | % | \$ | 6,304 | 3.90 | % |
| (1) Weighted-average yields displayed by maturity bucket are weighted based on amortized cost and predominantly represent contractual coupon rates. |    |        |      |   |    |     |      |   |    |       |      |   |    |       |      |   |    |       |      |   |

The following table shows the fair value of held-to-maturity debt securities by contractual maturity.

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All internal valuation models are subject to ongoing review by business-unit-level management, and all models are



**Note 4: Investment Securities (continued)****Realized Gains and Losses**

The following table shows the gross realized gains and losses on sales and OTTI write-downs related to the investment securities portfolio, which includes marketable equity securities, as well as net realized gains and losses on nonmarketable equity investments (see Note 6 (Other Assets)).

|                                                                |  |  |  |  |    | Quarter ended<br>March 31, |      |
|----------------------------------------------------------------|--|--|--|--|----|----------------------------|------|
| (in millions)                                                  |  |  |  |  |    | 2014                       | 2013 |
| Gross realized gains                                           |  |  |  |  | \$ | 391                        | 156  |
| Gross realized losses                                          |  |  |  |  |    | (3)                        | (5)  |
| OTTI write-downs                                               |  |  |  |  |    | (9)                        | (38) |
| Net realized gains from investment securities                  |  |  |  |  |    | 379                        | 113  |
| Net realized gains from nonmarketable equity investments       |  |  |  |  |    | 551                        | 45   |
| Net realized gains from debt securities and equity investments |  |  |  |  | \$ | 930                        | 158  |

**Other-Than-Temporary Impairment**

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

|                                              |  |  |  |  |    | Quarter ended<br>March 31, |      |
|----------------------------------------------|--|--|--|--|----|----------------------------|------|
| (in millions)                                |  |  |  |  |    | 2014                       | 2013 |
| <b>OTTI write-downs included in earnings</b> |  |  |  |  |    |                            |      |
| Debt securities:                             |  |  |  |  |    |                            |      |
| Mortgage-backed securities:                  |  |  |  |  |    |                            |      |
| Residential                                  |  |  |  |  | \$ | 5                          | 15   |

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|  |  |  |                                    |  |  |                                             |  |               |    |
|--|--|--|------------------------------------|--|--|---------------------------------------------|--|---------------|----|
|  |  |  | Commercial                         |  |  |                                             |  | <b>2</b>      | 15 |
|  |  |  | Corporate debt securities          |  |  |                                             |  | -             | 2  |
|  |  |  | Other debt securities              |  |  |                                             |  | -             | 2  |
|  |  |  | Total debt securities              |  |  |                                             |  | <b>7</b>      | 34 |
|  |  |  | Equity securities:                 |  |  |                                             |  |               |    |
|  |  |  | Marketable equity securities:      |  |  |                                             |  |               |    |
|  |  |  | Other marketable equity securities |  |  |                                             |  | <b>2</b>      | 4  |
|  |  |  | Total marketable equity securities |  |  |                                             |  | <b>2</b>      | 4  |
|  |  |  | Total investment securities        |  |  |                                             |  | <b>9</b>      | 38 |
|  |  |  | Nonmarketable equity investments   |  |  |                                             |  | <b>126</b>    | 40 |
|  |  |  |                                    |  |  | Total OTTI write-downs included in earnings |  | <b>\$ 135</b> | 78 |
|  |  |  |                                    |  |  |                                             |  |               |    |

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**Other-Than-Temporarily Impaired Debt Securities**

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

|                                                                                |  |  |  |  |  | Quarter ended<br>March 31, |      |
|--------------------------------------------------------------------------------|--|--|--|--|--|----------------------------|------|
| (in millions)                                                                  |  |  |  |  |  | 2014                       | 2013 |
| <b>OTTI on debt securities</b>                                                 |  |  |  |  |  |                            |      |
| Recorded as part of gross realized losses:                                     |  |  |  |  |  |                            |      |
| Credit-related OTTI                                                            |  |  |  |  |  | \$ 7                       | 23   |
| Intent-to-sell OTTI                                                            |  |  |  |  |  | -                          | 11   |
| Total recorded as part of gross realized losses                                |  |  |  |  |  | 7                          | 34   |
| Changes to OCI for losses (reversal of losses) in non-credit-related OTTI (1): |  |  |  |  |  |                            |      |
| Residential mortgage-backed securities                                         |  |  |  |  |  | (9)                        | (9)  |
| Commercial mortgage-backed securities                                          |  |  |  |  |  | (12)                       | (41) |
| Collateralized loan and other debt obligations                                 |  |  |  |  |  | -                          | (1)  |
| Other debt securities                                                          |  |  |  |  |  | -                          | 2    |
| Total changes to OCI for non-credit-related OTTI                               |  |  |  |  |  | (21)                       | (49) |
| Total OTTI losses (reversal of losses) recorded on debt securities             |  |  |  |  |  | \$ (14)                    | (15) |

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

The following table presents a rollforward of the credit loss component recognized in earnings for debt securities we still own (referred to as “credit-impaired” debt securities). The credit loss component of the amortized cost represents the difference between the present value of expected future cash flows discounted using the security’s current effective interest rate and the amortized cost basis of the security prior to considering credit losses. OTTI recognized in earnings for credit-impaired debt securities is presented as additions and is classified into one of two components based upon whether the current period is the first time the debt security was credit-impaired (initial credit impairment) or if the debt security was previously credit-impaired (subsequent credit impairments). The credit loss component is reduced if we sell, intend to sell or believe we will be required to sell previously credit-impaired debt securities. Additionally, the credit loss component is reduced if we receive or expect to receive cash flows in excess of what we previously expected to receive over the remaining life of the credit-impaired debt security, the security matures or is

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

fully written down.

Changes in the credit loss component of credit-impaired debt securities that were recognized in earnings and related to securities that we do not intend to sell are presented in the following table.

|                                            |                                                   |                  |  |  |  |                            |       |       |
|--------------------------------------------|---------------------------------------------------|------------------|--|--|--|----------------------------|-------|-------|
|                                            |                                                   |                  |  |  |  |                            |       |       |
|                                            |                                                   |                  |  |  |  | Quarter ended<br>March 31, |       |       |
| (in millions)                              |                                                   |                  |  |  |  |                            | 2014  | 2013  |
| Credit loss component, beginning of period |                                                   |                  |  |  |  | \$                         | 1,171 | 1,289 |
| Additions:                                 |                                                   |                  |  |  |  |                            |       |       |
|                                            | Initial credit impairments                        |                  |  |  |  |                            | -     | 1     |
|                                            | Subsequent credit impairments                     |                  |  |  |  |                            | 7     | 22    |
|                                            |                                                   | Total additions  |  |  |  |                            | 7     | 23    |
| Reductions:                                |                                                   |                  |  |  |  |                            |       |       |
|                                            | For securities sold or matured                    |                  |  |  |  |                            | (29)  | (52)  |
|                                            | For recoveries of previous credit impairments (1) |                  |  |  |  |                            | (6)   | (8)   |
|                                            |                                                   | Total reductions |  |  |  |                            | (35)  | (60)  |
| Credit loss component, end of period       |                                                   |                  |  |  |  | \$                         | 1,143 | 1,252 |
|                                            |                                                   |                  |  |  |  |                            |       |       |

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

**Note 5: Loans and Allowance for Credit Losses**

The following table presents total loans outstanding by portfolio segment and class of financing receivable. Outstanding balances include a total net reduction of \$5.5 billion and \$6.4 billion at March 31, 2014, and December 31, 2013, respectively, for unearned income, net deferred loan fees, and unamortized discounts and premiums.

|               |                                             |                  |             |  |  |  |  |            |          |
|---------------|---------------------------------------------|------------------|-------------|--|--|--|--|------------|----------|
|               |                                             |                  |             |  |  |  |  |            |          |
|               |                                             |                  |             |  |  |  |  | Mar. 31,   | Dec. 31, |
| (in millions) |                                             |                  |             |  |  |  |  | 2014       | 2013     |
| Commercial:   |                                             |                  |             |  |  |  |  |            |          |
|               | Commercial and industrial                   |                  |             |  |  |  |  | \$ 196,768 | 193,811  |
|               | Real estate mortgage                        |                  |             |  |  |  |  | 107,969    | 107,100  |
|               | Real estate construction                    |                  |             |  |  |  |  | 16,615     | 16,747   |
|               | Lease financing                             |                  |             |  |  |  |  | 11,841     | 12,034   |
|               | Foreign (1)                                 |                  |             |  |  |  |  | 48,088     | 47,551   |
|               |                                             | Total commercial |             |  |  |  |  | 381,281    | 377,243  |
| Consumer:     |                                             |                  |             |  |  |  |  |            |          |
|               | Real estate 1-4 family first mortgage       |                  |             |  |  |  |  | 259,478    | 258,497  |
|               | Real estate 1-4 family junior lien mortgage |                  |             |  |  |  |  | 63,965     | 65,914   |
|               | Credit card                                 |                  |             |  |  |  |  | 26,061     | 26,870   |
|               | Automobile                                  |                  |             |  |  |  |  | 52,607     | 50,808   |
|               | Other revolving credit and installment      |                  |             |  |  |  |  | 43,051     | 42,954   |
|               |                                             | Total consumer   |             |  |  |  |  | 445,162    | 445,043  |
|               |                                             |                  | Total loans |  |  |  |  | \$ 826,443 | 822,286  |
|               |                                             |                  |             |  |  |  |  |            |          |

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

**Loan Purchases, Sales, and Transfers**

The following table summarizes the proceeds paid or received for purchases and sales of loans and transfers from loans held for investment to mortgages/loans held for sale at lower of cost or fair value. This loan activity primarily includes loans purchased and sales of whole loan or participating interests, whereby we receive or transfer a portion of a loan after origination. The table excludes PCI loans and loans recorded at fair value, including loans originated for sale because their loan activity normally does not impact the allowance for credit losses.

|                         |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|-------------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
|                         |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Quarter ended March 31, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

[illegible]

(1) The “Purchases” and “Transfers to MHFS/LHFS” categories exclude activity in government insured/guaranteed loans. As servicer, we are able to buy delinquent insured/guaranteed loans out of the Government National Mortgage Association (GNMA) pools. These loans have different risk characteristics from the rest of our consumer portfolio, whereby this activity does not impact the allowance for loan losses in the same manner because the loans are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA). On a net basis, such purchases net of transfers to MHFS were \$1.5 billion and \$2.0 billion for the quarter ended March 31, 2014 and 2013, respectively.

## Commitments to Lend

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

We may, as a representative for other lenders, advance funds or provide for the issuance of letters of credit under syndicated loan or letter of credit agreements. Any advances are generally repaid in less than a week and would normally require default of both the customer and another lender to expose us to loss. These temporary advance arrangements totaled approximately \$88 billion and \$87 billion at March 31, 2014, and December 31, 2013, respectively.

We issue commercial letters of credit to assist customers in purchasing goods or services, typically for international trade. At March 31, 2014, and December 31, 2013, we had \$1.3 billion and \$1.2 billion, respectively, of outstanding issued commercial letters of credit. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility for different purposes in one of several forms, including a standby letter of credit. See Note 10 (Guarantees, Pledged Assets and Collateral) for additional information on standby letters of credit.

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

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

The contractual amount of our unfunded credit commitments, including unissued standby and commercial letters of credit, is summarized by portfolio segment and class of financing receivable in the following table. The table excludes standby and commercial letters of credit issued under the terms of our commitments and temporary advance commitments on behalf of other lenders.

|               |  |  |  |  |  |  | <b>Mar. 31,</b> | <b>Dec. 31,</b> |
|---------------|--|--|--|--|--|--|-----------------|-----------------|
|               |  |  |  |  |  |  | <b>2014</b>     | <b>2013</b>     |
| (in millions) |  |  |  |  |  |  |                 |                 |
| Commercial:   |  |  |  |  |  |  |                 |                 |

|           |                                        |  |    |         |         |
|-----------|----------------------------------------|--|----|---------|---------|
|           | Commercial and industrial              |  | \$ | 240,507 | 238,962 |
|           | Real estate mortgage                   |  |    | 5,813   | 5,910   |
|           | Real estate construction               |  |    | 13,045  | 12,593  |
|           | Foreign                                |  |    | 13,993  | 12,216  |
|           | Total commercial                       |  |    | 273,358 | 269,681 |
| Consumer: |                                        |  |    |         |         |
|           | Real estate 1-4 family first mortgage  |  |    | 33,897  | 32,908  |
|           | Real estate 1-4 family                 |  |    |         |         |
|           | junior lien mortgage                   |  |    | 47,404  | 47,668  |
|           | Credit card                            |  |    | 82,533  | 78,961  |
|           | Other revolving credit and installment |  |    | 24,921  | 24,213  |
|           | Total consumer                         |  |    | 188,755 | 183,750 |
|           | Total unfunded                         |  |    |         |         |
|           | credit commitments                     |  | \$ | 462,113 | 453,431 |

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All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|  |  |                                                                              |  |  |                  |   |         |
|--|--|------------------------------------------------------------------------------|--|--|------------------|---|---------|
|  |  | Automobile                                                                   |  |  | 90               |   | 88      |
|  |  | Other revolving credit and installment                                       |  |  | 40               |   | 42      |
|  |  | Total consumer                                                               |  |  | 276              |   | 272     |
|  |  | Total loan recoveries                                                        |  |  | 459              |   | 442     |
|  |  | Net loan charge-offs (2)                                                     |  |  | (825)            |   | (1,419) |
|  |  | Allowances related to business combinations/other                            |  |  | (1)              |   | (11)    |
|  |  | <b>Balance, end of period</b>                                                |  |  | <b>\$ 14,414</b> |   | 17,193  |
|  |  | Components:                                                                  |  |  |                  |   |         |
|  |  | Allowance for loan losses                                                    |  |  | <b>\$ 13,695</b> |   | 16,711  |
|  |  | Allowance for unfunded credit commitments                                    |  |  | 719              |   | 482     |
|  |  | Allowance for credit losses (3)                                              |  |  | <b>\$ 14,414</b> |   | 17,193  |
|  |  | Net loan charge-offs (annualized) as a percentage of average total loans (2) |  |  | 0.41             | % | 0.72    |
|  |  | Allowance for loan losses as a percentage of total loans (3)                 |  |  | 1.66             |   | 2.09    |
|  |  | Allowance for credit losses as a percentage of total loans (3)               |  |  | 1.74             |   | 2.15    |
|  |  |                                                                              |  |  |                  |   |         |

(1) Certain impaired loans with an allowance calculated by discounting expected cash flows using the loan's effective interest rate over the remaining life of the loan recognize reductions in the allowance as interest income.

(2) For PCI loans, charge-offs are only recorded to the extent that losses exceed the purchase accounting estimates.

(3) The allowance for credit losses includes \$21 million and \$80 million at March 31, 2014 and 2013, respectively, related to PCI loans acquired from Wachovia. Loans acquired from Wachovia are included in total loans net of related purchase accounting net write-downs.



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

|                                                  |    |            |          |         | Quarter ended March 31, |            |          |         |  |      |  |
|--------------------------------------------------|----|------------|----------|---------|-------------------------|------------|----------|---------|--|------|--|
|                                                  |    |            |          |         |                         | 2014       |          |         |  | 2013 |  |
| (in millions)                                    |    | Commercial | Consumer | Total   |                         | Commercial | Consumer | Total   |  |      |  |
| <b>Balance, beginning of period</b>              | \$ | 6,103      | 8,868    | 14,971  |                         | 5,714      | 11,763   | 17,477  |  |      |  |
| Provision for credit losses                      |    | 263        | 62       | 325     |                         | 192        | 1,027    | 1,219   |  |      |  |
| Interest income on certain impaired loans        |    | (6)        | (50)     | (56)    |                         | (19)       | (54)     | (73)    |  |      |  |
| Loan charge-offs                                 |    | (188)      | (1,096)  | (1,284) |                         | (260)      | (1,601)  | (1,861) |  |      |  |
| Loan recoveries                                  |    | 183        | 276      | 459     |                         | 170        | 272      | 442     |  |      |  |
| Net loan charge-offs                             |    | (5)        | (820)    | (825)   |                         | (90)       | (1,329)  | (1,419) |  |      |  |
| Allowance related to business combinations/other |    | (1)        | -        | (1)     |                         | (11)       | -        | (11)    |  |      |  |
| <b>Balance, end of period</b>                    | \$ | 6,354      | 8,060    | 14,414  |                         | 5,786      | 11,407   | 17,193  |  |      |  |

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

|                            |    |            |          |        | Allowance for credit losses |            |          | Recorded investment in loans |  |  |  |
|----------------------------|----|------------|----------|--------|-----------------------------|------------|----------|------------------------------|--|--|--|
| (in millions)              |    | Commercial | Consumer | Total  |                             | Commercial | Consumer | Total                        |  |  |  |
| <b>March 31, 2014</b>      |    |            |          |        |                             |            |          |                              |  |  |  |
| Collectively evaluated (1) | \$ | 5,407      | 4,397    | 9,804  |                             | 374,024    | 398,790  | 772,814                      |  |  |  |
| Individually evaluated (2) |    | 929        | 3,660    | 4,589  |                             | 5,052      | 22,725   | 27,777                       |  |  |  |
| PCI (3)                    |    | 18         | 3        | 21     |                             | 2,205      | 23,647   | 25,852                       |  |  |  |
| <b>Total</b>               | \$ | 6,354      | 8,060    | 14,414 |                             | 381,281    | 445,162  | 826,443                      |  |  |  |
| <b>December 31, 2013</b>   |    |            |          |        |                             |            |          |                              |  |  |  |
| Collectively evaluated (1) | \$ | 4,921      | 5,011    | 9,932  |                             | 369,405    | 398,084  | 767,489                      |  |  |  |
| Individually evaluated (2) |    | 1,156      | 3,853    | 5,009  |                             | 5,334      | 22,736   | 28,070                       |  |  |  |
| PCI (3)                    |    | 26         | 4        | 30     |                             | 2,504      | 24,223   | 26,727                       |  |  |  |

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|  |       |  |    |       |       |        |  |         |         |         |
|--|-------|--|----|-------|-------|--------|--|---------|---------|---------|
|  | Total |  | \$ | 6,103 | 8,868 | 14,971 |  | 377,243 | 445,043 | 822,286 |
|  |       |  |    |       |       |        |  |         |         |         |

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

(2) Represents loans individually evaluated for impairment in accordance with ASC 310-10, *Receivables* (formerly FAS 114), and pursuant to amendments by ASU 2010-20 regarding allowance for impaired loans.

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

### Credit Quality

We monitor credit quality by evaluating various attributes and utilize such information in our evaluation of the appropriateness of the allowance for credit losses. The following sections provide the credit quality indicators we most closely monitor. The credit quality indicators are generally based on information as of our financial statement date, with the exception of updated Fair Isaac Corporation (FICO) scores and updated loan-to-value (LTV)/combined LTV (CLTV), which are obtained at least quarterly. Generally, these indicators are updated in the second month of each quarter, with updates no older than December 31, 2013. See the “Purchased Credit-Impaired Loans” section of this Note for credit quality information on our PCI portfolio.

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

The following table provides a breakdown of outstanding commercial loans by risk category. Of the \$11.3 billion in criticized commercial real estate (CRE) loans at March 31, 2014, \$2.3 billion has been placed on nonaccrual status and written down to net realizable collateral value. CRE loans have a high level of monitoring in place to manage these assets and mitigate loss exposure.

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

|                                             |                                           |  |  |  |    | Commercial | Real     | Real         |           |         |  |         |
|---------------------------------------------|-------------------------------------------|--|--|--|----|------------|----------|--------------|-----------|---------|--|---------|
|                                             |                                           |  |  |  |    | and        | estate   | estate       | Lease     |         |  |         |
| (in millions)                               |                                           |  |  |  |    | industrial | mortgage | construction | financing | Foreign |  | Total   |
| <b>March 31, 2014</b>                       |                                           |  |  |  |    |            |          |              |           |         |  |         |
| <b>By risk category:</b>                    |                                           |  |  |  |    |            |          |              |           |         |  |         |
|                                             | Pass                                      |  |  |  | \$ | 180,878    | 97,028   | 14,789       | 11,441    | 45,786  |  | 349,922 |
|                                             | Criticized                                |  |  |  |    | 15,706     | 9,843    | 1,434        | 400       | 1,771   |  | 29,154  |
|                                             | Total commercial loans<br>(excluding PCI) |  |  |  |    | 196,584    | 106,871  | 16,223       | 11,841    | 47,557  |  | 379,076 |
| Total commercial PCI loans (carrying value) |                                           |  |  |  |    | 184        | 1,098    | 392          | -         | 531     |  | 2,205   |
|                                             | Total commercial loans                    |  |  |  | \$ | 196,768    | 107,969  | 16,615       | 11,841    | 48,088  |  | 381,281 |
| <b>December 31, 2013</b>                    |                                           |  |  |  |    |            |          |              |           |         |  |         |
| <b>By risk category:</b>                    |                                           |  |  |  |    |            |          |              |           |         |  |         |
|                                             | Pass                                      |  |  |  | \$ | 178,673    | 94,992   | 14,594       | 11,577    | 44,094  |  | 343,930 |
|                                             | Criticized                                |  |  |  |    | 14,923     | 10,972   | 1,720        | 457       | 2,737   |  | 30,809  |
|                                             | Total commercial loans<br>(excluding PCI) |  |  |  |    | 193,596    | 105,964  | 16,314       | 12,034    | 46,831  |  | 374,739 |
| Total commercial PCI loans (carrying value) |                                           |  |  |  |    | 215        | 1,136    | 433          | -         | 720     |  | 2,504   |
|                                             | Total commercial loans                    |  |  |  | \$ | 193,811    | 107,100  | 16,747       | 12,034    | 47,551  |  | 377,243 |

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

|                       |  |  |  |  |  | Commercial | Real     | Real         |           |         |  |       |
|-----------------------|--|--|--|--|--|------------|----------|--------------|-----------|---------|--|-------|
|                       |  |  |  |  |  | and        | estate   | estate       | Lease     |         |  |       |
| (in millions)         |  |  |  |  |  | industrial | mortgage | construction | financing | Foreign |  | Total |
| <b>March 31, 2014</b> |  |  |  |  |  |            |          |              |           |         |  |       |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                             |                                   |                                        |                        |  |    |         |         |        |        |        |         |
|---------------------------------------------|-----------------------------------|----------------------------------------|------------------------|--|----|---------|---------|--------|--------|--------|---------|
| By delinquency status:                      |                                   |                                        |                        |  |    |         |         |        |        |        |         |
|                                             | Current-29 DPD and still accruing |                                        |                        |  | \$ | 195,571 | 104,525 | 15,755 | 11,770 | 47,508 | 375,129 |
|                                             | 30-89 DPD and still accruing      |                                        |                        |  |    | 372     | 303     | 103    | 40     | 7      | 825     |
|                                             | 90+ DPD and still accruing        |                                        |                        |  |    | 11      | 13      | 69     | -      | 2      | 95      |
| Nonaccrual loans                            |                                   |                                        |                        |  |    | 630     | 2,030   | 296    | 31     | 40     | 3,027   |
|                                             |                                   | Total commercial loans (excluding PCI) |                        |  |    | 196,584 | 106,871 | 16,223 | 11,841 | 47,557 | 379,076 |
| Total commercial PCI loans (carrying value) |                                   |                                        |                        |  |    | 184     | 1,098   | 392    | -      | 531    | 2,205   |
|                                             |                                   |                                        | Total commercial loans |  | \$ | 196,768 | 107,969 | 16,615 | 11,841 | 48,088 | 381,281 |
|                                             |                                   |                                        |                        |  |    |         |         |        |        |        |         |
| December 31, 2013                           |                                   |                                        |                        |  |    |         |         |        |        |        |         |
|                                             |                                   |                                        |                        |  |    |         |         |        |        |        |         |
| By delinquency status:                      |                                   |                                        |                        |  |    |         |         |        |        |        |         |
|                                             | Current-29 DPD and still accruing |                                        |                        |  | \$ | 192,509 | 103,139 | 15,698 | 11,972 | 46,784 | 370,102 |
|                                             | 30-89 DPD and still accruing      |                                        |                        |  |    | 338     | 538     | 103    | 33     | 7      | 1,019   |
|                                             | 90+ DPD and still accruing        |                                        |                        |  |    | 11      | 35      | 97     | -      | -      | 143     |
| Nonaccrual loans                            |                                   |                                        |                        |  |    | 738     | 2,252   | 416    | 29     | 40     | 3,475   |
|                                             |                                   | Total commercial loans (excluding PCI) |                        |  |    | 193,596 | 105,964 | 16,314 | 12,034 | 46,831 | 374,739 |
| Total commercial PCI loans (carrying value) |                                   |                                        |                        |  |    | 215     | 1,136   | 433    | -      | 720    | 2,504   |
|                                             |                                   |                                        | Total commercial loans |  | \$ | 193,811 | 107,100 | 16,747 | 12,034 | 47,551 | 377,243 |
|                                             |                                   |                                        |                        |  |    |         |         |        |        |        |         |

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

Many of our loss estimation techniques used for the allowance for credit losses rely on delinquency-based models; therefore, delinquency is an important indicator of credit quality and the establishment of our allowance for credit losses. The following table provides the outstanding balances of our consumer portfolio by delinquency status.

|                                              |                                         |                      |  |  |    |                |                |        |            |  |             |         |
|----------------------------------------------|-----------------------------------------|----------------------|--|--|----|----------------|----------------|--------|------------|--|-------------|---------|
|                                              |                                         |                      |  |  |    |                |                |        |            |  |             |         |
|                                              |                                         |                      |  |  |    | Real<br>estate | Real<br>estate |        |            |  | Other       |         |
|                                              |                                         |                      |  |  |    | 1-4<br>family  | 1-4<br>family  |        |            |  | revolving   |         |
|                                              |                                         |                      |  |  |    | first          | junior lien    | Credit |            |  | credit and  |         |
| (in millions)                                |                                         |                      |  |  |    | mortgage       | mortgage       | card   | Automobile |  | installment | Total   |
|                                              |                                         |                      |  |  |    |                |                |        |            |  |             |         |
| March 31, 2014                               |                                         |                      |  |  |    |                |                |        |            |  |             |         |
|                                              |                                         |                      |  |  |    |                |                |        |            |  |             |         |
| By delinquency status:                       |                                         |                      |  |  |    |                |                |        |            |  |             |         |
|                                              | Current-29 DPD                          |                      |  |  | \$ | 196,664        | 62,339         | 25,461 | 51,805     |  | 32,515      | 368,784 |
|                                              | 30-59 DPD                               |                      |  |  |    | 2,473          | 402            | 168    | 622        |  | 156         | 3,821   |
|                                              | 60-89 DPD                               |                      |  |  |    | 1,071          | 247            | 124    | 124        |  | 91          | 1,657   |
|                                              | 90-119 DPD                              |                      |  |  |    | 559            | 170            | 108    | 49         |  | 75          | 961     |
|                                              | 120-179 DPD                             |                      |  |  |    | 645            | 214            | 199    | 6          |  | 18          | 1,082   |
|                                              | 180+ DPD                                |                      |  |  |    | 4,841          | 476            | 1      | 1          |  | 8           | 5,327   |
| Government insured/guaranteed<br>loans (1)   |                                         |                      |  |  |    | 29,695         | -              | -      | -          |  | 10,188      | 39,883  |
|                                              | Total consumer loans<br>(excluding PCI) |                      |  |  |    | 235,948        | 63,848         | 26,061 | 52,607     |  | 43,051      | 421,515 |
| Total consumer PCI loans (carrying<br>value) |                                         |                      |  |  |    | 23,530         | 117            | -      | -          |  | -           | 23,647  |
|                                              |                                         | Total consumer loans |  |  | \$ | 259,478        | 63,965         | 26,061 | 52,607     |  | 43,051      | 445,162 |
|                                              |                                         |                      |  |  |    |                |                |        |            |  |             |         |
| December 31, 2013                            |                                         |                      |  |  |    |                |                |        |            |  |             |         |
|                                              |                                         |                      |  |  |    |                |                |        |            |  |             |         |
| By delinquency status:                       |                                         |                      |  |  |    |                |                |        |            |  |             |         |
|                                              | Current-29 DPD                          |                      |  |  | \$ | 193,361        | 64,194         | 26,203 | 49,699     |  | 31,866      | 365,323 |
|                                              | 30-59 DPD                               |                      |  |  |    | 2,784          | 461            | 202    | 852        |  | 178         | 4,477   |
|                                              | 60-89 DPD                               |                      |  |  |    | 1,157          | 253            | 144    | 186        |  | 111         | 1,851   |
|                                              | 90-119 DPD                              |                      |  |  |    | 587            | 182            | 124    | 66         |  | 76          | 1,035   |

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|                                           |                                      |    |         |        |        |        |        |         |
|-------------------------------------------|--------------------------------------|----|---------|--------|--------|--------|--------|---------|
|                                           | 120-179 DPD                          |    | 747     | 216    | 196    | 4      | 20     | 1,183   |
|                                           | 180+ DPD                             |    | 5,024   | 485    | 1      | 1      | 7      | 5,518   |
| Government insured/guaranteed loans (1)   |                                      |    | 30,737  | -      | -      | -      | 10,696 | 41,433  |
|                                           | Total consumer loans (excluding PCI) |    | 234,397 | 65,791 | 26,870 | 50,808 | 42,954 | 420,820 |
| Total consumer PCI loans (carrying value) |                                      |    | 24,100  | 123    | -      | -      | -      | 24,223  |
|                                           | Total consumer loans                 | \$ | 258,497 | 65,914 | 26,870 | 50,808 | 42,954 | 445,043 |
|                                           |                                      |    |         |        |        |        |        |         |

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA and student loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the Federal Family Education Loan Program (FFELP). Loans insured/guaranteed by the FHA/VA and 90+ DPD totaled \$18.9 billion at March 31, 2014, compared with \$20.8 billion at December 31, 2013. Student loans 90+ DPD totaled \$860 million at March 31, 2014, compared with \$900 million at December 31, 2013.

Of the \$7.4 billion of consumer loans not government insured/guaranteed that are 90 days or more past due at March 31, 2014, \$855 million was accruing, compared with \$7.7 billion past due and \$902 million accruing at December 31, 2013.

Real estate 1-4 family first mortgage loans 180 days or more past due totaled \$4.8 billion, or 2.1% of total first mortgages (excluding PCI), at March 31, 2014, compared with \$5.0 billion, or 2.1%, at December 31, 2013.

The following table provides a breakdown of our consumer portfolio by updated FICO. We obtain FICO scores at loan origination and the scores are updated at least quarterly. The majority of our portfolio is underwritten with a FICO score of 680 and above. FICO is not available for certain loan types and may not be obtained if we deem it unnecessary due to strong collateral and other borrower attributes, primarily securities-based margin loans of \$5.0 billion at both March 31, 2014, and December 31, 2013.

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

|                                              |         |                                         |                         |  |    | Real<br>estate | Real<br>estate |        |            |        | Other       |       |
|----------------------------------------------|---------|-----------------------------------------|-------------------------|--|----|----------------|----------------|--------|------------|--------|-------------|-------|
|                                              |         |                                         |                         |  |    | 1-4<br>family  | 1-4<br>family  |        |            |        | revolving   |       |
|                                              |         |                                         |                         |  |    | first          | junior lien    | Credit |            |        | credit and  |       |
| (in millions)                                |         |                                         |                         |  |    | mortgage       | mortgage       | card   | Automobile |        | installment | Total |
|                                              |         |                                         |                         |  |    |                |                |        |            |        |             |       |
| March 31, 2014                               |         |                                         |                         |  |    |                |                |        |            |        |             |       |
|                                              |         |                                         |                         |  |    |                |                |        |            |        |             |       |
| By updated FICO:                             |         |                                         |                         |  |    |                |                |        |            |        |             |       |
|                                              | < 600   |                                         |                         |  | \$ | 13,657         | 4,879          | 2,320  | 8,669      | 940    | 30,465      |       |
|                                              | 600-639 |                                         |                         |  |    | 8,801          | 3,136          | 2,134  | 6,068      | 1,024  | 21,163      |       |
|                                              | 640-679 |                                         |                         |  |    | 14,957         | 5,847          | 4,085  | 9,005      | 2,185  | 36,079      |       |
|                                              | 680-719 |                                         |                         |  |    | 24,171         | 9,708          | 5,298  | 9,256      | 3,991  | 52,424      |       |
|                                              | 720-759 |                                         |                         |  |    | 33,319         | 13,053         | 5,423  | 6,822      | 5,323  | 63,940      |       |
|                                              | 760-799 |                                         |                         |  |    | 72,942         | 18,529         | 4,325  | 6,604      | 6,904  | 109,304     |       |
|                                              | 800+    |                                         |                         |  |    | 35,632         | 7,775          | 2,256  | 5,745      | 5,354  | 56,762      |       |
| No FICO available                            |         |                                         |                         |  |    | 2,774          | 921            | 220    | 438        | 2,131  | 6,484       |       |
| FICO not required                            |         |                                         |                         |  |    | -              | -              | -      | -          | 5,011  | 5,011       |       |
| Government insured/guaranteed<br>loans (1)   |         |                                         |                         |  |    | 29,695         | -              | -      | -          | 10,188 | 39,883      |       |
|                                              |         | Total consumer loans<br>(excluding PCI) |                         |  |    | 235,948        | 63,848         | 26,061 | 52,607     | 43,051 | 421,515     |       |
| Total consumer PCI loans (carrying<br>value) |         |                                         |                         |  |    | 23,530         | 117            | -      | -          | -      | 23,647      |       |
|                                              |         |                                         | Total consumer<br>loans |  | \$ | 259,478        | 63,965         | 26,061 | 52,607     | 43,051 | 445,162     |       |
| December 31, 2013                            |         |                                         |                         |  |    |                |                |        |            |        |             |       |
|                                              |         |                                         |                         |  |    |                |                |        |            |        |             |       |
| By updated FICO:                             |         |                                         |                         |  |    |                |                |        |            |        |             |       |
|                                              | < 600   |                                         |                         |  | \$ | 14,128         | 5,047          | 2,404  | 8,400      | 956    | 30,935      |       |
|                                              | 600-639 |                                         |                         |  |    | 9,030          | 3,247          | 2,175  | 5,925      | 1,015  | 21,392      |       |
|                                              | 640-679 |                                         |                         |  |    | 14,917         | 5,984          | 4,176  | 8,827      | 2,156  | 36,060      |       |
|                                              | 680-719 |                                         |                         |  |    | 24,336         | 10,042         | 5,398  | 8,992      | 3,914  | 52,682      |       |
|                                              | 720-759 |                                         |                         |  |    | 32,991         | 13,575         | 5,530  | 6,546      | 5,263  | 63,905      |       |
|                                              | 760-799 |                                         |                         |  |    | 72,062         | 19,238         | 4,535  | 6,313      | 6,828  | 108,976     |       |
|                                              | 800+    |                                         |                         |  |    | 33,311         | 7,705          | 2,408  | 5,397      | 5,127  | 53,948      |       |
| No FICO available                            |         |                                         |                         |  |    | 2,885          | 953            | 244    | 408        | 1,992  | 6,482       |       |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                           |  |                                      |                      |    |         |        |        |        |        |         |
|-------------------------------------------|--|--------------------------------------|----------------------|----|---------|--------|--------|--------|--------|---------|
| FICO not required                         |  |                                      |                      |    | -       | -      | -      | -      | 5,007  | 5,007   |
| Government insured/guaranteed loans (1)   |  |                                      |                      |    | 30,737  | -      | -      | -      | 10,696 | 41,433  |
|                                           |  | Total consumer loans (excluding PCI) |                      |    | 234,397 | 65,791 | 26,870 | 50,808 | 42,954 | 420,820 |
| Total consumer PCI loans (carrying value) |  |                                      |                      |    | 24,100  | 123    | -      | -      | -      | 24,223  |
|                                           |  |                                      | Total consumer loans | \$ | 258,497 | 65,914 | 26,870 | 50,808 | 42,954 | 445,043 |
|                                           |  |                                      |                      |    |         |        |        |        |        |         |

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

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

The following table shows the most updated LTV and CLTV distribution of the real estate 1-4 family first and junior lien mortgage loan portfolios. We consider the trends in residential real estate markets as we monitor credit risk and establish our allowance for credit losses. In the event of a default, any loss should be limited to the portion of the loan amount in excess of the net realizable value of the underlying real estate collateral value. Certain loans do not have an LTV or CLTV primarily due to industry data availability and portfolios acquired from or serviced by other institutions.



|                                           |                 |                                      |                      |  |    |                |             |         |                   |             |             |         |
|-------------------------------------------|-----------------|--------------------------------------|----------------------|--|----|----------------|-------------|---------|-------------------|-------------|-------------|---------|
|                                           |                 |                                      |                      |  |    |                |             |         |                   |             |             |         |
|                                           |                 |                                      |                      |  |    | March 31, 2014 |             |         | December 31, 2013 |             |             |         |
|                                           |                 |                                      |                      |  |    | Real estate    | Real estate |         |                   | Real estate | Real estate |         |
|                                           |                 |                                      |                      |  |    | 1-4 family     | 1-4 family  |         |                   | 1-4 family  | 1-4 family  |         |
|                                           |                 |                                      |                      |  |    | first          | junior lien |         |                   | first       | junior lien |         |
|                                           |                 |                                      |                      |  |    | mortgage       | mortgage    |         |                   | mortgage    | mortgage    |         |
| (in millions)                             |                 |                                      |                      |  |    | by LTV         | by CLTV     | Total   |                   | by LTV      | by CLTV     | Total   |
| By LTV/CLTV:                              |                 |                                      |                      |  |    |                |             |         |                   |             |             |         |
|                                           | 0-60%           |                                      |                      |  | \$ | 78,776         | 13,471      | 92,247  |                   | 74,046      | 13,636      | 87,682  |
|                                           | 60.01-80%       |                                      |                      |  |    | 81,106         | 16,841      | 97,947  |                   | 80,187      | 17,154      | 97,341  |
|                                           | 80.01-100%      |                                      |                      |  |    | 29,913         | 15,803      | 45,716  |                   | 30,843      | 16,272      | 47,115  |
|                                           | 100.01-120% (1) |                                      |                      |  |    | 9,442          | 9,581       | 19,023  |                   | 10,678      | 9,992       | 20,670  |
|                                           | > 120% (1)      |                                      |                      |  |    | 5,388          | 6,875       | 12,263  |                   | 6,306       | 7,369       | 13,675  |
| No LTV/CLTV available                     |                 |                                      |                      |  |    | 1,628          | 1,277       | 2,905   |                   | 1,600       | 1,368       | 2,968   |
| Government insured/guaranteed loans (2)   |                 |                                      |                      |  |    | 29,695         | -           | 29,695  |                   | 30,737      | -           | 30,737  |
|                                           |                 | Total consumer loans (excluding PCI) |                      |  |    | 235,948        | 63,848      | 299,796 |                   | 234,397     | 65,791      | 300,188 |
| Total consumer PCI loans (carrying value) |                 |                                      |                      |  |    | 23,530         | 117         | 23,647  |                   | 24,100      | 123         | 24,223  |
|                                           |                 |                                      | Total consumer loans |  | \$ | 259,478        | 63,965      | 323,443 |                   | 258,497     | 65,914      | 324,411 |
|                                           |                 |                                      |                      |  |    |                |             |         |                   |             |             |         |

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

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

**Nonaccrual Loans** The following table provides loans on nonaccrual status. PCI loans are excluded from this table because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

|               |                           |  |  |  |  |    |          |          |
|---------------|---------------------------|--|--|--|--|----|----------|----------|
|               |                           |  |  |  |  |    |          |          |
|               |                           |  |  |  |  |    | Mar. 31, | Dec. 31, |
| (in millions) |                           |  |  |  |  |    | 2014     | 2013     |
| Commercial:   |                           |  |  |  |  |    |          |          |
|               | Commercial and industrial |  |  |  |  | \$ | 630      | 738      |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|           |                                             |  |           |               |        |
|-----------|---------------------------------------------|--|-----------|---------------|--------|
|           | Real estate mortgage                        |  |           | <b>2,030</b>  | 2,252  |
|           | Real estate construction                    |  |           | <b>296</b>    | 416    |
|           | Lease financing                             |  |           | <b>31</b>     | 29     |
|           | Foreign                                     |  |           | <b>40</b>     | 40     |
|           | Total commercial (1)                        |  |           | <b>3,027</b>  | 3,475  |
| Consumer: |                                             |  |           |               |        |
|           | Real estate 1-4 family first mortgage (2)   |  |           | <b>9,357</b>  | 9,799  |
|           | Real estate 1-4 family junior lien mortgage |  |           | <b>2,072</b>  | 2,188  |
|           | Automobile                                  |  |           | <b>161</b>    | 173    |
|           | Other revolving credit and installment      |  |           | <b>33</b>     | 33     |
|           | Total consumer                              |  |           | <b>11,623</b> | 12,193 |
|           | Total nonaccrual loans                      |  |           |               |        |
|           | (excluding PCI)                             |  | <b>\$</b> | <b>14,650</b> | 15,668 |
|           |                                             |  |           |               |        |

(1) Includes LHFS of \$1 million at both March 31, 2014 and December 31, 2013.

(2) Includes MHFS of \$227 million at both March 31, 2014 and December 31, 2013.

**LOANS IN PROCESS OF FORECLOSURE** Our recorded investment in consumer mortgage loans collateralized by residential real estate property that are in process of foreclosure was \$14.5 billion and \$17.3 billion at March 31, 2014 and December 31, 2013, respectively, which included \$8.1 billion and \$10.0 billion, respectively, of loans that are government insured/guaranteed. We commence the foreclosure process on consumer real estate loans when a borrower becomes 120 days delinquent in accordance with Consumer Finance Protection Bureau Guidelines. Foreclosure procedures and timelines vary depending on whether the property address resides in a judicial or non-judicial state. Judicial states require the foreclosure to be processed through the state's courts while non-judicial states are processed without court intervention. Foreclosure timelines vary according to state law.

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

**LOANS 90 Days OR MORE Past Due and Still Accruing** Certain loans 90 days or more past due as to interest or principal are still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans of \$4.3 billion at March 31, 2014, and \$4.5 billion at December 31, 2013, are not included in these past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms. Loans 90 days or more past due and still accruing whose repayments are predominantly insured by the FHA or guaranteed by the VA for mortgages and the U.S. Department of Education for student loans under the FFELP were \$20.3 billion at March 31, 2014, down from \$22.2 billion at December 31, 2013.

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

|                                                    |  |  |  |  |  |    | Mar. 31 | Dec. 31 |
|----------------------------------------------------|--|--|--|--|--|----|---------|---------|
|                                                    |  |  |  |  |  |    | 2014    | 2013    |
| (in millions)                                      |  |  |  |  |  |    |         |         |
| Loans 90 days or more past due and still accruing: |  |  |  |  |  |    |         |         |
| Total (excluding PCI):                             |  |  |  |  |  | \$ | 21,215  | 23,219  |
| Less: FHA insured/guaranteed by the VA (1)(2)      |  |  |  |  |  |    | 19,405  | 21,274  |
| Less: Student loans guaranteed                     |  |  |  |  |  |    |         |         |
| under the FFELP (3)                                |  |  |  |  |  |    | 860     | 900     |
| <b>Total, not government</b>                       |  |  |  |  |  |    |         |         |
| <b>insured/guaranteed</b>                          |  |  |  |  |  | \$ | 950     | 1,045   |
| By segment and class, not government               |  |  |  |  |  |    |         |         |
| insured/guaranteed:                                |  |  |  |  |  |    |         |         |
| Commercial:                                        |  |  |  |  |  |    |         |         |
| Commercial and industrial                          |  |  |  |  |  | \$ | 11      | 11      |
| Real estate mortgage                               |  |  |  |  |  |    | 13      | 35      |
| Real estate construction                           |  |  |  |  |  |    | 69      | 97      |
| Foreign                                            |  |  |  |  |  |    | 2       | -       |
| Total commercial                                   |  |  |  |  |  |    | 95      | 143     |
| Consumer:                                          |  |  |  |  |  |    |         |         |
| Real estate 1-4 family first mortgage (2)          |  |  |  |  |  |    | 333     | 354     |
| Real estate 1-4 family junior lien mortgage (2)    |  |  |  |  |  |    | 88      | 86      |
| Credit card                                        |  |  |  |  |  |    | 308     | 321     |
| Automobile                                         |  |  |  |  |  |    | 41      | 55      |
| Other revolving credit and installment             |  |  |  |  |  |    | 85      | 86      |
| Total consumer                                     |  |  |  |  |  |    | 855     | 902     |
| <b>Total, not government</b>                       |  |  |  |  |  |    |         |         |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are 167

|  |  |  |  |                           |  |           |            |       |
|--|--|--|--|---------------------------|--|-----------|------------|-------|
|  |  |  |  | <b>insured/guaranteed</b> |  | <b>\$</b> | <b>950</b> | 1,045 |
|  |  |  |  |                           |  |           |            |       |

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

(2) Includes mortgage loans held for sale 90 days or more past due and still accruing.

(3) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP.

**Impaired Loans** The table below summarizes key information for impaired loans. Our impaired loans predominantly include loans on nonaccrual status in the commercial portfolio segment and loans modified in a TDR, whether on accrual or nonaccrual status. These impaired loans generally have estimated losses which are included in the allowance for credit losses. We have impaired loans with no allowance for credit losses when loss content has been previously recognized through charge-offs and we do not anticipate additional charge-offs or losses, or certain loans are currently performing in accordance with their terms and for which no loss has been estimated. Impaired loans exclude PCI loans. The table below includes trial modifications that totaled \$593 million at March 31, 2014, and \$650 million at December 31, 2013.

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

|                       |                                                    |  |  |                                             |  |           | Recorded investment |               |       |
|-----------------------|----------------------------------------------------|--|--|---------------------------------------------|--|-----------|---------------------|---------------|-------|
|                       |                                                    |  |  |                                             |  |           | Impaired loans      |               |       |
|                       |                                                    |  |  |                                             |  | Unpaid    | with related        | Related       |       |
|                       |                                                    |  |  |                                             |  | principal | allowance for       | allowance for |       |
|                       |                                                    |  |  |                                             |  | balance   | credit losses       | credit losses |       |
| (in millions)         |                                                    |  |  |                                             |  |           |                     |               |       |
| <b>March 31, 2014</b> |                                                    |  |  |                                             |  |           |                     |               |       |
|                       |                                                    |  |  |                                             |  |           |                     |               |       |
| <b>Commercial:</b>    |                                                    |  |  |                                             |  |           |                     |               |       |
|                       | <b>Commercial and industrial</b>                   |  |  |                                             |  | \$ 1,970  | 1,256               | 964           | 257   |
|                       | <b>Real estate mortgage</b>                        |  |  |                                             |  | 4,101     | 3,221               | 3,113         | 571   |
|                       | <b>Real estate construction</b>                    |  |  |                                             |  | 806       | 499                 | 457           | 72    |
|                       | <b>Lease financing</b>                             |  |  |                                             |  | 70        | 34                  | 34            | 16    |
|                       | <b>Foreign</b>                                     |  |  |                                             |  | 49        | 42                  | 42            | 13    |
|                       | <b>Total commercial (1)</b>                        |  |  |                                             |  | 6,996     | 5,052               | 4,610         | 929   |
| <b>Consumer:</b>      |                                                    |  |  |                                             |  |           |                     |               |       |
|                       | <b>Real estate 1-4 family first mortgage</b>       |  |  |                                             |  | 22,504    | 19,568              | 13,621        | 2,782 |
|                       | <b>Real estate 1-4 family junior lien mortgage</b> |  |  |                                             |  | 3,118     | 2,554               | 2,064         | 752   |
|                       | <b>Credit card</b>                                 |  |  |                                             |  | 399       | 399                 | 399           | 113   |
|                       | <b>Automobile</b>                                  |  |  |                                             |  | 226       | 169                 | 81            | 10    |
|                       | <b>Other revolving credit and installment</b>      |  |  |                                             |  | 45        | 35                  | 28            | 3     |
|                       | <b>Total consumer (2)</b>                          |  |  |                                             |  | 26,292    | 22,725              | 16,193        | 3,660 |
|                       |                                                    |  |  | <b>Total impaired loans (excluding PCI)</b> |  | \$ 33,288 | 27,777              | 20,803        | 4,589 |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are 169

|                   |                                             |                      |                                      |  |    |        |        |        |       |
|-------------------|---------------------------------------------|----------------------|--------------------------------------|--|----|--------|--------|--------|-------|
| December 31, 2013 |                                             |                      |                                      |  |    |        |        |        |       |
|                   |                                             |                      |                                      |  |    |        |        |        |       |
| Commercial:       |                                             |                      |                                      |  |    |        |        |        |       |
|                   | Commercial and industrial                   |                      |                                      |  | \$ | 2,016  | 1,274  | 1,024  | 223   |
|                   | Real estate mortgage                        |                      |                                      |  |    | 4,269  | 3,375  | 3,264  | 819   |
|                   | Real estate construction                    |                      |                                      |  |    | 946    | 615    | 589    | 101   |
|                   | Lease financing                             |                      |                                      |  |    | 71     | 33     | 33     | 8     |
|                   | Foreign                                     |                      |                                      |  |    | 44     | 37     | 37     | 5     |
|                   |                                             | Total commercial (1) |                                      |  |    | 7,346  | 5,334  | 4,947  | 1,156 |
| Consumer:         |                                             |                      |                                      |  |    |        |        |        |       |
|                   | Real estate 1-4 family first mortgage       |                      |                                      |  |    | 22,450 | 19,500 | 13,896 | 3,026 |
|                   | Real estate 1-4 family junior lien mortgage |                      |                                      |  |    | 3,130  | 2,582  | 2,092  | 681   |
|                   | Credit card                                 |                      |                                      |  |    | 431    | 431    | 431    | 132   |
|                   | Automobile                                  |                      |                                      |  |    | 245    | 189    | 95     | 11    |
|                   | Other revolving credit and installment      |                      |                                      |  |    | 44     | 34     | 27     | 3     |
|                   |                                             | Total consumer (2)   |                                      |  |    | 26,300 | 22,736 | 16,541 | 3,853 |
|                   |                                             |                      | Total impaired loans (excluding PCI) |  | \$ | 33,646 | 28,070 | 21,488 | 5,009 |
|                   |                                             |                      |                                      |  |    |        |        |        |       |

(1) Excludes the unpaid principal balance for loans that have been fully charged off or otherwise have zero recorded investment.

(2) At March 31, 2014 and December 31, 2013, includes the recorded investment of \$2.6 billion and \$2.5 billion, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and generally do not have an allowance.

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

Commitments to lend additional funds on loans whose terms have been modified in a TDR amounted to \$329 million and \$407 million at March 31, 2014 and December 31, 2013, respectively.

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

|                         |                                             |    |        | Quarter ended March 31,     |                            |                             |                            |
|-------------------------|---------------------------------------------|----|--------|-----------------------------|----------------------------|-----------------------------|----------------------------|
|                         |                                             |    |        | 2014                        |                            | 2013                        |                            |
|                         |                                             |    |        | Average recorded investment | Recognized interest income | Average recorded investment | Recognized interest income |
| (in millions)           |                                             |    |        |                             |                            |                             |                            |
| <b>Commercial:</b>      |                                             |    |        |                             |                            |                             |                            |
|                         | Commercial and industrial                   | \$ | 1,241  |                             | 21                         | 1,943                       | 26                         |
|                         | Real estate mortgage                        |    | 3,237  |                             | 29                         | 4,421                       | 32                         |
|                         | Real estate construction                    |    | 575    |                             | 7                          | 1,271                       | 12                         |
|                         | Lease financing                             |    | 33     |                             | -                          | 37                          | -                          |
|                         | Foreign                                     |    | 41     |                             | -                          | 32                          | -                          |
|                         | Total commercial                            |    | 5,127  |                             | 57                         | 7,704                       | 70                         |
| <b>Consumer:</b>        |                                             |    |        |                             |                            |                             |                            |
|                         | Real estate 1-4 family first mortgage       |    | 19,479 |                             | 237                        | 18,944                      | 251                        |
|                         | Real estate 1-4 family junior lien mortgage |    | 2,557  |                             | 35                         | 2,482                       | 35                         |
|                         | Credit card                                 |    | 415    |                             | 12                         | 517                         | 15                         |
|                         | Automobile                                  |    | 179    |                             | 7                          | 298                         | 10                         |
|                         | Other revolving credit and installment      |    | 35     |                             | 1                          | 26                          | 1                          |
|                         | Total consumer                              |    | 22,665 |                             | 292                        | 22,267                      | 312                        |
|                         | Total impaired loans (excluding PCI)        | \$ | 27,792 |                             | 349                        | 29,971                      | 382                        |
| <b>Interest income:</b> |                                             |    |        |                             |                            |                             |                            |
|                         | Cash basis of accounting                    |    |        | \$                          | 99                         |                             | 123                        |
|                         | Other (1)                                   |    |        |                             | 250                        |                             | 259                        |
|                         | Total interest income                       |    |        | \$                          | 349                        |                             | 382                        |

(1) Includes interest recognized on accruing TDRs, interest recognized related to certain impaired loans which have an allowance calculated using discounting, and amortization of purchase accounting adjustments related to certain impaired loans.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

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

We may require some borrowers experiencing financial difficulty to make trial payments generally for a period of three to four months, according to the terms of a planned permanent modification, to determine if they can perform according to those terms. These arrangements represent trial modifications, which we classify and account for as TDRs. While loans are in trial payment programs, their original terms are not considered modified and they continue to advance through delinquency status and accrue interest according to their original terms. The planned modifications for these arrangements predominantly involve interest rate reductions or other interest rate concessions; however, the exact concession type and resulting financial effect are usually not finalized and do not take effect until the loan is permanently modified. The trial period terms are developed in accordance with our proprietary programs or the U.S. Treasury's Making Home Affordable programs for real estate 1-4 family first lien (i.e. Home Affordable Modification Program – HAMP) and junior lien (i.e. Second Lien Modification Program – 2MP) mortgage loans.

At March 31, 2014, the loans in trial modification period were \$211 million under HAMP, \$40 million under 2MP and \$342 million under proprietary programs, compared with \$253 million, \$45 million and \$352 million at December 31, 2013, respectively. Trial modifications with a recorded investment of \$279 million at March 31, 2014, and \$286 million at December 31, 2013, were accruing loans and \$314 million and \$364 million, respectively, were nonaccruing loans. Our experience is that most of the mortgages that enter a trial payment period program are successful in completing the program requirements and are then permanently modified at the end of the trial period. Our allowance process considers the impact of those modifications that are probable to occur.

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



[illegible]

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|           |                                             |    |     |     |       |       |  |     |       |   |    |  |     |
|-----------|---------------------------------------------|----|-----|-----|-------|-------|--|-----|-------|---|----|--|-----|
|           | Real estate construction                    |    |     |     |       |       |  |     |       |   |    |  |     |
|           | Foreign                                     |    | 15  | -   | -     | 15    |  | -   | -     |   |    |  | -   |
|           | Total commercial                            |    | 39  | 142 | 858   | 1,039 |  | 10  | 4.54  |   |    |  | 142 |
| Consumer: |                                             |    |     |     |       |       |  |     |       |   |    |  |     |
|           | Real estate 1-4 family first mortgage       |    | 344 | 379 | 1,381 | 2,104 |  | 97  | 2.43  |   |    |  | 623 |
|           | Real estate 1-4 family junior lien mortgage |    | 27  | 48  | 168   | 243   |  | 15  | 3.24  |   |    |  | 72  |
|           | Credit card                                 |    | -   | 46  | -     | 46    |  | -   | 10.73 |   |    |  | 46  |
|           | Automobile                                  |    | 1   | 6   | 24    | 31    |  | 8   | 6.39  |   |    |  | 6   |
|           | Other revolving credit and installment      |    | -   | 2   | 3     | 5     |  | -   | 3.89  |   |    |  | 2   |
|           | Trial modifications (6)                     |    | -   | -   | 32    | 32    |  | -   | -     |   |    |  | -   |
|           | Total consumer                              |    | 372 | 481 | 1,608 | 2,461 |  | 120 | 3.06  |   |    |  | 749 |
|           | Total                                       | \$ | 411 | 623 | 2,466 | 3,500 |  | 130 | 3.29  | % | \$ |  | 891 |

- (1) Amounts represent the recorded investment in loans after recognizing the effects of the TDR, if any. TDRs may have multiple types of concessions, but are presented only once in the first modification type based on the order presented in the table above. The reported amounts include loans remodified of \$612 million and \$944 million, for quarters ended March 31, 2014 and 2013, respectively.
- (2) Principal modifications include principal forgiveness at the time of the modification, contingent principal forgiveness granted over the life of the loan based on borrower performance, and principal that has been legally separated and deferred to the end of the loan, with a zero percent contractual interest rate.
- (3) Other concessions include loan renewals, term extensions and other interest and noninterest adjustments, but exclude modifications that also forgive principal and/or reduce the contractual interest rate.
- (4) Charge-offs include write-downs of the investment in the loan in the period it is contractually modified. The amount of charge-off will differ from the modification terms if the loan has been charged down prior to the modification based on our policies. In addition, there may be cases where we have a charge-off/down with no legal principal modification. Modifications resulted in legally forgiving principal (actual, contingent or deferred) of \$48 million and \$134 million for quarters ended March 31, 2014 and 2013, respectively.
- (5) Reflects the effect of reduced interest rates on loans with principal or interest rate reduction primary modification type.
- (6) Trial modifications are granted a delay in payments due under the original terms during the trial payment period. However, these loans continue to advance through delinquency status and accrue interest according to their original terms. Any subsequent permanent modification generally includes interest rate related concessions; however, the exact concession type and resulting financial effect are usually not known until the loan is permanently modified. Trial modifications for the period are presented net of previously reported trial modifications that became permanent in the current period.

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

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

|               |                                             |                  |       |  |    |      |                         |
|---------------|---------------------------------------------|------------------|-------|--|----|------|-------------------------|
|               |                                             |                  |       |  |    |      |                         |
|               |                                             |                  |       |  |    |      |                         |
|               |                                             |                  |       |  |    |      | Recorded                |
|               |                                             |                  |       |  |    |      | investment of defaults  |
|               |                                             |                  |       |  |    |      | Quarter ended March 31, |
| (in millions) |                                             |                  |       |  |    | 2014 | 2013                    |
| Commercial:   |                                             |                  |       |  |    |      |                         |
|               | Commercial and industrial                   |                  |       |  | \$ | 9    | 21                      |
|               | Real estate mortgage                        |                  |       |  |    | 42   | 61                      |
|               | Real estate construction                    |                  |       |  |    | 3    | 28                      |
|               | Foreign                                     |                  |       |  |    | 5    | -                       |
|               |                                             | Total commercial |       |  |    | 59   | 110                     |
| Consumer:     |                                             |                  |       |  |    |      |                         |
|               | Real estate 1-4 family first mortgage       |                  |       |  |    | 79   | 83                      |
|               | Real estate 1-4 family junior lien mortgage |                  |       |  |    | 7    | 10                      |
|               | Credit card                                 |                  |       |  |    | 13   | 16                      |
|               | Automobile                                  |                  |       |  |    | 4    | 4                       |
|               |                                             | Total consumer   |       |  |    | 103  | 113                     |
|               |                                             |                  | Total |  | \$ | 162  | 223                     |
|               |                                             |                  |       |  |    |      |                         |

**Purchased Credit-Impaired Loans**

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

|                                                   |                                             |  |  |  |           | <b>March<br/>31,</b> | <b>December 31,</b> |        |
|---------------------------------------------------|---------------------------------------------|--|--|--|-----------|----------------------|---------------------|--------|
| (in millions)                                     |                                             |  |  |  |           | <b>2014</b>          | 2013                | 2008   |
| <b>Commercial:</b>                                |                                             |  |  |  |           |                      |                     |        |
|                                                   | Commercial and industrial                   |  |  |  | <b>\$</b> | <b>184</b>           | 215                 | 4,580  |
|                                                   | Real estate mortgage                        |  |  |  |           | <b>1,098</b>         | 1,136               | 5,803  |
|                                                   | Real estate construction                    |  |  |  |           | <b>392</b>           | 433                 | 6,462  |
|                                                   | Foreign                                     |  |  |  |           | <b>531</b>           | 720                 | 1,859  |
|                                                   | Total commercial                            |  |  |  |           | <b>2,205</b>         | 2,504               | 18,704 |
| <b>Consumer:</b>                                  |                                             |  |  |  |           |                      |                     |        |
|                                                   | Real estate 1-4 family first mortgage       |  |  |  |           | <b>23,530</b>        | 24,100              | 39,214 |
|                                                   | Real estate 1-4 family junior lien mortgage |  |  |  |           | <b>117</b>           | 123                 | 728    |
|                                                   | Automobile                                  |  |  |  |           | <b>-</b>             | -                   | 151    |
|                                                   | Total consumer                              |  |  |  |           | <b>23,647</b>        | 24,223              | 40,093 |
|                                                   | Total PCI loans (carrying value)            |  |  |  | <b>\$</b> | <b>25,852</b>        | 26,727              | 58,797 |
| <b>Total PCI loans (unpaid principal balance)</b> |                                             |  |  |  | <b>\$</b> | <b>36,676</b>        | 38,229              | 98,182 |

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

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

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

|                            |                                                                                                                     |  |  |  |  |    |          |
|----------------------------|---------------------------------------------------------------------------------------------------------------------|--|--|--|--|----|----------|
|                            |                                                                                                                     |  |  |  |  |    |          |
| (in millions)              |                                                                                                                     |  |  |  |  |    |          |
| Balance, December 31, 2008 |                                                                                                                     |  |  |  |  | \$ | 10,447   |
|                            | Addition of accretable yield due to acquisitions                                                                    |  |  |  |  |    | 132      |
|                            | Accretion into interest income (1)                                                                                  |  |  |  |  |    | (11,184) |
|                            | Accretion into noninterest income due to sales (2)                                                                  |  |  |  |  |    | (393)    |
|                            | Reclassification from nonaccretable difference for loans with improving credit-related cash flows                   |  |  |  |  |    | 6,325    |
|                            | Changes in expected cash flows that do not affect nonaccretable difference (3)                                      |  |  |  |  |    | 12,065   |
| Balance, December 31, 2013 |                                                                                                                     |  |  |  |  |    | 17,392   |
|                            | Addition of accretable yield due to acquisitions                                                                    |  |  |  |  |    | -        |
|                            | Accretion into interest income (1)                                                                                  |  |  |  |  |    | (375)    |
|                            | Accretion into noninterest income due to sales (2)                                                                  |  |  |  |  |    | (35)     |
|                            | Reclassification from nonaccretable difference for loans with improving credit-related cash flows                   |  |  |  |  |    | 110      |
|                            | Changes in expected cash flows that do not affect nonaccretable difference (3)                                      |  |  |  |  |    | (6)      |
| Balance, March 31, 2014    |                                                                                                                     |  |  |  |  | \$ | 17,086   |
|                            |                                                                                                                     |  |  |  |  |    |          |
| (1)                        | Includes accretable yield released as a result of settlements with borrowers, which is included in interest income. |  |  |  |  |    |          |
| (2)                        | Includes accretable yield released as a result of sales to third parties, which is included in noninterest income.  |  |  |  |  |    |          |
| (3)                        | Represents changes in cash flows expected to be collected due to the impact of modifications,                       |  |  |  |  |    |          |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

changes in prepayment assumptions, changes in interest rates on variable rate PCI loans and sales to third parties.

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

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

|                                                                            |    |           |            |            |          | Other |           |
|----------------------------------------------------------------------------|----|-----------|------------|------------|----------|-------|-----------|
| (in millions)                                                              |    |           | Commercial | Pick-a-Pay | consumer |       | Total     |
| Balance, December 31, 2008                                                 | \$ | -         | -          | -          | -        | -     | -         |
| Provision for losses due to credit deterioration                           |    | 1,641     | -          | 107        |          |       | 1,748     |
| Charge-offs                                                                |    | (1,615)   | -          | (103)      |          |       | (1,718)   |
| <b>Balance, December 31, 2013</b>                                          |    | <b>26</b> | <b>-</b>   | <b>4</b>   |          |       | <b>30</b> |
| Provision for losses due to credit deterioration / (reversal of provision) |    | (5)       | -          | 1          |          |       | (4)       |
| Charge-offs                                                                |    | (3)       | -          | (2)        |          |       | (5)       |
| <b>Balance, March 31, 2014</b>                                             | \$ | <b>18</b> | <b>-</b>   | <b>3</b>   |          |       | <b>21</b> |

**Commercial PCI Credit Quality Indicators** The following

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

|                                   |    |            |              |            |            | Commercial | Real     | Real         |         |              |
|-----------------------------------|----|------------|--------------|------------|------------|------------|----------|--------------|---------|--------------|
|                                   |    |            |              |            |            | and        | estate   | estate       |         |              |
| (in millions)                     |    |            |              |            |            | industrial | mortgage | construction | Foreign | Total        |
| <b>March 31, 2014</b>             |    |            |              |            |            |            |          |              |         |              |
| <b>By risk category:</b>          |    |            |              |            |            |            |          |              |         |              |
| Pass                              | \$ | 114        | 310          | 151        | 1          |            |          |              |         | 576          |
| Criticized                        |    | 70         | 788          | 241        | 530        |            |          |              |         | 1,629        |
| <b>Total commercial PCI loans</b> | \$ | <b>184</b> | <b>1,098</b> | <b>392</b> | <b>531</b> |            |          |              |         | <b>2,205</b> |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                   |            |                            |  |  |    |     |       |     |     |       |
|-------------------|------------|----------------------------|--|--|----|-----|-------|-----|-----|-------|
|                   |            |                            |  |  |    |     |       |     |     |       |
| December 31, 2013 |            |                            |  |  |    |     |       |     |     |       |
|                   |            |                            |  |  |    |     |       |     |     |       |
| By risk category: |            |                            |  |  |    |     |       |     |     |       |
|                   | Pass       |                            |  |  | \$ | 118 | 316   | 160 | 8   | 602   |
|                   | Criticized |                            |  |  |    | 97  | 820   | 273 | 712 | 1,902 |
|                   |            | Total commercial PCI loans |  |  | \$ | 215 | 1,136 | 433 | 720 | 2,504 |
|                   |            |                            |  |  |    |     |       |     |     |       |

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

|                               |                                   |  |    |     | Commercial | Real     | Real         |         |       |  |
|-------------------------------|-----------------------------------|--|----|-----|------------|----------|--------------|---------|-------|--|
|                               |                                   |  |    |     | and        | estate   | estate       |         |       |  |
| (in millions)                 |                                   |  |    |     | industrial | mortgage | construction | Foreign | Total |  |
| <b>March 31, 2014</b>         |                                   |  |    |     |            |          |              |         |       |  |
| <b>By delinquency status:</b> |                                   |  |    |     |            |          |              |         |       |  |
|                               | Current-29 DPD and still accruing |  | \$ | 182 | 1,034      | 324      | 451          | 1,991   |       |  |
|                               | 30-89 DPD and still accruing      |  |    | -   | 10         | -        | -            | 10      |       |  |
|                               | 90+ DPD and still accruing        |  |    | 2   | 54         | 68       | 80           | 204     |       |  |
|                               | Total commercial PCI loans        |  | \$ | 184 | 1,098      | 392      | 531          | 2,205   |       |  |
| <b>December 31, 2013</b>      |                                   |  |    |     |            |          |              |         |       |  |
| <b>By delinquency status:</b> |                                   |  |    |     |            |          |              |         |       |  |
|                               | Current-29 DPD and still accruing |  | \$ | 210 | 1,052      | 355      | 632          | 2,249   |       |  |
|                               | 30-89 DPD and still accruing      |  |    | 5   | 41         | 2        | -            | 48      |       |  |
|                               | 90+ DPD and still accruing        |  |    | -   | 43         | 76       | 88           | 207     |       |  |
|                               | Total commercial PCI loans        |  | \$ | 215 | 1,136      | 433      | 720          | 2,504   |       |  |

**Consumer PCI Credit Quality Indicators** Our consumer PCI loans were aggregated into several pools of loans at acquisition. Below, we have provided credit quality indicators based on the unpaid principal balance (adjusted for write-downs) of the individual loans included in the pool, but we have not allocated the remaining purchase accounting adjustments, which were established at a pool level. The following table provides the delinquency status of consumer PCI loans.

|               |  |  |  |  | <b>March 31, 2014</b> |             |       | <b>December 31, 2013</b> |             |       |
|---------------|--|--|--|--|-----------------------|-------------|-------|--------------------------|-------------|-------|
|               |  |  |  |  | Real estate           | Real estate |       | Real estate              | Real estate |       |
|               |  |  |  |  | 1-4 family            | 1-4 family  |       | 1-4 family               | 1-4 family  |       |
|               |  |  |  |  | first                 | junior lien |       | first                    | junior lien |       |
| (in millions) |  |  |  |  | mortgage              | mortgage    | Total | mortgage                 | mortgage    | Total |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                        |                                   |                                                                    |    |        |     |        |  |        |     |        |
|------------------------|-----------------------------------|--------------------------------------------------------------------|----|--------|-----|--------|--|--------|-----|--------|
| By delinquency status: |                                   |                                                                    |    |        |     |        |  |        |     |        |
|                        | Current-29 DPD and still accruing |                                                                    | \$ | 20,689 | 177 | 20,866 |  | 20,712 | 171 | 20,883 |
|                        | 30-59 DPD and still accruing      |                                                                    |    | 1,996  | 7   | 2,003  |  | 2,185  | 8   | 2,193  |
|                        | 60-89 DPD and still accruing      |                                                                    |    | 1,058  | 3   | 1,061  |  | 1,164  | 4   | 1,168  |
|                        | 90-119 DPD and still accruing     |                                                                    |    | 404    | 2   | 406    |  | 457    | 2   | 459    |
|                        | 120-179 DPD and still accruing    |                                                                    |    | 457    | 3   | 460    |  | 517    | 4   | 521    |
|                        | 180+ DPD and still accruing       |                                                                    |    | 4,142  | 95  | 4,237  |  | 4,291  | 95  | 4,386  |
|                        |                                   | Total consumer PCI loans<br>(adjusted unpaid principal<br>balance) | \$ | 28,746 | 287 | 29,033 |  | 29,326 | 284 | 29,610 |
|                        |                                   | Total consumer PCI loans<br>(carrying value)                       | \$ | 23,530 | 117 | 23,647 |  | 24,100 | 123 | 24,223 |
|                        |                                   |                                                                    |    |        |     |        |  |        |     |        |

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

The following table provides FICO scores for consumer PCI loans.

|                   |                                                              |  |  |  |    | March 31, 2014 |             |        |  | December 31, 2013 |             |        |
|-------------------|--------------------------------------------------------------|--|--|--|----|----------------|-------------|--------|--|-------------------|-------------|--------|
|                   |                                                              |  |  |  |    | Real estate    | Real estate |        |  | Real estate       | Real estate |        |
|                   |                                                              |  |  |  |    | 1-4 family     | 1-4 family  |        |  | 1-4 family        | 1-4 family  |        |
|                   |                                                              |  |  |  |    | first          | junior lien |        |  | first             | junior lien |        |
| (in millions)     |                                                              |  |  |  |    | mortgage       | mortgage    | Total  |  | mortgage          | mortgage    | Total  |
| By FICO:          |                                                              |  |  |  |    |                |             |        |  |                   |             |        |
|                   | < 600                                                        |  |  |  | \$ | 9,396          | 101         | 9,497  |  | 9,933             | 101         | 10,034 |
|                   | 600-639                                                      |  |  |  |    | 5,938          | 60          | 5,998  |  | 6,029             | 60          | 6,089  |
|                   | 640-679                                                      |  |  |  |    | 6,829          | 72          | 6,901  |  | 6,789             | 70          | 6,859  |
|                   | 680-719                                                      |  |  |  |    | 3,729          | 36          | 3,765  |  | 3,732             | 35          | 3,767  |
|                   | 720-759                                                      |  |  |  |    | 1,700          | 10          | 1,710  |  | 1,662             | 11          | 1,673  |
|                   | 760-799                                                      |  |  |  |    | 849            | 5           | 854    |  | 865               | 5           | 870    |
|                   | 800+                                                         |  |  |  |    | 195            | 1           | 196    |  | 198               | 1           | 199    |
| No FICO available |                                                              |  |  |  |    | 110            | 2           | 112    |  | 118               | 1           | 119    |
|                   | Total consumer PCI loans (adjusted unpaid principal balance) |  |  |  | \$ | 28,746         | 287         | 29,033 |  | 29,326            | 284         | 29,610 |
|                   | Total consumer PCI loans (carrying value)                    |  |  |  | \$ | 23,530         | 117         | 23,647 |  | 24,100            | 123         | 24,223 |

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

|  |  |  |  |  |  | March 31, 2014 |             |  |  | December 31, 2013 |             |  |
|--|--|--|--|--|--|----------------|-------------|--|--|-------------------|-------------|--|
|  |  |  |  |  |  | Real estate    | Real estate |  |  | Real estate       | Real estate |  |
|  |  |  |  |  |  | 1-4 family     | 1-4 family  |  |  | 1-4 family        | 1-4 family  |  |
|  |  |  |  |  |  | first          | junior lien |  |  | first             | junior lien |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                       |                                                                    |  |    |        | mortgage | mortgage |       |        | mortgage | mortgage |       |
|-----------------------|--------------------------------------------------------------------|--|----|--------|----------|----------|-------|--------|----------|----------|-------|
| (in millions)         |                                                                    |  |    |        | by LTV   | by CLTV  | Total |        | by LTV   | by CLTV  | Total |
| By LTV/CLTV:          |                                                                    |  |    |        |          |          |       |        |          |          |       |
|                       | 0-60%                                                              |  | \$ | 2,609  | 32       | 2,641    |       | 2,501  | 32       | 2,533    |       |
|                       | 60.01-80%                                                          |  |    | 8,821  | 45       | 8,866    |       | 8,541  | 42       | 8,583    |       |
|                       | 80.01-100%                                                         |  |    | 10,142 | 92       | 10,234   |       | 10,366 | 88       | 10,454   |       |
|                       | 100.01-120% (1)                                                    |  |    | 4,434  | 67       | 4,501    |       | 4,677  | 67       | 4,744    |       |
|                       | > 120% (1)                                                         |  |    | 2,730  | 49       | 2,779    |       | 3,232  | 54       | 3,286    |       |
| No LTV/CLTV available |                                                                    |  |    |        | 10       | 2        | 12    | 9      | 1        | 10       |       |
|                       | Total consumer PCI loans<br>(adjusted unpaid principal<br>balance) |  | \$ | 28,746 | 287      | 29,033   |       | 29,326 | 284      | 29,610   |       |
|                       | Total consumer PCI loans<br>(carrying value)                       |  | \$ | 23,530 | 117      | 23,647   |       | 24,100 | 123      | 24,223   |       |
|                       |                                                                    |  |    |        |          |          |       |        |          |          |       |

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

**Note 6: Other Assets**

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The components of other assets were:

|                                     |                             |                                   |                     |                     |                    |    | Mar. 31, | Dec. 31, |
|-------------------------------------|-----------------------------|-----------------------------------|---------------------|---------------------|--------------------|----|----------|----------|
| (in millions)                       |                             |                                   |                     |                     |                    |    | 2014     | 2013     |
| Nonmarketable equity investments:   |                             |                                   |                     |                     |                    |    |          |          |
|                                     | Cost method:                |                                   |                     |                     |                    |    |          |          |
|                                     |                             | Private equity                    |                     |                     |                    | \$ | 2,525    | 2,308    |
|                                     |                             | Federal bank stock                |                     |                     |                    |    | 4,555    | 4,670    |
|                                     |                             |                                   | Total cost method   |                     |                    |    | 7,080    | 6,978    |
|                                     | Equity method:              |                                   |                     |                     |                    |    |          |          |
|                                     |                             | LIHTC investments (1)             |                     |                     |                    |    | 6,217    | 6,209    |
|                                     |                             | Private equity and other          |                     |                     |                    |    | 5,532    | 5,782    |
|                                     |                             |                                   | Total equity method |                     |                    |    | 11,749   | 11,991   |
|                                     | Fair value (2)              |                                   |                     |                     |                    |    | 1,933    | 1,386    |
|                                     |                             |                                   |                     | Total nonmarketable |                    |    |          |          |
|                                     |                             |                                   |                     | equity investments  |                    |    | 20,762   | 20,355   |
| Corporate/bank-owned life insurance |                             |                                   |                     |                     |                    |    | 18,795   | 18,738   |
| Accounts receivable                 |                             |                                   |                     |                     |                    |    | 22,093   | 21,422   |
| Interest receivable                 |                             |                                   |                     |                     |                    |    | 5,159    | 5,019    |
| Core deposit intangibles            |                             |                                   |                     |                     |                    |    | 4,395    | 4,674    |
| Customer relationship and           |                             |                                   |                     |                     |                    |    |          |          |
|                                     | other amortized intangibles |                                   |                     |                     |                    |    | 1,021    | 1,084    |
| Foreclosed assets:                  |                             |                                   |                     |                     |                    |    |          |          |
|                                     | Residential real estate:    |                                   |                     |                     |                    |    |          |          |
|                                     |                             | Government insured/guaranteed (3) |                     |                     |                    |    | 2,302    | 2,093    |
|                                     |                             | Non-government insured/guaranteed |                     |                     |                    |    | 811      | 814      |
|                                     | Non-residential real estate |                                   |                     |                     |                    |    | 1,002    | 1,030    |
| Operating lease assets              |                             |                                   |                     |                     |                    |    | 2,138    | 2,047    |
| Due from customers on acceptances   |                             |                                   |                     |                     |                    |    | 221      | 279      |
| Other                               |                             |                                   |                     |                     |                    |    | 11,515   | 8,787    |
|                                     |                             |                                   |                     |                     | Total other assets | \$ | 90,214   | 86,342   |
|                                     |                             |                                   |                     |                     |                    |    |          |          |

(1) Represents low income housing tax credit investments.

(2) Represents nonmarketable equity investments for which we have elected the fair value option. See Note 13 (Fair Values of Assets and Liabilities) for additional information.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

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

Income (expense) related to nonmarketable equity investments was:

|                                       |                    |  |  |  |                         |       |      |
|---------------------------------------|--------------------|--|--|--|-------------------------|-------|------|
|                                       |                    |  |  |  |                         |       |      |
|                                       |                    |  |  |  | Quarter ended March 31, |       |      |
| (in millions)                         |                    |  |  |  |                         | 2014  | 2013 |
| Net realized gains from nonmarketable |                    |  |  |  |                         |       |      |
|                                       | equity investments |  |  |  | \$                      | 551   | 45   |
| All other                             |                    |  |  |  |                         | (223) | 37   |
|                                       | Total              |  |  |  | \$                      | 328   | 82   |

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**Note 7: Securitizations and Variable Interest Entities****Involvement with SPEs**

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Generally, SPEs are formed in connection with securitization transactions and are considered variable interest entities (VIEs). For further description of our involvement with SPEs, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in our 2013 Form 10-K.

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

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

|                                               |  |  |  |              |        |             |     | Transfers that |  |  |        |
|-----------------------------------------------|--|--|--|--------------|--------|-------------|-----|----------------|--|--|--------|
|                                               |  |  |  | VIEs that we |        | VIEs        |     | we account     |  |  |        |
|                                               |  |  |  | do not       |        | that we     |     | for as         |  |  |        |
|                                               |  |  |  | consolidate  |        | consolidate |     | secured        |  |  |        |
| (in millions)                                 |  |  |  |              |        |             |     | borrowings     |  |  | Total  |
|                                               |  |  |  |              |        |             |     |                |  |  |        |
| <b>March 31, 2014</b>                         |  |  |  |              |        |             |     |                |  |  |        |
|                                               |  |  |  |              |        |             |     |                |  |  |        |
| <b>Cash</b>                                   |  |  |  | \$           | -      | 176         |     | 30             |  |  | 206    |
| <b>Trading assets</b>                         |  |  |  |              | 1,153  | 126         |     | 208            |  |  | 1,487  |
| <b>Investment securities (1)</b>              |  |  |  |              | 17,650 | 1,155       |     | 8,852          |  |  | 27,657 |
| <b>Mortgages held for sale</b>                |  |  |  |              | -      | 3           |     | -              |  |  | 3      |
| <b>Loans</b>                                  |  |  |  |              | 7,506  | 5,729       |     | 5,900          |  |  | 19,135 |
| <b>Mortgage servicing rights</b>              |  |  |  |              | 14,243 | -           |     | -              |  |  | 14,243 |
| <b>Other assets</b>                           |  |  |  |              | 6,167  | 301         |     | 107            |  |  | 6,575  |
| <b>Total assets</b>                           |  |  |  |              | 46,719 | 7,490       |     | 15,097         |  |  | 69,306 |
| <b>Short-term borrowings</b>                  |  |  |  |              | -      | 23          |     | 6,549          |  |  | 6,572  |
| <b>Accrued expenses and other liabilities</b> |  |  |  |              | 3,107  | 90          | (2) | 3              |  |  | 3,200  |
| <b>Long-term debt</b>                         |  |  |  |              | -      | 2,223       | (2) | 5,548          |  |  | 7,771  |
| <b>Total liabilities</b>                      |  |  |  |              | 3,107  | 2,336       |     | 12,100         |  |  | 17,543 |
| <b>Noncontrolling interests</b>               |  |  |  |              | -      | 5           |     | -              |  |  | 5      |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                        |                   |            |  |    |        |  |       |     |        |  |        |
|----------------------------------------|-------------------|------------|--|----|--------|--|-------|-----|--------|--|--------|
|                                        |                   | Net assets |  | \$ | 43,612 |  | 5,149 |     | 2,997  |  | 51,758 |
|                                        |                   |            |  |    |        |  |       |     |        |  |        |
| December 31, 2013                      |                   |            |  |    |        |  |       |     |        |  |        |
|                                        |                   |            |  |    |        |  |       |     |        |  |        |
| Cash                                   |                   |            |  | \$ | -      |  | 165   |     | 7      |  | 172    |
| Trading assets                         |                   |            |  |    | 1,206  |  | 162   |     | 193    |  | 1,561  |
| Investment securities (1)              |                   |            |  |    | 18,795 |  | 1,352 |     | 8,976  |  | 29,123 |
| Mortgages held for sale                |                   |            |  |    | -      |  | 38    |     | -      |  | 38     |
| Loans                                  |                   |            |  |    | 7,652  |  | 6,058 |     | 6,021  |  | 19,731 |
| Mortgage servicing rights              |                   |            |  |    | 14,859 |  | -     |     | -      |  | 14,859 |
| Other assets                           |                   |            |  |    | 6,151  |  | 347   |     | 110    |  | 6,608  |
|                                        | Total assets      |            |  |    | 48,663 |  | 8,122 |     | 15,307 |  | 72,092 |
| Short-term borrowings                  |                   |            |  |    | -      |  | 29    |     | 7,871  |  | 7,900  |
| Accrued expenses and other liabilities |                   |            |  |    | 3,464  |  | 99    | (2) | 3      |  | 3,566  |
| Long-term debt                         |                   |            |  |    | -      |  | 2,356 | (2) | 5,673  |  | 8,029  |
|                                        | Total liabilities |            |  |    | 3,464  |  | 2,484 |     | 13,547 |  | 19,495 |
| Noncontrolling interests               |                   |            |  |    | -      |  | 5     |     | -      |  | 5      |
|                                        |                   | Net assets |  | \$ | 45,199 |  | 5,633 |     | 1,760  |  | 52,592 |
|                                        |                   |            |  |    |        |  |       |     |        |  |        |

(1) Excludes certain debt securities related to loans serviced for the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and GNMA.

(2) Includes the following VIE liabilities at March 31, 2014 and December 31, 2013, respectively, with recourse to the general credit of Wells Fargo: Accrued expenses and other liabilities, \$9 million at each date; and Long-term debt, \$19 million and \$29 million.

### Transactions with Unconsolidated VIEs

Our transactions with VIEs include securitizations of residential mortgage loans, CRE loans, student loans and auto loans and leases; investment and financing activities involving collateralized debt obligations (CDOs) backed by asset-backed and CRE securities, collateralized loan obligations (CLOs) backed by corporate loans, and other types of structured financing. We have various forms of involvement with VIEs, including holding senior or subordinated interests, entering into liquidity arrangements, credit default swaps and other derivative contracts. Involvements with these unconsolidated



VIEs are recorded on our balance sheet primarily in trading assets, investment securities, loans, MSRs, other assets and other liabilities, as appropriate.

The following tables provide a summary of unconsolidated VIEs with which we have significant continuing involvement, but we are not the primary beneficiary. We do not consider our continuing involvement in an unconsolidated VIE to be significant when it relates to third-party sponsored VIEs for which we were not the transferor or if we were the sponsor but do not have any other significant continuing involvement.

Significant continuing involvement includes transactions where we were the sponsor or transferor and have other significant forms of involvement. Sponsorship includes transactions with unconsolidated VIEs where we solely or materially participated in the initial design or structuring of the entity or marketing of the transaction to investors. When we transfer assets to a VIE and account for the transfer as a sale, we are considered the transferor. We consider investments in securities held outside of trading, loans, guarantees, liquidity agreements, written options and servicing of collateral to be other forms of involvement that may be significant. We have excluded certain transactions with unconsolidated VIEs from the balances presented in the following table where we have determined that our continuing involvement is not significant due to the temporary nature and size of our variable interests, because we were not the transferor or because we were not involved in the design or operations of the unconsolidated VIEs.

|  |  |  |  |  |  |  |  |                                    |  |  |  |  |  |  |  |  |  |       |  |
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|  |  |  |  |  |  |  |  |                                    |  |  |  |  |  |  |  |  |  |       |  |
|  |  |  |  |  |  |  |  | Carrying value - asset (liability) |  |  |  |  |  |  |  |  |  |       |  |
|  |  |  |  |  |  |  |  |                                    |  |  |  |  |  |  |  |  |  | Other |  |
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All internal valuation models are subject to ongoing review by business-unit-level management, and all models are



All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                  |                 |  |  |           |        |     |       |        |
|----------------------------------|-----------------|--|--|-----------|--------|-----|-------|--------|
| Collateralized debt obligations: |                 |  |  |           |        |     |       |        |
|                                  | Debt securities |  |  | 37        | -      | 214 | 130   | 381    |
|                                  | Loans (3)       |  |  | 5,888     | -      | -   | -     | 5,888  |
| Asset-based finance structures   |                 |  |  | 6,857     | -      | 84  | 1,665 | 8,606  |
| Tax credit structures            |                 |  |  | 6,455     | -      | -   | 626   | 7,081  |
| Collateralized loan obligations  |                 |  |  | 1,061     | -      | -   | 159   | 1,220  |
| Investment funds                 |                 |  |  | 54        | -      | -   | 31    | 85     |
| Other (4)                        |                 |  |  | 860       | 23     | 178 | 188   | 1,249  |
|                                  | Total           |  |  | \$ 33,299 | 14,859 | 798 | 5,432 | 54,388 |
|                                  |                 |  |  |           |        |     |       |        |

(1) Includes total equity interests of \$6.9 billion at both March 31, 2014 and December 31, 2013. Also includes debt interests in the form of both loans and securities. Excludes certain debt securities held related to loans serviced for FNMA, FHLMC and GNMA.

(2) Excludes assets and related liabilities with a recorded carrying value on our balance sheet of \$1.5 billion and \$2.1 billion at March 31, 2014 and December 31, 2013, respectively, for certain delinquent loans that are eligible for repurchase primarily from GNMA loan securitizations. The recorded carrying value represents the amount that would be payable if the Company were to exercise the repurchase option. The carrying amounts are excluded from the table because the loans eligible for repurchase do not represent interests in the VIEs.

(3) Represents senior loans to trusts that are collateralized by asset-backed securities. The trusts invest primarily in senior tranches from a diversified pool of primarily U.S. asset securitizations, of which all are current and 72% were rated as investment grade by the primary rating agencies at both March 31, 2014 and December 31, 2013. These senior loans are accounted for at amortized cost and are subject to the Company's allowance and credit charge-off policies.

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

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

For complete descriptions of our types of transactions with unconsolidated VIEs with which we have a significant continuing involvement, but we are not the primary beneficiary, see Note 7 (Securitizations and Variable Interest Entities) to Financial Statements in our 2013 Form 10-K.

**OTHER TRANSACTIONS WITH VIEs** Auction rate securities (ARS) are debt instruments with long-term maturities, but which re-price more frequently, and preferred equities with no maturity. At March 31, 2014, we held in our available-for-sale securities portfolio \$614 million of ARS issued by VIEs redeemed pursuant to agreements entered into in 2008 and 2009, compared with \$653 million at December 31, 2013.

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

**TRUST PREFERRED SECURITIES** VIEs that we wholly own issue debt securities or preferred equity to third party investors. All of the proceeds of the issuance are invested in debt securities or preferred equity that we issue to the VIEs. The VIEs’ operations and cash flows relate only to the issuance, administration and repayment of the securities held by third parties. We do not consolidate these VIEs because the sole assets of the VIEs are receivables from us, even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs and may have the right to redeem the third party securities under certain circumstances. In our consolidated balance sheet at March 31, 2014, and December 31, 2013, we reported the debt securities issued to the VIEs as long-term junior subordinated debt with a carrying value of \$2.0 billion and \$1.9 billion, respectively, and the preferred equity securities issued to the VIEs as preferred stock with a carrying value of \$2.5 billion at both dates. These amounts are in addition to the involvements in these VIEs included in the preceding table.

#### **Securitization Activity Related to Unconsolidated VIEs**

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

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presents the cash flows with our securitization trusts that were involved in transfers accounted for as sales.

|                                       |    |          | 2014      |  | 2013     |           |
|---------------------------------------|----|----------|-----------|--|----------|-----------|
|                                       |    |          | Other     |  | Other    |           |
|                                       |    | Mortgage | financial |  | Mortgage | financial |
| (in millions)                         |    | loans    | assets    |  | loans    | assets    |
| <b>Quarter ended March 31,</b>        |    |          |           |  |          |           |
| Sales proceeds from securitizations   | \$ | 37,614   | -         |  | 106,306  | -         |
| Fees from servicing rights retained   |    | 1,028    | 2         |  | 1,076    | 2         |
| Other interests held                  |    | 293      | 21        |  | 406      | 27        |
| Purchases of delinquent assets        |    | 3        | -         |  | 9        | -         |
| Servicing advances, net of repayments |    | (273)    | -         |  | 802      | -         |
|                                       |    |          |           |  |          |           |
|                                       |    |          |           |  |          |           |

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

In first quarter 2014 and 2013, we recognized net gains of \$29 million and \$64 million, respectively, from transfers accounted for as sales of financial assets in securitizations. These net gains primarily relate to commercial mortgage securitizations and residential mortgage securitizations where the loans were not already carried at fair value.

Sales with continuing involvement during the first quarter of 2014 and 2013 predominantly related to securitizations of residential mortgages that are sold to the GSEs, including FNMA, FHLMC and GNMA (conforming residential mortgage securitizations). During the first quarter of 2014 and 2013 we transferred \$33.6 billion and \$100.7 billion respectively, in fair value of conforming residential mortgages to unconsolidated VIEs and recorded the transfers as sales. Substantially all of these transfers did not result in a gain or loss because the loans were already carried at fair value. In connection with all of these transfers, in the first quarter of 2014 we recorded a \$289 million servicing asset, measured at fair value using a Level 3 measurement technique, and a \$10 million liability for repurchase losses which reflects management's estimate of probable losses related to various representations and warranties for the loans transferred, initially measured at fair value. In the first quarter of 2013, we recorded a \$935 million servicing asset and a \$59 million liability.

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

|                                   |    |      | Residential mortgage servicing rights |      |
|-----------------------------------|----|------|---------------------------------------|------|
|                                   |    |      | 2014                                  | 2013 |
| <b>Quarter ended March 31,</b>    |    |      |                                       |      |
| Prepayment speed (1)              |    | 12.1 | %                                     | 11.9 |
| Discount rate                     |    | 7.8  |                                       | 7.1  |
| Cost to service (\$ per loan) (2) | \$ | 230  |                                       | 178  |
|                                   |    |      |                                       |      |
|                                   |    |      |                                       |      |

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

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

During first quarter 2014 and 2013, we transferred \$1.3 billion and \$1.7 billion, respectively, in fair value of commercial mortgages to unconsolidated VIEs and recorded the transfers as sales, which resulted in a gain of \$24 million and \$62 million for the same periods, respectively, because the loans were carried at lower of cost or market value (LOCOM). In connection with these transfers, in first quarter 2014 we recorded a servicing asset of \$3 million, initially measured at fair value using a Level 3 measurement technique. In first quarter 2013, we recorded a servicing asset of \$5 million, using a Level 3 measurement technique, and available-for-sale securities of \$23 million, classified

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as Level 2.

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

[illegible]

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

[illegible]

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|  |  |  |                   |  |  |  |  |  |    |   |  |   |  |    |  |   |
|--|--|--|-------------------|--|--|--|--|--|----|---|--|---|--|----|--|---|
|  |  |  | 10% higher losses |  |  |  |  |  | \$ | - |  | - |  | 29 |  | - |
|  |  |  | 25% higher losses |  |  |  |  |  |    | - |  | - |  | 39 |  | 1 |
|  |  |  |                   |  |  |  |  |  |    |   |  |   |  |    |  |   |
|  |  |  |                   |  |  |  |  |  |    |   |  |   |  |    |  |   |

(1) See narrative following this table for a discussion of commercial mortgage servicing rights.

(2) Prepayment speed assumptions do not significantly impact the value of commercial mortgage securitization bonds as the underlying commercial mortgage loans experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower's ability to prepay the mortgage.

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

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

|               |                                       |  |  |  |    |             |           |                  |         |  |  |      |      |                 |
|---------------|---------------------------------------|--|--|--|----|-------------|-----------|------------------|---------|--|--|------|------|-----------------|
|               |                                       |  |  |  |    |             |           |                  |         |  |  |      |      |                 |
|               |                                       |  |  |  |    |             |           |                  |         |  |  |      |      | Net charge-offs |
|               |                                       |  |  |  |    | Total loans |           | Delinquent loans |         |  |  |      |      | Quarter ended   |
|               |                                       |  |  |  |    | Mar. 31     | Dec. 31   | Mar. 31          | Dec. 31 |  |  |      |      | Mar. 31         |
| (in millions) |                                       |  |  |  |    | 2014        | 2013      | 2014             | 2013    |  |  | 2014 | 2013 |                 |
| Commercial:   |                                       |  |  |  |    |             |           |                  |         |  |  |      |      |                 |
|               | Real estate mortgage                  |  |  |  | \$ | 119,011     | 119,346   | 8,208            | 8,808   |  |  | 634  | 72   |                 |
|               | Total commercial                      |  |  |  |    | 119,011     | 119,346   | 8,208            | 8,808   |  |  | 634  | 72   |                 |
| Consumer:     |                                       |  |  |  |    |             |           |                  |         |  |  |      |      |                 |
|               | Real estate 1-4 family first mortgage |  |  |  |    | 1,303,375   | 1,313,298 | 15,965           | 17,009  |  |  | 144  | 255  |                 |

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|  |                                               |  |  |                     |           |  |               |        |  |            |     |
|--|-----------------------------------------------|--|--|---------------------|-----------|--|---------------|--------|--|------------|-----|
|  | Real estate 1-4 family junior lien mortgage   |  |  | <b>1</b>            | 1         |  | -             | -      |  | -          | -   |
|  | Other revolving credit and installment        |  |  | <b>1,743</b>        | 1,790     |  | <b>92</b>     | 99     |  | -          | -   |
|  | Total consumer                                |  |  | <b>1,305,119</b>    | 1,315,089 |  | <b>16,057</b> | 17,108 |  | <b>144</b> | 255 |
|  | Total off-balance sheet securitized loans (1) |  |  | <b>\$ 1,424,130</b> | 1,434,435 |  | <b>24,265</b> | 25,916 |  | <b>778</b> | 327 |
|  |                                               |  |  |                     |           |  |               |        |  |            |     |

(1) At March 31, 2014 and December 31, 2013, the table includes total loans of \$1.3 trillion at both dates and delinquent loans of \$13.1 billion and \$14.0 billion, respectively for FNMA, FHLMC and GNMA. Net charge-offs exclude loans sold to FNMA, FHLMC and GNMA as we do not service or manage the underlying real estate upon foreclosure and, as such, do not have access to net charge-off information.

### Transactions with Consolidated VIEs and Secured Borrowings

The following table presents a summary of transfers of financial assets accounted for as secured borrowings and involvements with consolidated VIEs. “Consolidated assets” are presented using GAAP measurement methods, which may include fair value, credit impairment or other adjustments, and therefore in some instances will differ from “Total VIE assets.” For VIEs that obtain exposure synthetically through derivative instruments, the remaining notional amount of the derivative is included in “Total VIE assets.” On the consolidated balance sheet, we separately disclose the consolidated assets of certain VIEs that can only be used to settle the liabilities of those VIEs.

|                     |                                              |                               |                                                |  |           |              |                |          |                |                |  |  |  |        |  |
|---------------------|----------------------------------------------|-------------------------------|------------------------------------------------|--|-----------|--------------|----------------|----------|----------------|----------------|--|--|--|--------|--|
|                     |                                              |                               |                                                |  |           |              |                |          |                |                |  |  |  |        |  |
|                     |                                              |                               |                                                |  |           |              |                |          |                |                |  |  |  |        |  |
|                     |                                              |                               |                                                |  |           |              | Carrying value |          |                |                |  |  |  |        |  |
|                     |                                              |                               |                                                |  |           | Total<br>VIE | Consolidated   |          | Third<br>party | Noncontrolling |  |  |  | Net    |  |
|                     |                                              |                               |                                                |  |           | assets       | assets         |          | liabilities    | interests      |  |  |  | assets |  |
| (in millions)       |                                              |                               |                                                |  |           |              |                |          |                |                |  |  |  |        |  |
| March 31, 2014      |                                              |                               |                                                |  |           |              |                |          |                |                |  |  |  |        |  |
|                     |                                              |                               |                                                |  |           |              |                |          |                |                |  |  |  |        |  |
| Secured borrowings: |                                              |                               |                                                |  |           |              |                |          |                |                |  |  |  |        |  |
|                     | Municipal tender option bond securitizations |                               |                                                |  | \$ 11,178 | 9,125        |                | (6,551)  |                | -              |  |  |  | 2,574  |  |
|                     | Commercial real estate loans                 |                               |                                                |  | 442       | 442          |                | (239)    |                | -              |  |  |  | 203    |  |
|                     | Residential mortgage securitizations         |                               |                                                |  | 5,258     | 5,530        |                | (5,310)  |                | -              |  |  |  | 220    |  |
|                     |                                              | Total secured borrowings      |                                                |  | 16,878    | 15,097       |                | (12,100) |                | -              |  |  |  | 2,997  |  |
| Consolidated VIEs:  |                                              |                               |                                                |  |           |              |                |          |                |                |  |  |  |        |  |
|                     | Nonconforming residential                    |                               |                                                |  |           |              |                |          |                |                |  |  |  |        |  |
|                     |                                              | mortgage loan securitizations |                                                |  | 6,409     | 5,716        |                | (2,092)  |                | -              |  |  |  | 3,624  |  |
|                     | Structured asset finance                     |                               |                                                |  | 54        | 54           |                | (18)     |                | -              |  |  |  | 36     |  |
|                     | Investment funds                             |                               |                                                |  | 1,292     | 1,292        |                | (58)     |                | -              |  |  |  | 1,234  |  |
|                     | Other                                        |                               |                                                |  | 485       | 428          |                | (168)    |                | (5)            |  |  |  | 255    |  |
|                     |                                              | Total consolidated VIEs       |                                                |  | 8,240     | 7,490        |                | (2,336)  |                | (5)            |  |  |  | 5,149  |  |
|                     |                                              |                               | Total secured borrowings and consolidated VIEs |  | \$ 25,118 | 22,587       |                | (14,436) |                | (5)            |  |  |  | 8,146  |  |
| December 31, 2013   |                                              |                               |                                                |  |           |              |                |          |                |                |  |  |  |        |  |
|                     |                                              |                               |                                                |  |           |              |                |          |                |                |  |  |  |        |  |
| Secured borrowings: |                                              |                               |                                                |  |           |              |                |          |                |                |  |  |  |        |  |
|                     | Municipal tender option bond securitizations |                               |                                                |  | \$ 11,626 | 9,210        |                | (7,874)  |                | -              |  |  |  | 1,336  |  |
|                     | Commercial real estate loans                 |                               |                                                |  | 486       | 486          |                | (277)    |                | -              |  |  |  | 209    |  |
|                     | Residential mortgage securitizations         |                               |                                                |  | 5,337     | 5,611        |                | (5,396)  |                | -              |  |  |  | 215    |  |
|                     |                                              | Total secured borrowings      |                                                |  | 17,449    | 15,307       |                | (13,547) |                | -              |  |  |  | 1,760  |  |

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|                    |                           |                               |                                                |    |        |  |        |  |          |  |     |  |       |
|--------------------|---------------------------|-------------------------------|------------------------------------------------|----|--------|--|--------|--|----------|--|-----|--|-------|
| Consolidated VIEs: |                           |                               |                                                |    |        |  |        |  |          |  |     |  |       |
|                    | Nonconforming residential |                               |                                                |    |        |  |        |  |          |  |     |  |       |
|                    |                           | mortgage loan securitizations |                                                |    | 6,770  |  | 6,018  |  | (2,214)  |  | -   |  | 3,804 |
|                    | Structured asset finance  |                               |                                                |    | 56     |  | 56     |  | (18)     |  | -   |  | 38    |
|                    | Investment funds          |                               |                                                |    | 1,536  |  | 1,536  |  | (70)     |  | -   |  | 1,466 |
|                    | Other                     |                               |                                                |    | 582    |  | 512    |  | (182)    |  | (5) |  | 325   |
|                    |                           | Total consolidated VIEs       |                                                |    | 8,944  |  | 8,122  |  | (2,484)  |  | (5) |  | 5,633 |
|                    |                           |                               | Total secured borrowings and consolidated VIEs | \$ | 26,393 |  | 23,429 |  | (16,031) |  | (5) |  | 7,393 |
|                    |                           |                               |                                                |    |        |  |        |  |          |  |     |  |       |

In addition to the transactions included in the previous table, at both March 31, 2014, and December 31, 2013, we had approximately \$6.0 billion of private placement debt financing issued through a consolidated VIE. The issuance is classified as long-term debt in our consolidated financial statements. At March 31, 2014, we pledged approximately \$6.4 billion in loans (principal and interest eligible to be capitalized), \$166 million in available-for-sale securities and \$180 million in cash and cash equivalents to collateralize the VIE's borrowings, compared with \$6.6 billion, \$160 million and \$180 million, respectively, at December 31, 2013. These assets were not transferred to the VIE, and accordingly we have excluded the VIE from the previous table.

For complete descriptions of our accounting for transfers accounted for as secured borrowings and involvements with consolidated VIEs see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in our 2013 Form 10-K.

**Note 8: Mortgage Banking Activities**

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

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

|                                                          |  |  |  | Quarter ended March 31, |        |
|----------------------------------------------------------|--|--|--|-------------------------|--------|
| (in millions)                                            |  |  |  | 2014                    | 2013   |
| Fair value, beginning of period                          |  |  |  | \$ 15,580               | 11,538 |
| Servicing from securitizations or asset transfers        |  |  |  | 289                     | 935    |
| Sales                                                    |  |  |  | -                       | (423)  |
| Net additions                                            |  |  |  | 289                     | 512    |
| Changes in fair value:                                   |  |  |  |                         |        |
| Due to changes in valuation model inputs or assumptions: |  |  |  |                         |        |
| Mortgage interest rates (1)                              |  |  |  | (509)                   | 1,030  |
| Servicing and foreclosure costs (2)                      |  |  |  | (34)                    | (58)   |
| Prepayment estimates and other (3)                       |  |  |  | 102                     | (211)  |
| Net changes in valuation model inputs or assumptions     |  |  |  | (441)                   | 761    |
| Other changes in fair value (4)                          |  |  |  | (475)                   | (750)  |
| Total changes in fair value                              |  |  |  | (916)                   | 11     |
| Fair value, end of period                                |  |  |  | \$ 14,953               | 12,061 |

(1) Primarily represents prepayment speed changes due to changes in mortgage interest rates, but also includes other valuation changes due to changes in mortgage interest rates (such as changes in estimated interest earned on custodial deposit balances).

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

(3) Represents changes driven by other valuation model inputs or assumptions including prepayment speed estimation changes and other assumption updates. Prepayment speed estimation changes are influenced by observed changes in borrower behavior that occur independent of interest rate changes.

(4) Represents changes due to collection/realization of expected cash flows over time.

The changes in amortized MSR's were:

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|                                                   |  |  |  |    |               |       |
|---------------------------------------------------|--|--|--|----|---------------|-------|
|                                                   |  |  |  |    |               |       |
|                                                   |  |  |  |    | Quarter ended |       |
|                                                   |  |  |  |    | March 31,     |       |
| (in millions)                                     |  |  |  |    | <b>2014</b>   | 2013  |
| Balance, beginning of period                      |  |  |  | \$ | <b>1,229</b>  | 1,160 |
| Purchases                                         |  |  |  |    | <b>40</b>     | 27    |
| Servicing from securitizations or asset transfers |  |  |  |    | <b>14</b>     | 56    |
| Amortization                                      |  |  |  |    | <b>(64)</b>   | (62)  |
| Balance, end of period (1)                        |  |  |  |    | <b>1,219</b>  | 1,181 |
| Fair value of amortized MSR's (2):                |  |  |  |    |               |       |
| Beginning of period                               |  |  |  | \$ | <b>1,575</b>  | 1,400 |
| End of period                                     |  |  |  |    | <b>1,624</b>  | 1,404 |
|                                                   |  |  |  |    |               |       |
|                                                   |  |  |  |    |               |       |

(1) Commercial amortized MSR's are evaluated for impairment purposes by the following risk strata: agency (GSEs) and non-agency. There was no valuation allowance recorded for the periods presented on the commercial amortized MSR's.

(2) Represent commercial amortized MSR's.

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

|                                                    |                        |                             |                                   |  |    |             |       |             |
|----------------------------------------------------|------------------------|-----------------------------|-----------------------------------|--|----|-------------|-------|-------------|
|                                                    |                        |                             |                                   |  |    |             |       |             |
|                                                    |                        |                             |                                   |  |    |             |       |             |
|                                                    |                        |                             |                                   |  |    | Mar.<br>31, |       | Dec.<br>31, |
| (in billions)                                      |                        |                             |                                   |  |    | 2014        |       | 2013        |
| Residential mortgage servicing:                    |                        |                             |                                   |  |    |             |       |             |
|                                                    | Serviced for others    |                             |                                   |  | \$ | 1,470       |       | 1,485       |
|                                                    | Owned loans serviced   |                             |                                   |  |    | 337         |       | 338         |
|                                                    | Subserviced for others |                             |                                   |  |    | 5           |       | 6           |
|                                                    |                        | Total residential servicing |                                   |  |    | 1,812       |       | 1,829       |
| Commercial mortgage servicing:                     |                        |                             |                                   |  |    |             |       |             |
|                                                    | Serviced for others    |                             |                                   |  |    | 424         |       | 419         |
|                                                    | Owned loans serviced   |                             |                                   |  |    | 108         |       | 107         |
|                                                    | Subserviced for others |                             |                                   |  |    | 7           |       | 7           |
|                                                    |                        | Total commercial servicing  |                                   |  |    | 539         |       | 533         |
|                                                    |                        |                             | Total managed servicing portfolio |  |    | \$          | 2,351 | 2,362       |
| Total serviced for others                          |                        |                             |                                   |  | \$ | 1,894       |       | 1,904       |
| Ratio of MSRs to related loans serviced for others |                        |                             |                                   |  |    | 0.85        | %     | 0.88        |
|                                                    |                        |                             |                                   |  |    |             |       |             |

The components of mortgage banking noninterest income were:

|                        |                |                                        |  |  |    |              |                            |             |
|------------------------|----------------|----------------------------------------|--|--|----|--------------|----------------------------|-------------|
|                        |                |                                        |  |  |    |              |                            |             |
|                        |                |                                        |  |  |    |              | Quarter ended<br>March 31, |             |
| (in millions)          |                |                                        |  |  |    | <b>2014</b>  |                            | <b>2013</b> |
| Servicing income, net: |                |                                        |  |  |    |              |                            |             |
|                        | Servicing fees |                                        |  |  |    |              |                            |             |
|                        |                | Contractually specified servicing fees |  |  | \$ | <b>1,082</b> |                            | 1,125       |
|                        |                | Late charges                           |  |  |    | <b>56</b>    |                            | 60          |
|                        |                | Ancillary fees                         |  |  |    | <b>80</b>    |                            | 82          |

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|  |  |                                                                         |  |    |       |       |
|--|--|-------------------------------------------------------------------------|--|----|-------|-------|
|  |  | Unreimbursed direct servicing costs (1)                                 |  |    | (148) | (270) |
|  |  | Net servicing fees                                                      |  |    | 1,070 | 997   |
|  |  | Changes in fair value of MSR carried at fair value:                     |  |    |       |       |
|  |  | Due to changes in valuation model inputs or assumptions (2)             |  |    | (441) | 761   |
|  |  | Other changes in fair value (3)                                         |  |    | (475) | (750) |
|  |  | Total changes in fair value of MSR carried at fair value                |  |    | (916) | 11    |
|  |  | Amortization                                                            |  |    | (64)  | (62)  |
|  |  | Net derivative gains (losses) from economic hedges (4)                  |  |    | 848   | (632) |
|  |  | Total servicing income, net                                             |  |    | 938   | 314   |
|  |  | Net gains on mortgage loan origination/sales activities                 |  |    | 572   | 2,480 |
|  |  | Total mortgage banking noninterest income                               |  | \$ | 1,510 | 2,794 |
|  |  | Market-related valuation changes to MSR, net of hedge results (2) + (4) |  | \$ | 407   | 129   |
|  |  |                                                                         |  |    |       |       |
|  |  |                                                                         |  |    |       |       |

(1) Primarily associated with foreclosure expenses and unreimbursed interest advances to investors.

(2) Refer to the changes in fair value of MSR table in this Note for more detail.

(3) Represents changes due to collection/realization of expected cash flows over time.

(4) Represents results from free-standing derivatives (economic hedges) used to hedge the risk of changes in fair value of MSR. See Note 12 (Derivatives) – Free-Standing Derivatives for additional discussion and detail.

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

The table below summarizes the changes in our liability for mortgage loan repurchase losses. This liability is in “Accrued expenses and other liabilities” in our consolidated balance sheet and the provision for repurchase losses reduces net gains on mortgage loan origination/sales activities in “Mortgage banking” in our consolidated income statement.

Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that is reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of assumptions that are subject to change. The high end of this range of reasonably possible losses in excess of our recorded liability was \$940 million at March 31, 2014, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) utilized in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions.

|                                  |  |  |  |  |    | Quarter ended March 31, |       |
|----------------------------------|--|--|--|--|----|-------------------------|-------|
| (in millions)                    |  |  |  |  |    | 2014                    | 2013  |
| Balance, beginning of period     |  |  |  |  | \$ | 899                     | 2,206 |
| Provision for repurchase losses: |  |  |  |  |    |                         |       |
| Loan sales                       |  |  |  |  |    | 10                      | 59    |
| Change in estimate (1)           |  |  |  |  |    | (4)                     | 250   |
| Total additions                  |  |  |  |  |    | 6                       | 309   |
| Losses                           |  |  |  |  |    | (106)                   | (198) |
| Balance, end of period           |  |  |  |  | \$ | 799                     | 2,317 |

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

[illegible]

(2) See Note 8 (Mortgage Banking Activities) for additional information on MSRs.

The following table provides the current year and estimated future amortization expense for amortized intangible assets. We based our projections of amortization expense shown below on existing asset balances at March 31, 2014. Future amortization expense may vary from these projections.

|  |  |  |  |      |              |          |  |  |
|--|--|--|--|------|--------------|----------|--|--|
|  |  |  |  |      |              |          |  |  |
|  |  |  |  |      |              |          |  |  |
|  |  |  |  |      |              | Customer |  |  |
|  |  |  |  | Core | relationship |          |  |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                                   | Amortized     | deposit     | and other   |              |
|---------------------------------------------------|---------------|-------------|-------------|--------------|
| (in millions)                                     | MSRs          | intangibles | intangibles | Total        |
| <b>Three months ended March 31, 2014 (actual)</b> | <b>\$ 64</b>  | <b>279</b>  | <b>63</b>   | <b>406</b>   |
| Estimate for the remainder of 2014                | <b>\$ 183</b> | <b>834</b>  | <b>188</b>  | <b>1,205</b> |
| Estimate for year ended December 31,              |               |             |             |              |
| 2015                                              | 218           | 1,022       | 227         | 1,467        |
| 2016                                              | 180           | 919         | 212         | 1,311        |
| 2017                                              | 139           | 851         | 195         | 1,185        |
| 2018                                              | 107           | 769         | 184         | 1,060        |
| 2019                                              | 91            | -           | 8           | 99           |
|                                                   |               |             |             |              |
|                                                   |               |             |             |              |

For our goodwill impairment analysis, we allocate all of the goodwill to the individual operating segments. We identify reporting units that are one level below an operating segment (referred to as a component), and distinguish these reporting units based on how the segments and components are managed, taking into consideration the economic characteristics, nature of the products and customers of the components. At the time we acquire a business, we allocate goodwill to applicable reporting units based on their relative fair value, and if we have a significant business reorganization, we may reallocate the goodwill. See Note 18 (Operating Segments) for further information on management reporting.

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

|                                             |           |               |              |               |               | Wealth, |  |
|---------------------------------------------|-----------|---------------|--------------|---------------|---------------|---------|--|
|                                             |           | Community     | Wholesale    | Brokerage and | Consolidated  |         |  |
| (in millions)                               |           | Banking       | Banking      | Retirement    | Company       |         |  |
| December 31, 2012 and March 31, 2013        | \$        | 17,922        | 7,344        | 371           | 25,637        |         |  |
| <b>December 31, 2013 and March 31, 2014</b> | <b>\$</b> | <b>17,922</b> | <b>7,344</b> | <b>371</b>    | <b>25,637</b> |         |  |

## **Note 10: Guarantees, Pledged Assets and Collateral**

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, written put options, recourse obligations, and other types of arrangements. For complete descriptions of our guarantees, see Note 14 (Guarantees, Pledged Assets and Collateral) to Financial Statements in our 2013 Form 10-K. The following table shows carrying value, maximum exposure to loss on our guarantees and the related non-investment grade amounts.

|                                       |                            |  |  |    |                          |               |               |            |               |        |            |
|---------------------------------------|----------------------------|--|--|----|--------------------------|---------------|---------------|------------|---------------|--------|------------|
|                                       |                            |  |  |    |                          |               |               |            |               |        |            |
|                                       |                            |  |  |    |                          |               |               |            |               |        |            |
|                                       |                            |  |  |    | March 31, 2014           |               |               |            |               |        |            |
|                                       |                            |  |  |    | Maximum exposure to loss |               |               |            |               |        |            |
|                                       |                            |  |  |    |                          | Expires after | Expires after |            |               |        |            |
|                                       |                            |  |  |    |                          | Expires in    | three years   | Expires    |               |        | Non-       |
|                                       |                            |  |  |    | Carrying                 | one year      | through       | through    | after five    |        | investment |
| (in millions)                         |                            |  |  |    | value                    | or less       | three years   | five years | years         | Total  | grade      |
| Standby letters of credit (1)         |                            |  |  | \$ | 51                       | 16,885        | 11,374        | 5,665      | 720           | 34,644 | 9,022      |
| Securities lending and                |                            |  |  |    |                          |               |               |            |               |        |            |
|                                       | other indemnifications (2) |  |  |    | -                        | -             | 10            | 45         | 3,544         | 3,599  | 29         |
| Written put options (3)               |                            |  |  |    | 980                      | 7,357         | 5,273         | 2,667      | 2,289         | 17,586 | 6,051      |
| Loans and MHFS sold with recourse (4) |                            |  |  |    | 80                       | 100           | 428           | 827        | 4,959         | 6,314  | 3,387      |
| Factoring guarantees (5)              |                            |  |  |    | -                        | 2,804         | -             | -          | -             | 2,804  | 2,804      |
| Other guarantees                      |                            |  |  |    | 32                       | 30            | 110           | 17         | 1,355         | 1,512  | 110        |
|                                       | Total guarantees           |  |  | \$ | 1,143                    | 27,176        | 17,195        | 9,221      | 12,867        | 66,459 | 21,403     |
|                                       |                            |  |  |    |                          |               |               |            |               |        |            |
|                                       |                            |  |  |    | December 31, 2013        |               |               |            |               |        |            |
|                                       |                            |  |  |    | Maximum exposure to loss |               |               |            |               |        |            |
|                                       |                            |  |  |    |                          | Expires after | Expires after |            |               |        |            |
|                                       |                            |  |  |    |                          | Expires in    | three years   |            |               |        | Non-       |
|                                       |                            |  |  |    | Carrying                 | one year      | through       | through    | Expires after |        | investment |
| (in millions)                         |                            |  |  |    | value                    | or less       | three years   | five years | five years    | Total  | grade      |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                                   |    |       |        |        |       |        |        |        |
|---------------------------------------------------|----|-------|--------|--------|-------|--------|--------|--------|
| Standby letters of credit (1)                     | \$ | 56    | 16,907 | 11,628 | 5,308 | 994    | 34,837 | 9,512  |
| Securities lending and other indemnifications (2) |    | -     | -      | 3      | 18    | 3,199  | 3,220  | 25     |
| Written put options (3)                           |    | 907   | 4,775  | 2,967  | 3,521 | 2,725  | 13,988 | 4,311  |
| Loans and MHFS sold with recourse (4)             |    | 86    | 116    | 418    | 849   | 5,014  | 6,397  | 3,674  |
| Factoring guarantees (5)                          |    | -     | 2,915  | -      | -     | -      | 2,915  | 2,915  |
| Other guarantees (6)                              |    | 33    | 34     | 111    | 16    | 971    | 1,132  | 113    |
| Total guarantees                                  | \$ | 1,082 | 24,747 | 15,127 | 9,712 | 12,903 | 62,489 | 20,550 |

(1) Total maximum exposure to loss includes direct pay letters of credit (DPLCs) of \$16.5 billion and \$16.8 billion at March 31, 2014 and December 31, 2013, respectively. We issue DPLCs to provide credit enhancements for certain bond issuances. Beneficiaries (bond trustees) may draw upon these instruments to make scheduled principal and interest payments, redeem all outstanding bonds because a default event has occurred, or for other reasons as permitted by the agreement. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility in one of several forms, including as a standby letter of credit. Total maximum exposure to loss includes the portion of these facilities for which we have issued standby letters of credit under the commitments.

(2) Includes \$308 million and \$337 million at March 31, 2014 and December 31, 2013, respectively, in debt and equity securities lent from participating institutional client portfolios to third-party borrowers. Also includes indemnifications provided to certain third-party clearing agents. Outstanding customer obligations under these arrangements were \$974 million and \$769 million with related collateral of \$5.9 billion and \$3.7 billion at March 31, 2014 and December 31, 2013, respectively. Estimated maximum exposure to loss was \$3.3 billion and \$2.9 billion as of the same periods, respectively.

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

(4) Represent recourse provided, predominantly to the GSEs, on loans sold under various programs and arrangements. Under these arrangements, we repurchased \$1 million and \$11 million in loans during first quarter 2014 and 2013, respectively.

(5) Consists of guarantees made under certain factoring arrangements to purchase trade receivables from third parties, generally upon their request, if receivable debtors default on their payment obligations. See Note 1 (Summary of Significant Accounting Policies) for additional information.

(6) Includes amounts for liquidity agreements and contingent consideration that were previously reported separately.

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

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are



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

or the allowance for lending related commitments, is more representative of our exposure to loss than maximum exposure to loss.

## Pledged Assets

As part of our liquidity management strategy, we pledge assets to secure trust and public deposits, borrowings and letters of credit from the FHLB and FRB, securities sold under agreements to repurchase (repurchase agreements), and for other purposes as required or permitted by law or insurance statutory requirements. The types of collateral we pledge include securities issued by federal agencies, government-sponsored entities (GSEs), domestic and foreign companies and various commercial and consumer loans. The following table provides the total carrying amount of pledged assets by asset type, of which substantially all are pursuant to agreements that do not permit the secured party to sell or repledge the collateral. The table excludes pledged consolidated VIE assets of \$7.5 billion and \$8.1 billion at March 31, 2014, and December 31, 2013, respectively, which can only be used to settle the liabilities of those entities. The table also excludes \$15.1 billion and \$15.3 billion in assets pledged in transactions accounted for as secured borrowings at March 31, 2014 and December 31, 2013, respectively. See Note 7 (Securitizations and Variable Interest Entities) for additional information on consolidated VIE assets and secured borrowings.

|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |    | Mar. 31, |  | Dec. 31, |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|----|----------|--|----------|
| (in millions)                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |    | 2014     |  | 2013     |
| Trading assets and other (1) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  | \$ | 37,181   |  | 30,288   |
| Investment securities (2)    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |    | 84,700   |  | 85,468   |
| Loans (3)                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |    | 406,734  |  | 381,597  |
|                              | Total pledged assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |  |  | \$ | 528,615  |  | 497,353  |
|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |    |          |  |          |
| (1)                          | Represent assets pledged to collateralize repurchase agreements and other securities financings. Balance includes \$36.0 billion and \$29.0 billion at March 31, 2014, and December 31, 2013, respectively, under agreements that permit the secured parties to sell or repledge the collateral.                                                                                                                                                                                                                        |  |  |    |          |  |          |
| (2)                          | Includes \$7.3 billion and \$8.7 billion in collateral for repurchase agreements at March 31, 2014, and December 31, 2013, respectively, which are pledged under agreements that do not permit the secured parties to sell or repledge the collateral.                                                                                                                                                                                                                                                                  |  |  |    |          |  |          |
| (3)                          | Represent loans carried at amortized cost, which are pledged under agreements that do not permit the secured parties to sell or repledge the collateral. Amounts exclude \$1.5 billion and \$2.1 billion at March 31, 2014 and December 31, 2013, respectively, of pledged loans recorded on our balance sheet representing certain delinquent loans that are eligible for repurchase primarily from GNMA loan securitizations. See Note 7 (Securitizations and Variable Interest Entities) for additional information. |  |  |    |          |  |          |
|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |    |          |  |          |



**Note 10: Guarantees, Pledged Assets and Collateral** *(continued)***Offsetting of Resale and Repurchase Agreements and Securities Borrowing and Lending Agreements**

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

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

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

|                                                     |  |                                                             |    |  | Mar. 31, |  | Dec. 31, |
|-----------------------------------------------------|--|-------------------------------------------------------------|----|--|----------|--|----------|
| (in millions)                                       |  |                                                             |    |  | 2014     |  | 2013     |
| <b>Assets:</b>                                      |  |                                                             |    |  |          |  |          |
| <b>Resale and securities borrowing agreements</b>   |  |                                                             |    |  |          |  |          |
|                                                     |  | Gross amounts recognized                                    | \$ |  | 41,073   |  | 38,635   |
|                                                     |  | Gross amounts offset in consolidated balance sheet (1)      |    |  | (5,135)  |  | (2,817)  |
|                                                     |  | Net amounts in consolidated balance sheet (2)               |    |  | 35,938   |  | 35,818   |
|                                                     |  | Collateral not recognized in consolidated balance sheet (3) |    |  | (35,911) |  | (35,768) |
|                                                     |  | <b>Net amount (4)</b>                                       | \$ |  | 27       |  | 50       |
| <b>Liabilities:</b>                                 |  |                                                             |    |  |          |  |          |
| <b>Repurchase and securities lending agreements</b> |  |                                                             |    |  |          |  |          |
|                                                     |  | Gross amounts recognized                                    | \$ |  | 43,472   |  | 38,032   |
|                                                     |  | Gross amounts offset in consolidated balance sheet (1)      |    |  | (5,135)  |  | (2,817)  |
|                                                     |  | Net amounts in consolidated balance sheet (5)               |    |  | 38,337   |  | 35,215   |
|                                                     |  |                                                             |    |  | (37,955) |  | (34,770) |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are 206

|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                     |           |            |  |            |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-----------|------------|--|------------|
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Collateral pledged but not netted in consolidated balance sheet (6) |           |            |  |            |
|     | <b>Net amount (7)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                     | <b>\$</b> | <b>382</b> |  | <b>445</b> |
| (1) | Represents recognized amount of resale and repurchase agreements with counterparties subject to enforceable MRAs or MSLAs that have been offset in the consolidated balance sheet.                                                                                                                                                                                                                                                                                                                                                                                            |                                                                     |           |            |  |            |
| (2) | At March 31, 2014 and December 31, 2013, includes \$26.7 billion and \$25.7 billion, respectively, classified on our consolidated balance sheet in Federal funds sold, securities purchased under resale agreements and other short-term investments and \$9.3 billion and \$10.1 billion, respectively, in Loans.                                                                                                                                                                                                                                                            |                                                                     |           |            |  |            |
| (3) | Represents the fair value of collateral we have received under enforceable MRAs or MSLAs, limited for table presentation purposes to the amount of the recognized asset due from each counterparty. At March 31, 2014 and December 31, 2013, we have received total collateral with a fair value of \$48.2 billion and \$43.3 billion, respectively, all of which, we have the right to sell or repledge. These amounts include securities we have sold or repledged to others with a fair value of \$28.7 billion at March 31, 2014 and \$23.8 billion at December 31, 2013. |                                                                     |           |            |  |            |
| (4) | Represents the amount of our exposure that is not collateralized and/or is not subject to an enforceable MRA or MSLA.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                     |           |            |  |            |
| (5) | Amount is classified in Short-term borrowings on our consolidated balance sheet.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                     |           |            |  |            |
| (6) | Represents the fair value of collateral we have pledged, related to enforceable MRAs or MSLAs, limited for table presentation purposes to the amount of the recognized liability owed to each counterparty. At March 31, 2014 and December 31, 2013, we have pledged total collateral with a fair value of \$44.5 billion and \$39.0 billion, respectively, of which, the counterparty does not have the right to sell or repledge \$8.5 billion as of March 31, 2014 and \$10.0 billion as of December 31, 2013.                                                             |                                                                     |           |            |  |            |
| (7) | Represents the amount of our exposure that is not covered by pledged collateral and/or is not subject to an enforceable MRA or MSLA.                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                     |           |            |  |            |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                     |           |            |  |            |

**Note 11: Legal  
Actions**

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The following supplements our discussion of certain matters previously reported in Note 15 (Legal Actions) to Financial Statements in our 2013 Form 10-K for events occurring during first quarter 2014.

**SECURITIES LENDING LITIGATION** Wells Fargo Bank, N.A. is involved in five separate pending actions brought by securities lending customers of Wells Fargo and Wachovia Bank in various courts. In general, each of the cases alleges that Wells Fargo violated fiduciary and contractual duties by investing collateral for loaned securities in investments that suffered losses. One of the cases, filed on March 27, 2012, is composed of a class of Wells Fargo securities lending customers in a case captioned *City of Farmington Hills Employees Retirement System v. Wells Fargo Bank, N.A.* The class action is pending in the U.S. District Court for the District of Minnesota. On April 12, 2014, the parties reached a settlement in principle of the class action case. The settlement in principle is subject to Court approval.

**OUTLOOK** When establishing a liability for contingent litigation losses, the Company determines a range of potential losses for each matter that is both probable and estimable, and records the amount it considers to be the best estimate within the range. The high end of the range of reasonably possible potential litigation losses in excess of the Company's liability for probable and estimable losses was \$911 million as of March 31, 2014. For these matters and others where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the established liability that cannot be estimated. Based on information currently available, advice of counsel, available insurance coverage and established reserves, Wells Fargo believes that the eventual outcome of the actions against Wells Fargo and/or its subsidiaries, including the matters described above, will not, individually or in the aggregate, have a material adverse effect on Wells Fargo's consolidated financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to Wells Fargo's results of operations for any particular period.

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

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We primarily use derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. We designate derivatives either as hedging instruments in a qualifying hedge accounting relationship (fair value or cash flow hedge) or as free-standing derivatives. Free-standing derivatives include economic hedges that do not qualify for hedge accounting and derivatives held for customer accommodation or other trading purposes. For more information on our derivative activities, see Note 16 (Derivatives) to Financial Statements in our 2013 Form 10-K.

The following table presents the total notional or contractual amounts and fair values for our derivatives. Derivative transactions can be measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged, but is used only as the basis on which interest and other payments are determined. Derivatives designated as qualifying hedge contracts and free-standing derivatives (economic hedges) are recorded on the balance sheet at fair value in other assets or other liabilities. Customer accommodation, trading and other free-standing derivatives are recorded on the balance sheet at fair value in trading assets, other assets or other liabilities.

|                                                          |    | March 31, 2014 |             |             | December 31, 2013 |             |             |
|----------------------------------------------------------|----|----------------|-------------|-------------|-------------------|-------------|-------------|
|                                                          |    | Notional or    | Fair value  |             | Notional or       | Fair value  |             |
|                                                          |    | contractual    | Asset       | Liability   | contractual       | Asset       | Liability   |
| (in millions)                                            |    | amount         | derivatives | derivatives | amount            | derivatives | derivatives |
| <b>Derivatives designated as hedging instruments</b>     |    |                |             |             |                   |             |             |
| Interest rate contracts (1)                              | \$ | 109,227        | 4,492       | 2,167       | 100,412           | 4,315       | 2,528       |
| Foreign exchange contracts                               |    | 24,446         | 1,238       | 913         | 26,483            | 1,091       | 847         |
| Total derivatives designated as                          |    |                |             |             |                   |             |             |
| qualifying hedging instruments                           |    |                | 5,730       | 3,080       |                   | 5,406       | 3,375       |
| <b>Derivatives not designated as hedging instruments</b> |    |                |             |             |                   |             |             |
|                                                          |    |                |             |             |                   |             |             |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                                         |           |  |           |          |           |  |          |          |  |
|---------------------------------------------------------|-----------|--|-----------|----------|-----------|--|----------|----------|--|
| Free-standing derivatives (economic hedges):            |           |  |           |          |           |  |          |          |  |
| Interest rate contracts (2)                             | 200,491   |  | 286       | 270      | 220,577   |  | 595      | 897      |  |
| Equity contracts                                        | 4,748     |  | 600       | 53       | 3,273     |  | 349      | 206      |  |
| Foreign exchange contracts                              | 22,844    |  | 38        | 110      | 10,064    |  | 21       | 35       |  |
| Other derivatives                                       | 2,133     |  | 1         | 12       | 2,160     |  | 13       | 16       |  |
| Subtotal                                                |           |  | 925       | 445      |           |  | 978      | 1,154    |  |
| Customer accommodation, trading and other               |           |  |           |          |           |  |          |          |  |
| Free-standing derivatives:                              |           |  |           |          |           |  |          |          |  |
| Interest rate contracts                                 | 4,112,737 |  | 41,766    | 43,986   | 4,030,068 |  | 50,936   | 53,113   |  |
| Commodity contracts                                     | 94,605    |  | 2,654     | 2,578    | 96,889    |  | 2,673    | 2,603    |  |
| Equity contracts                                        | 122,502   |  | 8,783     | 7,773    | 96,379    |  | 7,475    | 7,588    |  |
| Foreign exchange contracts                              | 188,469   |  | 2,892     | 2,496    | 164,160   |  | 3,731    | 3,626    |  |
| Credit contracts - protection sold                      | 16,314    |  | 300       | 1,278    | 19,501    |  | 354      | 1,532    |  |
| Credit contracts - protection purchased                 | 20,354    |  | 1,007     | 306      | 23,314    |  | 1,147    | 368      |  |
| Subtotal                                                |           |  | 57,402    | 58,417   |           |  | 66,316   | 68,830   |  |
| Total derivatives not designated as hedging instruments |           |  | 58,327    | 58,862   |           |  | 67,294   | 69,984   |  |
| Total derivatives before netting                        |           |  | 64,057    | 61,942   |           |  | 72,700   | 73,359   |  |
| Netting (3)                                             |           |  | (47,969)  | (53,750) |           |  | (56,894) | (63,739) |  |
| Total                                                   |           |  | \$ 16,088 | 8,192    |           |  | 15,806   | 9,620    |  |

(1) Notional amounts presented exclude \$1.9 billion at both March 31, 2014 and December 31, 2013, of certain derivatives that are combined for designation as a hedge on a single instrument.

(2) Includes free-standing derivatives (economic hedges) used to hedge the risk of changes in the fair value of residential MSRs, MHFS, loans, derivative loan commitments and other interests held.

(3) Represents balance sheet netting of derivative asset and liability balances, and related cash collateral. See the next table in this Note for further information.



The following table provides information on the gross fair values of derivative assets and liabilities, the balance sheet netting adjustments and the resulting net fair value amount recorded on our balance sheet, as well as the non-cash collateral associated with such arrangements. We execute substantially all of our derivative transactions under master netting arrangements. We reflect all derivative balances and related cash collateral subject to enforceable master netting arrangements on a net basis within the balance sheet. The “Gross amounts recognized” column in the following table include \$50.3 billion and \$55.3 billion of gross derivative assets and liabilities, respectively, at March 31, 2014, and \$59.8 billion and \$66.1 billion, respectively, at December 31, 2013, with counterparties subject to enforceable master netting arrangements that are carried on the balance sheet net of offsetting amounts. The remaining gross derivative assets and liabilities of \$13.8 billion and \$6.6 billion, respectively, at March 31, 2014 and \$12.9 billion and \$7.3 billion, respectively, at December 31, 2013, include those with counterparties subject to master netting arrangements for which we have not assessed the enforceability because they are with counterparties where we do not currently have positions to offset, those subject to master netting arrangements where we have not been able to confirm the enforceability and those not subject to master netting

arrangements. As such, we do not net derivative balances or collateral within the balance sheet for these counterparties.

We determine the balance sheet netting adjustments based on the terms specified within each master netting arrangement. We disclose the balance sheet netting amounts within the column titled “Gross amounts offset in consolidated balance sheet.” Balance sheet netting adjustments are determined at the counterparty level for which there may be multiple contract types. For disclosure purposes, we allocate these adjustments to the contract type for each counterparty proportionally based upon the “Gross amounts recognized” by counterparty. As a result, the net amounts disclosed by contract type may not represent the actual exposure upon settlement of the contracts.

Balance sheet netting does not include non-cash collateral that we pledge. For disclosure purposes, we present these amounts in the column titled “Gross amounts not offset in consolidated balance sheet (Disclosure-only netting)” within the table. We determine and allocate the Disclosure-only netting amounts in the same manner as balance sheet netting amounts.

The “Net amounts” column within the following table represents the aggregate of our net exposure to each counterparty after considering the balance sheet and Disclosure-only netting adjustments. We manage derivative exposure by monitoring the credit risk associated with each counterparty using counterparty specific credit risk limits, using master netting arrangements and obtaining collateral. Derivative contracts executed in over-the-counter markets include bilateral contractual arrangements that are not cleared through a central clearing organization but are typically subject to master netting arrangements. The percentage of our bilateral derivative transactions outstanding at period end in such markets, based on gross fair value, is provided within the following table. Other derivative contracts executed in over-the-counter or exchange-traded markets are settled through a central clearing organization and are excluded from this percentage. In addition to the netting amounts included in the table, we also have balance sheet netting related to resale and repurchase agreements that are disclosed within Note 10 (Guarantees, Pledged Assets and Collateral).

**Note 12: Derivatives (continued)**

|                               |  |  |  |  |  |  |            |                  |                   |                  |               |                  |  |  |  |  |              |  |  |
|-------------------------------|--|--|--|--|--|--|------------|------------------|-------------------|------------------|---------------|------------------|--|--|--|--|--------------|--|--|
|                               |  |  |  |  |  |  |            |                  |                   |                  |               |                  |  |  |  |  |              |  |  |
|                               |  |  |  |  |  |  |            |                  |                   | Gross amounts    |               |                  |  |  |  |  |              |  |  |
|                               |  |  |  |  |  |  |            | Gross<br>amounts |                   |                  | not offset in |                  |  |  |  |  |              |  |  |
|                               |  |  |  |  |  |  |            | offset in        | Net amounts<br>in |                  | consolidated  |                  |  |  |  |  | Percent      |  |  |
|                               |  |  |  |  |  |  | Gross      | consolidated     | consolidated      |                  | balance sheet |                  |  |  |  |  | exchanged in |  |  |
|                               |  |  |  |  |  |  | amounts    | balance          | balance           | (Disclosure-only | Net           | over-the-counter |  |  |  |  |              |  |  |
| (in millions)                 |  |  |  |  |  |  | recognized | sheet (1)        | sheet (2)         | netting) (3)     | amounts       | market (4)       |  |  |  |  |              |  |  |
| <b>March 31, 2014</b>         |  |  |  |  |  |  |            |                  |                   |                  |               |                  |  |  |  |  |              |  |  |
| <b>Derivative assets</b>      |  |  |  |  |  |  |            |                  |                   |                  |               |                  |  |  |  |  |              |  |  |
|                               |  |  |  |  |  |  | \$         | 46,544           | (38,995)          | 7,549            | (824)         | 6,725            |  |  |  |  | 67 %         |  |  |
|                               |  |  |  |  |  |  |            | 2,654            | (605)             | 2,049            | (68)          | 1,981            |  |  |  |  | 56           |  |  |
|                               |  |  |  |  |  |  |            | 9,383            | (3,734)           | 5,649            | (302)         | 5,347            |  |  |  |  | 75           |  |  |
|                               |  |  |  |  |  |  |            | 4,168            | (3,453)           | 715              | (2)           | 713              |  |  |  |  | 100          |  |  |
|                               |  |  |  |  |  |  |            | 300              | (268)             | 32               | -             | 32               |  |  |  |  | 93           |  |  |
|                               |  |  |  |  |  |  |            | 1,007            | (914)             | 93               | (33)          | 60               |  |  |  |  | 100          |  |  |
|                               |  |  |  |  |  |  |            | 1                | -                 | 1                | -             | 1                |  |  |  |  | 100          |  |  |
|                               |  |  |  |  |  |  | \$         | 64,057           | (47,969)          | 16,088           | (1,229)       | 14,859           |  |  |  |  |              |  |  |
| <b>Derivative liabilities</b> |  |  |  |  |  |  |            |                  |                   |                  |               |                  |  |  |  |  |              |  |  |
|                               |  |  |  |  |  |  | \$         | 46,423           | (44,503)          | 1,920            | (671)         | 1,249            |  |  |  |  | 67 %         |  |  |
|                               |  |  |  |  |  |  |            | 2,578            | (953)             | 1,625            | -             | 1,625            |  |  |  |  | 65           |  |  |
|                               |  |  |  |  |  |  |            | 7,826            | (3,891)           | 3,935            | (103)         | 3,832            |  |  |  |  | 95           |  |  |
|                               |  |  |  |  |  |  |            | 3,519            | (2,909)           | 610              | -             | 610              |  |  |  |  | 100          |  |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                        |                                              |           |               |                 |               |                |               |            |          |
|------------------------|----------------------------------------------|-----------|---------------|-----------------|---------------|----------------|---------------|------------|----------|
|                        | <b>contracts</b>                             |           |               |                 |               |                |               |            |          |
|                        | <b>Credit contracts-protection sold</b>      |           | <b>1,278</b>  | <b>(1,236)</b>  | <b>42</b>     | <b>-</b>       | <b>42</b>     | <b>100</b> |          |
|                        | <b>Credit contracts-protection purchased</b> |           | <b>306</b>    | <b>(258)</b>    | <b>48</b>     | <b>-</b>       | <b>48</b>     | <b>88</b>  |          |
|                        | <b>Other contracts</b>                       |           | <b>12</b>     | <b>-</b>        | <b>12</b>     | <b>-</b>       | <b>12</b>     | <b>100</b> |          |
|                        | <b>Total derivative liabilities</b>          | <b>\$</b> | <b>61,942</b> | <b>(53,750)</b> | <b>8,192</b>  | <b>(774)</b>   | <b>7,418</b>  |            |          |
| December 31, 2013      |                                              |           |               |                 |               |                |               |            |          |
| Derivative assets      |                                              |           |               |                 |               |                |               |            |          |
|                        | Interest rate contracts                      | <b>\$</b> | <b>55,846</b> | <b>(48,271)</b> | <b>7,575</b>  | <b>(1,101)</b> | <b>6,474</b>  | <b>65</b>  | <b>%</b> |
|                        | Commodity contracts                          |           | <b>2,673</b>  | <b>(659)</b>    | <b>2,014</b>  | <b>(72)</b>    | <b>1,942</b>  | <b>52</b>  |          |
|                        | Equity contracts                             |           | <b>7,824</b>  | <b>(3,254)</b>  | <b>4,570</b>  | <b>(239)</b>   | <b>4,331</b>  | <b>81</b>  |          |
|                        | Foreign exchange contracts                   |           | <b>4,843</b>  | <b>(3,567)</b>  | <b>1,276</b>  | <b>(9)</b>     | <b>1,267</b>  | <b>100</b> |          |
|                        | Credit contracts-protection sold             |           | <b>354</b>    | <b>(302)</b>    | <b>52</b>     | <b>-</b>       | <b>52</b>     | <b>92</b>  |          |
|                        | Credit contracts-protection purchased        |           | <b>1,147</b>  | <b>(841)</b>    | <b>306</b>    | <b>(33)</b>    | <b>273</b>    | <b>100</b> |          |
|                        | Other contracts                              |           | <b>13</b>     | <b>-</b>        | <b>13</b>     | <b>-</b>       | <b>13</b>     | <b>100</b> |          |
|                        | <b>Total derivative assets</b>               | <b>\$</b> | <b>72,700</b> | <b>(56,894)</b> | <b>15,806</b> | <b>(1,454)</b> | <b>14,352</b> |            |          |
| Derivative liabilities |                                              |           |               |                 |               |                |               |            |          |
|                        | Interest rate contracts                      | <b>\$</b> | <b>56,538</b> | <b>(53,902)</b> | <b>2,636</b>  | <b>(482)</b>   | <b>2,154</b>  | <b>66</b>  | <b>%</b> |
|                        | Commodity contracts                          |           | <b>2,603</b>  | <b>(952)</b>    | <b>1,651</b>  | <b>(11)</b>    | <b>1,640</b>  | <b>73</b>  |          |
|                        | Equity contracts                             |           | <b>7,794</b>  | <b>(3,502)</b>  | <b>4,292</b>  | <b>(124)</b>   | <b>4,168</b>  | <b>94</b>  |          |
|                        | Foreign exchange contracts                   |           | <b>4,508</b>  | <b>(3,652)</b>  | <b>856</b>    | <b>-</b>       | <b>856</b>    | <b>100</b> |          |
|                        | Credit contracts-protection sold             |           | <b>1,532</b>  | <b>(1,432)</b>  | <b>100</b>    | <b>-</b>       | <b>100</b>    | <b>100</b> |          |
|                        | Credit contracts-protection purchased        |           | <b>368</b>    | <b>(299)</b>    | <b>69</b>     | <b>-</b>       | <b>69</b>     | <b>89</b>  |          |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are 244

|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |    |        |          |       |       |       |     |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--------|----------|-------|-------|-------|-----|
|     | purchased                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |    |        |          |       |       |       |     |
|     | Other contracts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |    | 16     | -        | 16    | -     | 16    | 100 |
|     | Total derivative liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | \$ | 73,359 | (63,739) | 9,620 | (617) | 9,003 |     |
| (1) | Represents amounts with counterparties subject to enforceable master netting arrangements that have been offset in the consolidated balance sheet, including related cash collateral and portfolio level counterparty valuation adjustments. Counterparty valuation adjustments were \$224 million and \$236 million related to derivative assets and \$47 million and \$67 million related to derivative liabilities as of March 31, 2014 and December 31, 2013, respectively. Cash collateral totaled \$4.6 billion and \$9.5 billion, netted against derivative assets and liabilities, respectively, at March 31, 2014, and \$4.3 billion and \$11.3 billion, respectively, at December 31, 2013. |    |        |          |       |       |       |     |
| (2) | Net derivative assets of \$12.3 billion and \$14.4 billion are classified in Trading assets as of March 31, 2014 and December 31, 2013, respectively. \$3.8 billion and \$1.4 billion are classified in Other assets in the consolidated balance sheet as of March 31, 2014 and December 31, 2013, respectively. Net derivative liabilities are classified in Accrued expenses and other liabilities in the consolidated balance sheet.                                                                                                                                                                                                                                                               |    |        |          |       |       |       |     |
| (3) | Represents non-cash collateral pledged and received against derivative assets and liabilities with the same counterparty that are subject to enforceable master netting arrangements. U.S. GAAP does not permit netting of such non-cash collateral balances in the consolidated balance sheet but requires disclosure of these amounts.                                                                                                                                                                                                                                                                                                                                                              |    |        |          |       |       |       |     |
| (4) | Represents derivatives executed in over-the-counter markets not settled through a central clearing organization. Over-the-counter percentages are calculated based on Gross amounts recognized as of the respective balance sheet date. The remaining percentage represents derivatives settled through a central clearing organization, which are executed in either over-the-counter or exchange-traded markets.                                                                                                                                                                                                                                                                                    |    |        |          |       |       |       |     |

We use derivatives to hedge against changes in fair value of certain financial instruments, including available-for-sale debt securities, mortgages held for sale, and long-term debt. For more information on fair value hedges, see Note 16 (Derivatives) to Financial Statements in our 2013 Form 10-K.

The following table shows the net gains (losses) recognized in the income statement related to derivatives in fair value hedging relationships. The entire derivative gain or loss is included in the assessment of hedge effectiveness for all fair value hedge relationships, except for those involving foreign-currency denominated available-for-sale securities and long-term debt hedged with foreign currency forward derivatives for which the time value component of the derivative gain or loss related to the changes in the difference between the spot and forward price is excluded from the assessment of hedge effectiveness.

[illegible]

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|  |  |                                                                     |  |  |  |  |  |  |  |  |  |
|--|--|---------------------------------------------------------------------|--|--|--|--|--|--|--|--|--|
|  |  | Net recognized on fair value<br>hedges (ineffective portion)<br>(1) |  |  |  |  |  |  |  |  |  |
|  |  |                                                                     |  |  |  |  |  |  |  |  |  |

(1) Included \$0 million and \$(3) million, respectively, for the quarters ended March 31, 2014 and 2013, of the time value component recognized as net interest income (expense) on forward derivatives hedging foreign currency available-for-sale securities and long-term debt that were excluded from the assessment of hedge effectiveness.

### Cash Flow Hedges

We use derivatives to hedge certain financial instruments against future interest rate increases and to limit the variability of cash flows on certain financial instruments due to changes in the benchmark interest rate. For more information on cash flow hedges, see Note 16 (Derivatives) to Financial Statements in our 2013 Form 10-K.

Based upon current interest rates, we estimate that \$300 million (pre tax) of deferred net gains on derivatives in OCI at March 31, 2014, will be reclassified into net interest income during the next twelve months. Future changes to interest rates may significantly change actual amounts reclassified to earnings. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of 7 years for both hedges of floating-rate debt and floating-rate commercial loans.

The following table shows the net gains (losses) recognized related to derivatives in cash flow hedging relationships. None of the change in value of the derivatives was excluded from the assessment of hedge effectiveness.

|                                                                      |    |     |  | Quarter ended<br>March 31, |      |
|----------------------------------------------------------------------|----|-----|--|----------------------------|------|
| (in millions)                                                        |    |     |  | 2014                       | 2013 |
| Gains (pre tax) recognized in OCI on derivatives                     | \$ | 44  |  |                            | 7    |
| Gains (pre tax) reclassified from cumulative OCI into net income (1) |    | 106 |  |                            | 87   |
|                                                                      |    |     |  |                            |      |
|                                                                      |    |     |  |                            |      |

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

**Note 12: Derivatives (continued)****Free-Standing Derivatives**

We use free-standing derivatives (economic hedges) to hedge the risk of changes in the fair value of certain residential MHFS, certain loans held for investment, residential MSR's measured at fair value, derivative loan commitments and other interests held. The resulting gain or loss on these economic hedges is reflected in mortgage banking noninterest income, net gains (losses) from equity investments and other noninterest income.

The derivatives used to hedge MSR's measured at fair value, resulted in net derivative gains of \$848 million in first quarter 2014 and net derivative losses of \$632 million in first quarter 2013, which are included in mortgage banking noninterest income. The aggregate fair value of these derivatives was a net asset of \$47 million at March 31, 2014 and a net liability of \$531 million at December 31, 2013. The change in fair value of these derivatives for each period end is due to changes in the underlying market indices and interest rates as well as the purchase and sale of derivative financial instruments throughout the period as part of our dynamic MSR risk management process.

Interest rate lock commitments for residential mortgage loans that we intend to sell are considered free-standing derivatives. The aggregate fair value of derivative loan commitments on the balance sheet was a net asset of \$39 million and a net liability of \$26 million at March 31, 2014 and December 31, 2013, respectively, and is included in the caption "Interest rate contracts" under "Customer accommodation, trading and other free-standing derivatives" in the first table in this Note.

For more information on freestanding derivatives, see Note 16 (Derivatives) to Financial Statements in our 2013 Form 10-K.

The following table shows the net gains recognized in the income statement related to derivatives not designated as hedging instruments.

|                                                                                      |  |  |  |  | Quarter ended March 31, |      |      |
|--------------------------------------------------------------------------------------|--|--|--|--|-------------------------|------|------|
| (in millions)                                                                        |  |  |  |  | 2014                    | 2013 |      |
| <b>Net gains (losses) recognized on free-standing derivatives (economic hedges):</b> |  |  |  |  |                         |      |      |
| Interest rate contracts                                                              |  |  |  |  |                         |      |      |
| Recognized in noninterest income:                                                    |  |  |  |  |                         |      |      |
| Mortgage banking (1)                                                                 |  |  |  |  | \$                      | 366  | 381  |
| Other (2)                                                                            |  |  |  |  |                         | (59) | 24   |
| Equity contracts (3)                                                                 |  |  |  |  |                         | 76   | (14) |
| Foreign exchange contracts (2)                                                       |  |  |  |  |                         | 69   | 8    |
| Credit contracts (2)                                                                 |  |  |  |  |                         | -    | (4)  |
| Other (2)                                                                            |  |  |  |  |                         | (7)  | -    |
| Subtotal                                                                             |  |  |  |  |                         | 445  | 395  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are



| Net gains (losses) recognized on customer accommodation, trading and other free-standing derivatives: |                                |                                   |                      |          |    |       |       |
|-------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------|----------------------|----------|----|-------|-------|
|                                                                                                       | Interest rate contracts        |                                   |                      |          |    |       |       |
|                                                                                                       |                                | Recognized in noninterest income: |                      |          |    |       |       |
|                                                                                                       |                                |                                   | Mortgage banking (4) |          |    | 290   | 270   |
|                                                                                                       |                                |                                   | Other (5)            |          |    | (391) | 205   |
|                                                                                                       | Commodity contracts (5)        |                                   |                      |          |    | 50    | 161   |
|                                                                                                       | Equity contracts (5)           |                                   |                      |          |    | (94)  | (250) |
|                                                                                                       | Foreign exchange contracts (5) |                                   |                      |          |    | 262   | 277   |
|                                                                                                       | Credit contracts (5)           |                                   |                      |          |    | 27    | (48)  |
|                                                                                                       |                                |                                   |                      | Subtotal |    | 144   | 615   |
| Net gains recognized related to derivatives not designated as hedging instruments                     |                                |                                   |                      |          | \$ | 589   | 1,010 |
|                                                                                                       |                                |                                   |                      |          |    |       |       |

(1) Predominantly mortgage banking noninterest income including gains (losses) on the derivatives used as economic hedges of MSRs measured at fair value, interest rate lock commitments and mortgages held for sale.

(2) Predominantly included in other noninterest income.

(3) Predominantly included in net gains (losses) from equity investments in noninterest income.

(4) Predominantly mortgage banking noninterest income including gains (losses) on interest rate lock commitments.

(5) Predominantly included in net gains from trading activities in noninterest income.



|                       |                                             |          |        |        |  |        |       |        |           |
|-----------------------|---------------------------------------------|----------|--------|--------|--|--------|-------|--------|-----------|
| Credit protection on: |                                             |          |        |        |  |        |       |        |           |
|                       | Default swap index                          | -        | 3,270  | 388    |  | 2,471  | 799   | 898    | 2014-2018 |
|                       | Commercial mortgage-backed securities index | 344      | 1,106  | 1,106  |  | 535    | 571   | 535    | 2049-2052 |
|                       | Asset-backed securities index               | 48       | 55     | 55     |  | 1      | 54    | 87     | 2045-2046 |
| Other                 |                                             | 1        | 2,570  | 2,570  |  | 3      | 2,567 | 5,451  | 2014-2025 |
|                       | Total credit derivatives                    | \$ 1,532 | 19,501 | 10,601 |  | 10,397 | 9,104 | 12,917 |           |
|                       |                                             |          |        |        |  |        |       |        |           |

Protection sold represents the estimated maximum exposure to loss that would be incurred under an assumed hypothetical circumstance, where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. We believe this hypothetical circumstance to be an extremely remote possibility and accordingly, this required disclosure is not an indication of expected loss. The amounts under non-investment grade represent the notional amounts of those credit derivatives on which we have a higher risk of being required to perform under the terms of the credit derivative and are a function of the underlying assets.

We consider the risk of performance to be high if the underlying assets under the credit derivative have an external rating that is below investment grade or an internal credit default grade that is equivalent thereto. We believe the net protection sold, which is representative of the net notional amount of protection sold and purchased with identical underlyings, in combination with other protection purchased, is more representative of our exposure to loss than either non-investment grade or protection sold. Other protection purchased represents additional protection, which may offset the exposure to loss for protection sold, that was not purchased with an identical underlying of the protection sold.

**Note 12: Derivatives (continued)****Credit-Risk Contingent Features**

Certain of our derivative contracts contain provisions whereby if the credit rating of our debt were to be downgraded by certain major credit rating agencies, the counterparty could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a net liability position was \$13 billion at March 31, 2014, and \$14.3 billion at December 31, 2013, respectively, for which we posted \$11.0 billion and \$12.2 billion, respectively, in collateral in the normal course of business. If the credit rating of our debt had been downgraded below investment grade, which is the credit-risk-related contingent feature that if triggered requires the maximum amount of collateral to be posted, on March 31, 2014, or December 31, 2013, we would have been required to post additional collateral of \$2.2 billion or \$2.5 billion, respectively, or potentially settle the contract in an amount equal to its fair value.

**Counterparty Credit Risk**

By using derivatives, we are exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to legally enforceable master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent the master netting arrangements and other criteria meet the applicable requirements, including determining the legal enforceability of the arrangement, it is our policy to present derivative balances and related cash collateral amounts net on the balance sheet. We incorporate credit valuation adjustments (CVA) to reflect counterparty credit risk and our own credit risk in determining the fair value of our derivatives. Such adjustments, which consider the effects of enforceable master netting agreements and collateral arrangements, reflect market-based views of the credit quality of each counterparty. Our CVA calculation is determined based on observed credit spreads in the credit default swap market and indices indicative of the credit quality of the counterparties to our derivatives.

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

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Assets and liabilities recorded at fair value on a recurring basis are presented in the recurring table in this Note. From time to time, we may be required to record at fair value other assets on a nonrecurring basis, such as certain residential and commercial MHFS, certain LHFS, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets.

See Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2013 Form 10-K for discussion of how we determine fair value. For descriptions of the valuation methodologies we use for assets and liabilities recorded at fair value on a recurring or nonrecurring basis and for estimating fair value for financial instruments not recorded at fair value, see Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in our 2013 Form 10-K.

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

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

### Fair Value Measurements from Brokers or Third Party Pricing Services

For certain assets and liabilities, we obtain fair value measurements from brokers or third party pricing services and record the unadjusted fair value in our financial statements. The detail by level is shown in the table below. Fair value measurements obtained from brokers or third party pricing services that we have adjusted to determine the fair value recorded in our financial statements are not included in the following table.

|  |  |  |  |  |  |  |  |  |  |         |  |  |  |                     |  |
|--|--|--|--|--|--|--|--|--|--|---------|--|--|--|---------------------|--|
|  |  |  |  |  |  |  |  |  |  |         |  |  |  |                     |  |
|  |  |  |  |  |  |  |  |  |  |         |  |  |  |                     |  |
|  |  |  |  |  |  |  |  |  |  | Brokers |  |  |  | Third party pricing |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                                                                                                                             |  |  |  |  |  | services |         |         |
|---------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|----------|---------|---------|
| (in millions)                                                                                                                               |  |  |  |  |  | Level 1  | Level 2 | Level 3 |
|                                                                                                                                             |  |  |  |  |  | Level 1  | Level 2 | Level 3 |
| <b>March 31, 2014</b>                                                                                                                       |  |  |  |  |  |          |         |         |
| <b>Trading assets (excluding derivatives)</b>                                                                                               |  |  |  |  |  | \$ -     | 80      | 1       |
| <b>Available-for-sale securities:</b>                                                                                                       |  |  |  |  |  |          |         |         |
| Securities of U.S. Treasury and federal agencies                                                                                            |  |  |  |  |  | -        | -       | -       |
| Securities of U.S. states and political subdivisions                                                                                        |  |  |  |  |  | -        | -       | -       |
| Mortgage-backed securities                                                                                                                  |  |  |  |  |  | -        | 737     | -       |
| Other debt securities (1)                                                                                                                   |  |  |  |  |  | -        | 761     | 642     |
| <b>Total debt securities</b>                                                                                                                |  |  |  |  |  | -        | 1,498   | 642     |
| <b>Total marketable equity securities</b>                                                                                                   |  |  |  |  |  | -        | -       | -       |
| <b>Total available-for-sale securities</b>                                                                                                  |  |  |  |  |  | -        | 1,498   | 642     |
| <b>Derivatives (trading and other assets)</b>                                                                                               |  |  |  |  |  | -        | 4       | -       |
| <b>Derivatives (liabilities)</b>                                                                                                            |  |  |  |  |  | -        | (4)     | -       |
| <b>Other liabilities</b>                                                                                                                    |  |  |  |  |  | -        | (94)    | -       |
|                                                                                                                                             |  |  |  |  |  |          |         |         |
|                                                                                                                                             |  |  |  |  |  |          |         |         |
| <b>December 31, 2013</b>                                                                                                                    |  |  |  |  |  |          |         |         |
| <b>Trading assets (excluding derivatives)</b>                                                                                               |  |  |  |  |  | \$ -     | 122     | 1       |
| <b>Available-for-sale securities:</b>                                                                                                       |  |  |  |  |  |          |         |         |
| Securities of U.S. Treasury and federal agencies                                                                                            |  |  |  |  |  | -        | -       | -       |
| Securities of U.S. states and political subdivisions                                                                                        |  |  |  |  |  | -        | -       | -       |
| Mortgage-backed securities                                                                                                                  |  |  |  |  |  | -        | 621     | -       |
| Other debt securities (1)                                                                                                                   |  |  |  |  |  | -        | 1,537   | 722     |
| <b>Total debt securities</b>                                                                                                                |  |  |  |  |  | -        | 2,158   | 722     |
| <b>Total marketable equity securities</b>                                                                                                   |  |  |  |  |  | -        | -       | -       |
| <b>Total available-for-sale securities</b>                                                                                                  |  |  |  |  |  | -        | 2,158   | 722     |
| <b>Derivatives (trading and other assets)</b>                                                                                               |  |  |  |  |  | -        | 5       | -       |
| <b>Derivatives (liabilities)</b>                                                                                                            |  |  |  |  |  | -        | (12)    | -       |
| <b>Other liabilities</b>                                                                                                                    |  |  |  |  |  | -        | (115)   | -       |
|                                                                                                                                             |  |  |  |  |  |          |         |         |
|                                                                                                                                             |  |  |  |  |  |          |         |         |
| (1) Includes corporate debt securities, collateralized loan and other debt obligations, asset-backed securities, and other debt securities. |  |  |  |  |  |          |         |         |

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

### Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following two tables present the balances of assets and liabilities recorded at fair value on a recurring basis.

|                                                      |                                                      |  |                                              |  |  |    |         |         |           |  |         |  |         |  |  |
|------------------------------------------------------|------------------------------------------------------|--|----------------------------------------------|--|--|----|---------|---------|-----------|--|---------|--|---------|--|--|
|                                                      |                                                      |  |                                              |  |  |    |         |         |           |  |         |  |         |  |  |
|                                                      |                                                      |  |                                              |  |  |    |         |         |           |  |         |  |         |  |  |
| (in millions)                                        |                                                      |  |                                              |  |  |    | Level 1 | Level 2 | Level 3   |  | Netting |  | Total   |  |  |
| March 31, 2014                                       |                                                      |  |                                              |  |  |    |         |         |           |  |         |  |         |  |  |
| Trading assets (excluding derivatives)               |                                                      |  |                                              |  |  |    |         |         |           |  |         |  |         |  |  |
|                                                      | Securities of U.S. Treasury and federal agencies     |  |                                              |  |  | \$ | 9,264   | 4,068   | -         |  | -       |  | 13,332  |  |  |
|                                                      | Securities of U.S. states and political subdivisions |  |                                              |  |  |    | -       | 3,350   | 40        |  | -       |  | 3,390   |  |  |
|                                                      | Collateralized loan and other debt obligations (1)   |  |                                              |  |  |    | -       | 187     | 608       |  | -       |  | 795     |  |  |
|                                                      | Corporate debt securities                            |  |                                              |  |  |    | -       | 7,986   | 86        |  | -       |  | 8,072   |  |  |
|                                                      | Mortgage-backed securities                           |  |                                              |  |  |    | -       | 14,768  | 1         |  | -       |  | 14,769  |  |  |
|                                                      | Asset-backed securities                              |  |                                              |  |  |    | -       | 775     | 97        |  | -       |  | 872     |  |  |
|                                                      | Equity securities                                    |  |                                              |  |  |    | 6,605   | 125     | 13        |  | -       |  | 6,743   |  |  |
|                                                      | Total trading securities (2)                         |  |                                              |  |  |    | 15,869  | 31,259  | 845       |  | -       |  | 47,973  |  |  |
|                                                      | Other trading assets                                 |  |                                              |  |  |    | 2,586   | 838     | 52        |  | -       |  | 3,476   |  |  |
|                                                      |                                                      |  | Total trading assets (excluding derivatives) |  |  |    | 18,455  | 32,097  | 897       |  | -       |  | 51,449  |  |  |
| Securities of U.S. Treasury and federal agencies     |                                                      |  |                                              |  |  |    | 535     | 5,824   | -         |  | -       |  | 6,359   |  |  |
| Securities of U.S. states and political subdivisions |                                                      |  |                                              |  |  |    | -       | 41,041  | 3,099 (3) |  | -       |  | 44,140  |  |  |
| Mortgage-backed securities:                          |                                                      |  |                                              |  |  |    |         |         |           |  |         |  |         |  |  |
|                                                      | Federal agencies                                     |  |                                              |  |  |    | -       | 118,090 | -         |  | -       |  | 118,090 |  |  |
|                                                      | Residential                                          |  |                                              |  |  |    | -       | 11,750  | 41        |  | -       |  | 11,791  |  |  |
|                                                      | Commercial                                           |  |                                              |  |  |    | -       | 18,430  | 141       |  | -       |  | 18,571  |  |  |
|                                                      | Total mortgage-backed securities                     |  |                                              |  |  |    | -       | 148,270 | 182       |  | -       |  | 148,452 |  |  |
| Corporate debt securities                            |                                                      |  |                                              |  |  |    | 97      | 20,230  | 297       |  | -       |  | 20,624  |  |  |
| Collateralized loan and other debt obligations (4)   |                                                      |  |                                              |  |  |    | -       | 19,919  | 1,420 (3) |  | -       |  | 21,339  |  |  |
| Asset-backed securities:                             |                                                      |  |                                              |  |  |    |         |         |           |  |         |  |         |  |  |
|                                                      | Auto loans and leases                                |  |                                              |  |  |    | -       | 32      | 274 (3)   |  | -       |  | 306     |  |  |
|                                                      | Home equity loans                                    |  |                                              |  |  |    | -       | 838     | -         |  | -       |  | 838     |  |  |
|                                                      | Other asset-backed securities                        |  |                                              |  |  |    | -       | 5,827   | 1,280 (3) |  | -       |  | 7,107   |  |  |
|                                                      | Total asset-backed securities                        |  |                                              |  |  |    | -       | 6,697   | 1,554     |  | -       |  | 8,251   |  |  |
| Other debt securities                                |                                                      |  |                                              |  |  |    | -       | 39      | -         |  | -       |  | 39      |  |  |
|                                                      |                                                      |  | Total debt securities                        |  |  |    | 632     | 242,020 | 6,552     |  | -       |  | 249,204 |  |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                           |                                                      |                              |                                    |                                     |                                          |            |          |          |         |          |          |          |         |
|-------------------------------------------|------------------------------------------------------|------------------------------|------------------------------------|-------------------------------------|------------------------------------------|------------|----------|----------|---------|----------|----------|----------|---------|
| Marketable equity securities:             |                                                      |                              |                                    |                                     |                                          |            |          |          |         |          |          |          |         |
|                                           | Perpetual preferred securities (5)                   |                              |                                    |                                     |                                          | 483        | 619      | 708      | (3)     | -        |          | 1,810    |         |
|                                           | Other marketable equity securities                   |                              |                                    |                                     |                                          | 1,642      | 9        | -        |         | -        |          | 1,651    |         |
|                                           |                                                      |                              | Total marketable equity securities |                                     |                                          |            | 2,125    | 628      | 708     |          | -        | 3,461    |         |
|                                           |                                                      |                              |                                    | Total available-for-sale securities |                                          |            |          | 2,757    | 242,648 | 7,260    |          | -        | 252,665 |
| Mortgages held for sale                   |                                                      |                              |                                    |                                     |                                          | -          | 10,631   | 2,363    |         | -        |          | 12,994   |         |
| Loans held for sale                       |                                                      |                              |                                    |                                     |                                          | -          | 1        | -        |         | -        |          | 1        |         |
| Loans                                     |                                                      |                              |                                    |                                     |                                          | -          | 270      | 5,689    |         | -        |          | 5,959    |         |
| Mortgage servicing rights (residential)   |                                                      |                              |                                    |                                     |                                          | -          | -        | 14,953   |         | -        |          | 14,953   |         |
| Derivative assets:                        |                                                      |                              |                                    |                                     |                                          |            |          |          |         |          |          |          |         |
|                                           | Interest rate contracts                              |                              |                                    |                                     |                                          | 38         | 46,148   | 358      |         | -        |          | 46,544   |         |
|                                           | Commodity contracts                                  |                              |                                    |                                     |                                          | -          | 2,641    | 13       |         | -        |          | 2,654    |         |
|                                           | Equity contracts                                     |                              |                                    |                                     |                                          | 2,363      | 5,223    | 1,797    |         | -        |          | 9,383    |         |
|                                           | Foreign exchange contracts                           |                              |                                    |                                     |                                          | 44         | 4,117    | 7        |         | -        |          | 4,168    |         |
|                                           | Credit contracts                                     |                              |                                    |                                     |                                          | -          | 677      | 630      |         | -        |          | 1,307    |         |
|                                           | Other derivative contracts                           |                              |                                    |                                     |                                          | -          | -        | 1        |         | -        |          | 1        |         |
|                                           |                                                      | Netting                      |                                    |                                     |                                          | -          | -        | -        |         | (47,969) | (6)      | (47,969) |         |
|                                           |                                                      |                              | Total derivative assets (7)        |                                     |                                          |            | 2,445    | 58,806   | 2,806   |          | (47,969) | 16,088   |         |
| Other assets                              |                                                      |                              |                                    |                                     |                                          | -          | -        | 2,040    |         | -        |          | 2,040    |         |
|                                           |                                                      |                              |                                    |                                     | Total assets recorded at fair value      | \$ 23,657  | 344,453  | 36,008   |         | (47,969) |          | 356,149  |         |
| Derivative liabilities:                   |                                                      |                              |                                    |                                     |                                          |            |          |          |         |          |          |          |         |
|                                           | Interest rate contracts                              |                              |                                    |                                     |                                          | \$ (12)    | (46,111) | (300)    |         | -        |          | (46,423) |         |
|                                           | Commodity contracts                                  |                              |                                    |                                     |                                          | -          | (2,522)  | (56)     |         | -        |          | (2,578)  |         |
|                                           | Equity contracts                                     |                              |                                    |                                     |                                          | (404)      | (5,601)  | (1,821)  |         | -        |          | (7,826)  |         |
|                                           | Foreign exchange contracts                           |                              |                                    |                                     |                                          | (30)       | (3,488)  | (1)      |         | -        |          | (3,519)  |         |
|                                           | Credit contracts                                     |                              |                                    |                                     |                                          | -          | (686)    | (898)    |         | -        |          | (1,584)  |         |
|                                           | Other derivative contracts                           |                              |                                    |                                     |                                          | -          | -        | (12)     |         | -        |          | (12)     |         |
|                                           |                                                      | Netting                      |                                    |                                     |                                          | -          | -        | -        |         | 53,750   | (6)      | 53,750   |         |
|                                           |                                                      |                              | Total derivative liabilities (7)   |                                     |                                          |            | (446)    | (58,408) | (3,088) |          | 53,750   | (8,192)  |         |
| Short sale liabilities:                   |                                                      |                              |                                    |                                     |                                          |            |          |          |         |          |          |          |         |
|                                           | Securities of U.S. Treasury and federal agencies     |                              |                                    |                                     |                                          | (4,830)    | (1,867)  | -        |         | -        |          | (6,697)  |         |
|                                           | Securities of U.S. states and political subdivisions |                              |                                    |                                     |                                          | -          | (23)     | -        |         | -        |          | (23)     |         |
|                                           | Corporate debt securities                            |                              |                                    |                                     |                                          | -          | (5,254)  | -        |         | -        |          | (5,254)  |         |
|                                           | Equity securities                                    |                              |                                    |                                     |                                          | (1,912)    | (50)     | -        |         | -        |          | (1,962)  |         |
|                                           | Other securities                                     |                              |                                    |                                     |                                          | -          | (52)     | (5)      |         | -        |          | (57)     |         |
|                                           |                                                      | Total short sale liabilities |                                    |                                     |                                          | (6,742)    | (7,246)  | (5)      |         | -        |          | (13,993) |         |
| Other liabilities (excluding derivatives) |                                                      |                              |                                    |                                     |                                          | -          | -        | (37)     |         | -        |          | (37)     |         |
|                                           |                                                      |                              |                                    |                                     | Total liabilities recorded at fair value | \$ (7,188) | (65,654) | (3,130)  |         | 53,750   |          | (22,222) |         |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are 256



(2) Net gains from trading activities recognized in the income statement for the quarters ended March 31, 2014 and 2013 include \$(3) million and \$(141) million in net unrealized losses on trading securities held at March 31, 2014 and 2013, respectively.

(3) Balances consist of securities that are primarily investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.

(5) Perpetual preferred securities include ARS and corporate preferred securities. See Note 7 (Securizations and Variable Interest Entities) for additional information.

(6) Represents balance sheet netting of derivative asset and liability balances and related cash collateral. See Note 12 (Derivatives) for additional information.

(7) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

(continued on following page)

|                                                      |                                                      |  |                                              |  |  |  |    |        |         |         |         |     |         |  |         |
|------------------------------------------------------|------------------------------------------------------|--|----------------------------------------------|--|--|--|----|--------|---------|---------|---------|-----|---------|--|---------|
| (continued from previous page)                       |                                                      |  |                                              |  |  |  |    |        |         |         |         |     |         |  |         |
|                                                      |                                                      |  |                                              |  |  |  |    |        |         |         |         |     |         |  |         |
|                                                      |                                                      |  |                                              |  |  |  |    |        |         |         |         |     |         |  |         |
| (in millions)                                        |                                                      |  |                                              |  |  |  |    |        | Level 1 | Level 2 | Level 3 |     | Netting |  | Total   |
| December 31, 2013                                    |                                                      |  |                                              |  |  |  |    |        |         |         |         |     |         |  |         |
| Trading assets (excluding derivatives)               |                                                      |  |                                              |  |  |  |    |        |         |         |         |     |         |  |         |
|                                                      | Securities of U.S. Treasury and federal agencies     |  |                                              |  |  |  | \$ | 8,301  | 3,669   | -       |         | -   |         |  | 11,970  |
|                                                      | Securities of U.S. states and political subdivisions |  |                                              |  |  |  |    | -      | 2,043   | 39      |         | -   |         |  | 2,082   |
|                                                      | Collateralized loan and other debt obligations (1)   |  |                                              |  |  |  |    | -      | 212     | 541     |         | -   |         |  | 753     |
|                                                      | Corporate debt securities                            |  |                                              |  |  |  |    | -      | 7,052   | 53      |         | -   |         |  | 7,105   |
|                                                      | Mortgage-backed securities                           |  |                                              |  |  |  |    | -      | 14,608  | 1       |         | -   |         |  | 14,609  |
|                                                      | Asset-backed securities                              |  |                                              |  |  |  |    | -      | 487     | 122     |         | -   |         |  | 609     |
|                                                      | Equity securities                                    |  |                                              |  |  |  |    | 5,908  | 87      | 13      |         | -   |         |  | 6,008   |
|                                                      | Total trading securities (2)                         |  |                                              |  |  |  |    | 14,209 | 28,158  | 769     |         | -   |         |  | 43,136  |
|                                                      | Other trading assets                                 |  |                                              |  |  |  |    | 2,694  | 2,487   | 54      |         | -   |         |  | 5,235   |
|                                                      |                                                      |  | Total trading assets (excluding derivatives) |  |  |  |    | 16,903 | 30,645  | 823     |         | -   |         |  | 48,371  |
| Securities of U.S. Treasury and federal agencies     |                                                      |  |                                              |  |  |  |    |        | 557     | 5,723   | -       |     | -       |  | 6,280   |
| Securities of U.S. states and political subdivisions |                                                      |  |                                              |  |  |  |    |        | -       | 39,322  | 3,214   | (3) | -       |  | 42,536  |
| Mortgage-backed securities:                          |                                                      |  |                                              |  |  |  |    |        |         |         |         |     |         |  |         |
|                                                      | Federal agencies                                     |  |                                              |  |  |  |    | -      | 117,591 | -       |         | -   |         |  | 117,591 |
|                                                      | Residential                                          |  |                                              |  |  |  |    | -      | 12,389  | 64      |         | -   |         |  | 12,453  |
|                                                      | Commercial                                           |  |                                              |  |  |  |    | -      | 18,609  | 138     |         | -   |         |  | 18,747  |
|                                                      |                                                      |  | Total mortgage-backed securities             |  |  |  |    | -      | 148,589 | 202     |         | -   |         |  | 148,791 |
| Corporate debt securities                            |                                                      |  |                                              |  |  |  |    |        | 113     | 20,833  | 281     |     | -       |  | 21,227  |
| Collateralized loan and other debt obligations (4)   |                                                      |  |                                              |  |  |  |    |        | -       | 18,739  | 1,420   | (3) | -       |  | 20,159  |
| Asset-backed securities:                             |                                                      |  |                                              |  |  |  |    |        |         |         |         |     |         |  |         |
|                                                      | Auto loans and leases                                |  |                                              |  |  |  |    | -      | 21      | 492     | (3)     | -   |         |  | 513     |
|                                                      | Home equity loans                                    |  |                                              |  |  |  |    | -      | 843     | -       |         | -   |         |  | 843     |
|                                                      | Other asset-backed securities                        |  |                                              |  |  |  |    | -      | 6,577   | 1,657   | (3)     | -   |         |  | 8,234   |
|                                                      |                                                      |  | Total asset-backed securities                |  |  |  |    | -      | 7,441   | 2,149   |         | -   |         |  | 9,590   |
| Other debt securities                                |                                                      |  |                                              |  |  |  |    |        | -       | 39      | -       |     | -       |  | 39      |
|                                                      |                                                      |  | Total debt securities                        |  |  |  |    | 670    | 240,686 | 7,266   |         | -   |         |  | 248,622 |
| Marketable equity securities:                        |                                                      |  |                                              |  |  |  |    |        |         |         |         |     |         |  |         |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are 258

|  |                                                      |  |            |          |         |     |          |              |
|--|------------------------------------------------------|--|------------|----------|---------|-----|----------|--------------|
|  | Perpetual preferred securities (5)                   |  | 508        | 628      | 729     | (3) | -        | 1,865        |
|  | Other marketable equity securities                   |  | 1,511      | 9        | -       |     | -        | 1,520        |
|  | Total marketable equity securities                   |  | 2,019      | 637      | 729     |     | -        | 3,385        |
|  | Total available-for-sale securities                  |  | 2,689      | 241,323  | 7,995   |     | -        | 252,007      |
|  | Mortgages held for sale                              |  | -          | 11,505   | 2,374   |     | -        | 13,879       |
|  | Loans held for sale                                  |  | -          | 1        | -       |     | -        | 1            |
|  | Loans                                                |  | -          | 272      | 5,723   |     | -        | 5,995        |
|  | Mortgage servicing rights (residential)              |  | -          | -        | 15,580  |     | -        | 15,580       |
|  | Derivative assets:                                   |  |            |          |         |     |          |              |
|  | Interest rate contracts                              |  | 36         | 55,466   | 344     |     | -        | 55,846       |
|  | Commodity contracts                                  |  | -          | 2,667    | 6       |     | -        | 2,673        |
|  | Equity contracts                                     |  | 1,522      | 4,221    | 2,081   |     | -        | 7,824        |
|  | Foreign exchange contracts                           |  | 44         | 4,789    | 10      |     | -        | 4,843        |
|  | Credit contracts                                     |  | -          | 782      | 719     |     | -        | 1,501        |
|  | Other derivative contracts                           |  | -          | -        | 13      |     | -        | 13           |
|  | Netting                                              |  | -          | -        | -       |     | (56,894) | (6) (56,894) |
|  | Total derivative assets (7)                          |  | 1,602      | 67,925   | 3,173   |     | (56,894) | 15,806       |
|  | Other assets                                         |  | -          | -        | 1,503   |     | -        | 1,503        |
|  | Total assets recorded at fair value                  |  | \$ 21,194  | 351,671  | 37,171  |     | (56,894) | 353,142      |
|  | Derivative liabilities:                              |  |            |          |         |     |          |              |
|  | Interest rate contracts                              |  | \$ (26)    | (56,128) | (384)   |     | -        | (56,538)     |
|  | Commodity contracts                                  |  | -          | (2,587)  | (16)    |     | -        | (2,603)      |
|  | Equity contracts                                     |  | (449)      | (5,218)  | (2,127) |     | -        | (7,794)      |
|  | Foreign exchange contracts                           |  | (75)       | (4,432)  | (1)     |     | -        | (4,508)      |
|  | Credit contracts                                     |  | -          | (806)    | (1,094) |     | -        | (1,900)      |
|  | Other derivative contracts                           |  | -          | -        | (16)    |     | -        | (16)         |
|  | Netting                                              |  | -          | -        | -       |     | 63,739   | (6) 63,739   |
|  | Total derivative liabilities (7)                     |  | (550)      | (69,171) | (3,638) |     | 63,739   | (9,620)      |
|  | Short sale liabilities:                              |  |            |          |         |     |          |              |
|  | Securities of U.S. Treasury and federal agencies     |  | (4,311)    | (2,063)  | -       |     | -        | (6,374)      |
|  | Securities of U.S. states and political subdivisions |  | -          | (24)     | -       |     | -        | (24)         |
|  | Corporate debt securities                            |  | -          | (4,683)  | -       |     | -        | (4,683)      |
|  | Equity securities                                    |  | (1,788)    | (48)     | -       |     | -        | (1,836)      |
|  | Other securities                                     |  | -          | (95)     | -       |     | -        | (95)         |
|  | Total short sale liabilities                         |  | (6,099)    | (6,913)  | -       |     | -        | (13,012)     |
|  | Other liabilities (excluding derivatives)            |  | -          | -        | (39)    |     | -        | (39)         |
|  | Total liabilities recorded at fair value             |  | \$ (6,649) | (76,084) | (3,677) |     | 63,739   | (22,671)     |

(1) Includes collateralized debt obligations of \$2 million.

(2) Net gains from trading activities recognized in the income statement for the year ended December 31, 2013 include \$(29) million in net unrealized losses on trading securities held at December 31, 2013.

(3) Balances consist of securities that are mostly investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.

(4) Includes collateralized debt obligations of \$693 million.

(5) Perpetual preferred securities include ARS and corporate preferred securities. See Note 7 (Securitizations and Variable Interest Entities) for additional information.

(6) Represents balance sheet netting of derivative asset and liability balances and related cash collateral. See Note 12 (Derivatives) for additional information.

(7) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

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**Note 13: Fair Values of Assets and Liabilities (continued)****Changes in Fair Value Levels**

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy and transfer between Level 1, Level 2, and Level 3 accordingly. Observable market data includes but is not limited to quoted prices and market transactions. Changes in economic conditions or market liquidity generally will drive changes in availability of observable market data. Changes in availability of observable market data, which also may result in changing the valuation technique used, are generally the cause of transfers between Level 1, Level 2, and Level 3.

Transfers into and out of Level 1, Level 2, and Level 3 for the periods presented are provided within the following table. The amounts reported as transfers represent the fair value as of the beginning of the quarter in which the transfer occurred.

|                                                   |    |  | Transfers Between Fair Value Levels |     |         |       |             |          |       |  |
|---------------------------------------------------|----|--|-------------------------------------|-----|---------|-------|-------------|----------|-------|--|
|                                                   |    |  | Level 1                             |     | Level 2 |       | Level 3 (1) |          |       |  |
| (in millions)                                     |    |  | In                                  | Out | In      | Out   | In          | Out      | Total |  |
| <b>Quarter ended March 31, 2014</b>               |    |  |                                     |     |         |       |             |          |       |  |
| <b>Trading assets (excluding derivatives)</b>     | \$ |  | -                                   | -   | 2       | (28)  | 28          | (2)      | -     |  |
| <b>Available-for-sale securities</b>              |    |  | -                                   | (8) | 8       | (95)  | 95          | -        | -     |  |
| <b>Mortgages held for sale</b>                    |    |  | -                                   | -   | 24      | (57)  | 57          | (24)     | -     |  |
| <b>Loans</b>                                      |    |  | -                                   | -   | 49      | -     | -           | (49)     | -     |  |
| <b>Net derivative assets and liabilities</b>      |    |  | -                                   | -   | 45      | (3)   | 3           | (45)     | -     |  |
| <b>Total transfers</b>                            | \$ |  | -                                   | (8) | 128     | (183) | 183         | (120)    | -     |  |
| <b>Quarter ended March 31, 2013</b>               |    |  |                                     |     |         |       |             |          |       |  |
| <b>Trading assets (excluding derivatives) (2)</b> | \$ |  | -                                   | -   | 202     | (25)  | 25          | (202)    | -     |  |
| <b>Available-for-sale securities (2)</b>          |    |  | 17                                  | -   | 10,676  | (17)  | -           | (10,676) | -     |  |
| <b>Mortgages held for sale</b>                    |    |  | -                                   | -   | 93      | (97)  | 97          | (93)     | -     |  |
| <b>Loans</b>                                      |    |  | -                                   | -   | 48      | -     | -           | (48)     | -     |  |
| <b>Net derivative assets and liabilities</b>      |    |  | -                                   | -   | (21)    | -     | -           | 21       | -     |  |
| <b>Total transfers</b>                            | \$ |  | 17                                  | -   | 10,998  | (139) | 122         | (10,998) | -     |  |

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

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

(2) For the quarter ended March 31, 2013, consists of \$202 million of collateralized loan obligations classified as trading assets and \$10.6 billion classified as available-for-sale securities that we transferred from Level 3 to Level 2 as a result of increased observable market data in the valuation of such instruments.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended March 31, 2014, are summarized as follows:

[illegible]

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                                |  |  |                                     |  |       |    |      |       |    |     |       |     |     |
|------------------------------------------------|--|--|-------------------------------------|--|-------|----|------|-------|----|-----|-------|-----|-----|
|                                                |  |  | Total trading assets                |  |       |    |      |       |    |     |       |     |     |
|                                                |  |  | (excluding derivatives)             |  | 823   | 24 | -    | 24    | 28 | (2) | 897   | 5   | (3) |
| Available-for-sale securities:                 |  |  |                                     |  |       |    |      |       |    |     |       |     |     |
|                                                |  |  | Securities of U.S. states and       |  |       |    |      |       |    |     |       |     |     |
|                                                |  |  | political subdivisions              |  | 3,214 | 9  | 2    | (132) | 6  | -   | 3,099 | -   |     |
| Mortgage-backed securities:                    |  |  |                                     |  |       |    |      |       |    |     |       |     |     |
|                                                |  |  | Residential                         |  | 64    | 10 | (3)  | (30)  | -  | -   | 41    | -   |     |
|                                                |  |  | Commercial                          |  | 138   | 1  | 11   | (9)   | -  | -   | 141   | (2) |     |
|                                                |  |  | Total mortgage-backed securities    |  | 202   | 11 | 8    | (39)  | -  | -   | 182   | (2) |     |
| Corporate debt securities                      |  |  |                                     |  | 281   | 4  | 7    | 5     | -  | -   | 297   | -   |     |
| Collateralized loan and other debt obligations |  |  |                                     |  | 1,420 | 43 | (13) | (30)  | -  | -   | 1,420 | -   |     |
| Asset-backed securities:                       |  |  |                                     |  |       |    |      |       |    |     |       |     |     |
|                                                |  |  | Auto loans and leases               |  | 492   | -  | (3)  | (215) | -  | -   | 274   | -   |     |
|                                                |  |  | Home equity loans                   |  | -     | -  | -    | -     | -  | -   | -     | -   |     |
|                                                |  |  | Other asset-backed securities       |  | 1,657 | 1  | (4)  | (463) | 89 | -   | 1,280 | -   |     |
|                                                |  |  | Total asset-backed securities       |  | 2,149 | 1  | (7)  | (678) | 89 | -   | 1,554 | -   |     |
|                                                |  |  | Total debt securities               |  | 7,266 | 68 | (3)  | (874) | 95 | -   | 6,552 | (2) | (4) |
| Marketable equity securities:                  |  |  |                                     |  |       |    |      |       |    |     |       |     |     |
|                                                |  |  | Perpetual preferred securities      |  | 729   | 3  | (4)  | (20)  | -  | -   | 708   | -   |     |
|                                                |  |  | Total marketable equity securities  |  | 729   | 3  | (4)  | (20)  | -  | -   | 708   | -   | (5) |
|                                                |  |  | Total available-for-sale securities |  | 7,995 | 71 | (7)  | (894) | 95 | -   | 7,260 | (2) |     |

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|                                                    |  |               |              |          |             |           |             |               |              |            |
|----------------------------------------------------|--|---------------|--------------|----------|-------------|-----------|-------------|---------------|--------------|------------|
| <b>Mortgages held for sale</b>                     |  | <b>2,374</b>  | <b>2</b>     | <b>-</b> | <b>(46)</b> | <b>57</b> | <b>(24)</b> | <b>2,363</b>  | <b>2</b>     | <b>(6)</b> |
| <b>Loans</b>                                       |  | <b>5,723</b>  | <b>2</b>     | <b>-</b> | <b>13</b>   | <b>-</b>  | <b>(49)</b> | <b>5,689</b>  | <b>4</b>     | <b>(6)</b> |
| <b>Mortgage servicing rights (residential) (7)</b> |  | <b>15,580</b> | <b>(916)</b> | <b>-</b> | <b>289</b>  | <b>-</b>  | <b>-</b>    | <b>14,953</b> | <b>(441)</b> | <b>(6)</b> |
| <b>Net derivative assets and liabilities:</b>      |  |               |              |          |             |           |             |               |              |            |
| Interest rate contracts                            |  | (40)          | 362          | -        | (264)       | -         | -           | 58            | 77           |            |
| Commodity contracts                                |  | (10)          | (31)         | -        | 1           | (3)       | -           | (43)          | (39)         |            |
| Equity contracts                                   |  | (46)          | 22           | -        | 39          | 6         | (45)        | (24)          | (36)         |            |
| Foreign exchange contracts                         |  | 9             | 2            | -        | (5)         | -         | -           | 6             | (2)          |            |
| Credit contracts                                   |  | (375)         | 11           | -        | 96          | -         | -           | (268)         | 1            |            |
| Other derivative contracts                         |  | (3)           | (8)          | -        | -           | -         | -           | (11)          | -            |            |
| Total derivative contracts                         |  | (465)         | 358          | -        | (133)       | 3         | (45)        | (282)         | 1            | (8)        |
| <b>Other assets</b>                                |  | <b>1,503</b>  | <b>(63)</b>  | <b>-</b> | <b>600</b>  | <b>-</b>  | <b>-</b>    | <b>2,040</b>  | <b>(4)</b>   | <b>(3)</b> |
| <b>Short sale liabilities</b>                      |  | <b>-</b>      | <b>-</b>     | <b>-</b> | <b>(5)</b>  | <b>-</b>  | <b>-</b>    | <b>(5)</b>    | <b>-</b>     | <b>(3)</b> |
| <b>Other liabilities (excluding derivatives)</b>   |  | <b>(39)</b>   | <b>-</b>     | <b>-</b> | <b>2</b>    | <b>-</b>  | <b>-</b>    | <b>(37)</b>   | <b>-</b>     | <b>(6)</b> |
|                                                    |  |               |              |          |             |           |             |               |              |            |
|                                                    |  |               |              |          |             |           |             |               |              |            |

(1) See next page for detail.

(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.

(4) Included in net gains (losses) from debt securities in the income statement.

(5) Included in net gains (losses) from equity investments in the income statement.

(6) Included in mortgage banking and other noninterest income in the income statement.

(7) For more information on the changes in mortgage servicing rights, see Note 8 (Mortgage Banking Activities).

(8) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

(continued on following page)

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are



The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended March 31, 2014.

|                                                |  |  |  |  |  |           |       |           |             |     |       |       |
|------------------------------------------------|--|--|--|--|--|-----------|-------|-----------|-------------|-----|-------|-------|
|                                                |  |  |  |  |  |           |       |           |             |     |       |       |
|                                                |  |  |  |  |  |           |       |           |             |     |       |       |
|                                                |  |  |  |  |  |           |       |           |             |     |       |       |
| (in millions)                                  |  |  |  |  |  | Purchases | Sales | Issuances | Settlements | Net |       |       |
| Quarter ended March 31, 2014                   |  |  |  |  |  |           |       |           |             |     |       |       |
| Trading assets                                 |  |  |  |  |  |           |       |           |             |     |       |       |
| (excluding derivatives):                       |  |  |  |  |  |           |       |           |             |     |       |       |
| Securities of U.S. states and                  |  |  |  |  |  |           |       |           |             |     |       |       |
| political subdivisions                         |  |  |  |  |  |           | \$    | 5         | (4)         | -   | -     | 1     |
| Collateralized loan and other debt obligations |  |  |  |  |  |           |       | 324       | (270)       | -   | (2)   | 52    |
| Corporate debt securities                      |  |  |  |  |  |           |       | 15        | (6)         | -   | -     | 9     |
| Mortgage-backed securities                     |  |  |  |  |  |           |       | -         | -           | -   | -     | -     |
| Asset-backed securities                        |  |  |  |  |  |           |       | 10        | (38)        | -   | (10)  | (38)  |
| Equity securities                              |  |  |  |  |  |           |       | -         | -           | -   | -     | -     |
| Total trading securities                       |  |  |  |  |  |           |       | 354       | (318)       | -   | (12)  | 24    |
| Other trading assets                           |  |  |  |  |  |           |       | -         | -           | -   | -     | -     |
| Total trading assets                           |  |  |  |  |  |           |       |           |             |     |       |       |
| (excluding derivatives)                        |  |  |  |  |  |           |       | 354       | (318)       | -   | (12)  | 24    |
| Available-for-sale securities:                 |  |  |  |  |  |           |       |           |             |     |       |       |
| Securities of U.S. states and                  |  |  |  |  |  |           |       |           |             |     |       |       |
| political subdivisions                         |  |  |  |  |  |           |       | 73        | (55)        | 11  | (161) | (132) |
| Mortgage-backed securities:                    |  |  |  |  |  |           |       |           |             |     |       |       |
| Residential                                    |  |  |  |  |  |           |       | -         | (28)        | -   | (2)   | (30)  |
| Commercial                                     |  |  |  |  |  |           |       | -         | (8)         | -   | (1)   | (9)   |
| Total mortgage-backed                          |  |  |  |  |  |           |       |           |             |     |       |       |
| securities                                     |  |  |  |  |  |           |       | -         | (36)        | -   | (3)   | (39)  |
| Corporate debt securities                      |  |  |  |  |  |           |       | -         | (1)         | 11  | (5)   | 5     |
| Collateralized loan and other debt obligations |  |  |  |  |  |           |       | 124       | (32)        | -   | (122) | (30)  |
| Asset-backed securities:                       |  |  |  |  |  |           |       |           |             |     |       |       |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|  |  |                                                  |  |     |       |     |         |       |
|--|--|--------------------------------------------------|--|-----|-------|-----|---------|-------|
|  |  | <b>Auto loans and leases</b>                     |  | -   | -     | -   | (215)   | (215) |
|  |  | <b>Home equity loans</b>                         |  | -   | -     | -   | -       | -     |
|  |  | <b>Other asset-backed securities</b>             |  | 12  | (12)  | 64  | (527)   | (463) |
|  |  | <b>Total asset-backed securities</b>             |  | 12  | (12)  | 64  | (742)   | (678) |
|  |  | <b>Total debt securities</b>                     |  | 209 | (136) | 86  | (1,033) | (874) |
|  |  | <b>Marketable equity securities:</b>             |  |     |       |     |         |       |
|  |  | <b>Perpetual preferred securities</b>            |  | -   | -     | -   | (20)    | (20)  |
|  |  | <b>Total marketable</b>                          |  |     |       |     |         |       |
|  |  | <b>equity securities</b>                         |  | -   | -     | -   | (20)    | (20)  |
|  |  | <b>Total available-for-sale</b>                  |  |     |       |     |         |       |
|  |  | <b>securities</b>                                |  | 209 | (136) | 86  | (1,053) | (894) |
|  |  | <b>Mortgages held for sale</b>                   |  | 47  | (21)  | -   | (72)    | (46)  |
|  |  | <b>Loans</b>                                     |  | 1   | -     | 102 | (90)    | 13    |
|  |  | <b>Mortgage servicing rights (residential)</b>   |  | -   | -     | 289 | -       | 289   |
|  |  | <b>Net derivative assets and liabilities:</b>    |  |     |       |     |         |       |
|  |  | <b>Interest rate contracts</b>                   |  | -   | -     | -   | (264)   | (264) |
|  |  | <b>Commodity contracts</b>                       |  | -   | -     | -   | 1       | 1     |
|  |  | <b>Equity contracts</b>                          |  | -   | (58)  | -   | 97      | 39    |
|  |  | <b>Foreign exchange contracts</b>                |  | -   | -     | -   | (5)     | (5)   |
|  |  | <b>Credit contracts</b>                          |  | -   | -     | -   | 96      | 96    |
|  |  | <b>Other derivative contracts</b>                |  | -   | -     | -   | -       | -     |
|  |  | <b>Total derivative contracts</b>                |  | -   | (58)  | -   | (75)    | (133) |
|  |  | <b>Other assets</b>                              |  | 608 | -     | -   | (8)     | 600   |
|  |  | <b>Short sale liabilities</b>                    |  | (5) | -     | -   | -       | (5)   |
|  |  | <b>Other liabilities (excluding derivatives)</b> |  | -   | -     | -   | 2       | 2     |
|  |  |                                                  |  |     |       |     |         |       |
|  |  |                                                  |  |     |       |     |         |       |

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended March 31, 2013, are summarized as follows:

|                                                |    |     |     |   |       |    |       |     | Net         |     |
|------------------------------------------------|----|-----|-----|---|-------|----|-------|-----|-------------|-----|
|                                                |    |     |     |   |       |    |       |     | unrealized  |     |
|                                                |    |     |     |   |       |    |       |     | gains       |     |
|                                                |    |     |     |   |       |    |       |     | (losses)    |     |
|                                                |    |     |     |   |       |    |       |     | included in |     |
|                                                |    |     |     |   |       |    |       |     | income      |     |
|                                                |    |     |     |   |       |    |       |     | related     |     |
|                                                |    |     |     |   |       |    |       |     | to assets   |     |
|                                                |    |     |     |   |       |    |       |     | and         |     |
|                                                |    |     |     |   |       |    |       |     | liabilities |     |
|                                                |    |     |     |   |       |    |       |     | held        |     |
|                                                |    |     |     |   |       |    |       |     | at period   |     |
|                                                |    |     |     |   |       |    |       |     | end         | (2) |
| (in millions)                                  |    |     |     |   |       |    |       |     |             |     |
| Quarter ended March 31, 2013                   |    |     |     |   |       |    |       |     |             |     |
| Trading assets                                 |    |     |     |   |       |    |       |     |             |     |
| (excluding derivatives):                       |    |     |     |   |       |    |       |     |             |     |
| Securities of U.S. states and                  |    |     |     |   |       |    |       |     |             |     |
| political subdivisions                         | \$ | 46  | 3   | - | (13)  | -  | -     | 36  | 1           |     |
| Collateralized loan and other debt obligations |    | 742 | 39  | - | (74)  | -  | (202) | 505 | 4           |     |
| Corporate debt securities                      |    | 52  | 2   | - | (25)  | -  | -     | 29  | 2           |     |
| Mortgage-backed securities                     |    | 6   | -   | - | (1)   | -  | -     | 5   | -           |     |
| Asset-backed securities                        |    | 138 | 5   | - | (25)  | 25 | -     | 143 | -           |     |
| Equity securities                              |    | 3   | -   | - | (3)   | -  | -     | -   | -           |     |
| Total trading securities                       |    | 987 | 49  | - | (141) | 25 | (202) | 718 | 7           |     |
|                                                |    | 76  | (6) | - | -     | -  | -     | 70  | (2)         |     |

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|                                                      |     |     |       |    |          |        |     |     |  |  |  |
|------------------------------------------------------|-----|-----|-------|----|----------|--------|-----|-----|--|--|--|
| Other trading assets                                 |     |     |       |    |          |        |     |     |  |  |  |
| Total trading assets                                 |     |     |       |    |          |        |     |     |  |  |  |
| (excluding derivatives)                              |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 1,063                                                | 43  | -   | (141) | 25 | (202)    | 788    | 5   | (3) |  |  |  |
| Available-for-sale securities:                       |     |     |       |    |          |        |     |     |  |  |  |
| Securities of U.S. states and political subdivisions |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 3,631                                                | 2   | (9) | (95)  | -  | -        | 3,529  | -   |     |  |  |  |
| Mortgage-backed securities:                          |     |     |       |    |          |        |     |     |  |  |  |
| Residential                                          |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 94                                                   | (4) | 6   | -     | -  | (1)      | 95     | -   |     |  |  |  |
| Commercial                                           |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 203                                                  | (3) | 8   | (5)   | -  | (11)     | 192    | (1) |     |  |  |  |
| Total mortgage-backed securities                     |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 297                                                  | (7) | 14  | (5)   | -  | (12)     | 287    | (1) |     |  |  |  |
| Corporate debt securities                            |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 274                                                  | 2   | 8   | -     | -  | (3)      | 281    | -   |     |  |  |  |
| Collateralized loan and other debt obligations       |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 13,188                                               | (1) | 69  | 295   | -  | (10,613) | 2,938  | -   |     |  |  |  |
| Asset-backed securities:                             |     |     |       |    |          |        |     |     |  |  |  |
| Auto loans and leases                                |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 5,921                                                | -   | 9   | (226) | -  | -        | 5,704  | -   |     |  |  |  |
| Home equity loans                                    |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 51                                                   | 3   | (1) | (5)   | -  | (48)     | -      | -   |     |  |  |  |
| Other asset-backed securities                        |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 3,283                                                | 28  | (5) | 130   | -  | -        | 3,436  | -   |     |  |  |  |
| Total asset-backed securities                        |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 9,255                                                | 31  | 3   | (101) | -  | (48)     | 9,140  | -   |     |  |  |  |
| Total debt securities                                |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 26,645                                               | 27  | 85  | 94    | -  | (10,676) | 16,175 | (1) | (4) |  |  |  |
| Marketable equity securities:                        |     |     |       |    |          |        |     |     |  |  |  |
| Perpetual preferred securities                       |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 794                                                  | 1   | 21  | (9)   | -  | -        | 807    | -   |     |  |  |  |
| Total marketable equity securities                   |     |     |       |    |          |        |     |     |  |  |  |
|                                                      |     |     |       |    |          |        |     |     |  |  |  |
| 794                                                  | 1   | 21  | (9)   | -  | -        | 807    | -   | (5) |  |  |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are 270

[illegible]

(1) See next page for detail.

(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.

(4) Included in net gains (losses) from debt securities in the income statement.

(5) Included in net gains (losses) from equity investments in the income statement.

(6) Included in mortgage banking and other noninterest income in the income statement.

(7) For more information on the changes in mortgage servicing rights, see Note 8 (Mortgage Banking Activities).

(8) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

*(continued on following page)*

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All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|  |  |                                           |  |       |       |     |         |       |
|--|--|-------------------------------------------|--|-------|-------|-----|---------|-------|
|  |  | Other asset-backed securities             |  | 511   | (34)  | 302 | (649)   | 130   |
|  |  | Total asset-backed securities             |  | 862   | (39)  | 450 | (1,374) | (101) |
|  |  | Total debt securities                     |  | 1,264 | (121) | 525 | (1,574) | 94    |
|  |  | Marketable equity securities:             |  |       |       |     |         |       |
|  |  | Perpetual preferred securities            |  | -     | -     | -   | (9)     | (9)   |
|  |  | Total marketable                          |  |       |       |     |         |       |
|  |  | equity securities                         |  | -     | -     | -   | (9)     | (9)   |
|  |  | Total available-for-sale                  |  |       |       |     |         |       |
|  |  | securities                                |  | 1,264 | (121) | 525 | (1,583) | 85    |
|  |  | Mortgages held for sale                   |  | 102   | -     | -   | (162)   | (60)  |
|  |  | Loans                                     |  | 1     | -     | 117 | (69)    | 49    |
|  |  | Mortgage servicing rights (residential)   |  | -     | (423) | 935 | -       | 512   |
|  |  | Net derivative assets and liabilities:    |  |       |       |     |         |       |
|  |  | Interest rate contracts                   |  | -     | 1     | -   | (370)   | (369) |
|  |  | Commodity contracts                       |  | 1     | (1)   | -   | (23)    | (23)  |
|  |  | Equity contracts                          |  | 99    | (67)  | -   | (32)    | -     |
|  |  | Foreign exchange contracts                |  | -     | -     | -   | (2)     | (2)   |
|  |  | Credit contracts                          |  | (3)   | 1     | -   | 140     | 138   |
|  |  | Other derivative contracts                |  | -     | -     | -   | -       | -     |
|  |  | Total derivative contracts                |  | 97    | (66)  | -   | (287)   | (256) |
|  |  | Other assets                              |  | 197   | -     | -   | (9)     | 188   |
|  |  | Short sale liabilities                    |  | -     | (8)   | -   | -       | (8)   |
|  |  | Other liabilities (excluding derivatives) |  | -     | -     | (3) | 3       | -     |
|  |  |                                           |  |       |       |     |         |       |
|  |  |                                           |  |       |       |     |         |       |

The following table provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a recurring basis for which we use an internal model.

The significant unobservable inputs for Level 3 assets and liabilities that are valued using fair values obtained from third party vendors are not included in the table, as the specific inputs applied are not provided by the vendor. In addition, the table excludes the valuation techniques and significant unobservable inputs for certain classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 assets and liabilities. We made this determination based upon an evaluation of each class which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs. For information on how changes in significant unobservable inputs affect the fair values of Level 3 assets and liabilities, see Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in our 2013 Form 10-K.

|                                                  |                                                       |                                                   |  |                                |            |       |                        |                           |                          |          |      |             |          |     |
|--------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|--|--------------------------------|------------|-------|------------------------|---------------------------|--------------------------|----------|------|-------------|----------|-----|
|                                                  |                                                       |                                                   |  |                                |            |       |                        |                           |                          |          |      |             |          |     |
|                                                  |                                                       |                                                   |  |                                |            |       |                        |                           |                          |          |      |             |          |     |
|                                                  |                                                       |                                                   |  |                                | Fair Value |       |                        | Significant               |                          | Range of |      |             | Weighted |     |
| (\$ in millions, except cost to service amounts) |                                                       |                                                   |  |                                | Level 3    |       | Valuation Technique(s) | Unobservable Input        | Inputs                   |          |      | Average (1) |          |     |
| March 31, 2014                                   |                                                       |                                                   |  |                                |            |       |                        |                           |                          |          |      |             |          |     |
| Trading and available-for-sale securities:       |                                                       |                                                   |  |                                |            |       |                        |                           |                          |          |      |             |          |     |
|                                                  | Securities of U.S. states and political subdivisions: |                                                   |  |                                |            |       |                        |                           |                          |          |      |             |          |     |
|                                                  |                                                       | Government, healthcare and other revenue bonds    |  |                                |            |       |                        |                           |                          |          |      |             |          |     |
|                                                  |                                                       |                                                   |  |                                | \$ 2,635   |       | Discounted cash flow   | Discount rate             | 0.4                      | -        | 5.9  | %           |          | 1.4 |
|                                                  |                                                       |                                                   |  |                                | 61         |       | Vendor priced          |                           |                          |          |      |             |          |     |
|                                                  |                                                       | Auction rate securities and other municipal bonds |  |                                |            | 443   |                        | Discounted cash flow      | Discount rate            | 0.4      | -    | 10.9        |          | 4.2 |
|                                                  |                                                       |                                                   |  |                                |            |       |                        | Weighted average life     | 2.0                      | -        | 13.0 | yrs         |          | 4.4 |
|                                                  | Collateralized loan and other debt obligations (2)    |                                                   |  |                                |            | 781   |                        | Market comparable pricing | Comparability adjustment | (18.5)   | -    | 19.3        | %        | 1.7 |
|                                                  |                                                       |                                                   |  |                                |            | 1,247 |                        | Vendor priced             |                          |          |      |             |          |     |
| Asset-backed securities:                         |                                                       |                                                   |  |                                |            |       |                        |                           |                          |          |      |             |          |     |
|                                                  |                                                       | Auto loans and leases                             |  |                                |            | 274   |                        | Discounted cash flow      | Discount rate            | 0.6      | -    | 0.6         |          | 0.6 |
|                                                  |                                                       | Other asset-backed securities:                    |  |                                |            |       |                        |                           |                          |          |      |             |          |     |
|                                                  |                                                       |                                                   |  | Diversified payment rights (3) |            | 720   |                        | Discounted cash flow      | Discount rate            | 0.9      | -    | 4.3         |          | 2.7 |
|                                                  |                                                       |                                                   |  | Other commercial and consumer  |            | 584   | (4)                    | Discounted cash flow      | Discount rate            | 0.2      | -    | 21.4        |          | 4.9 |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                          |                                         |             |  |  |  |        |     |                      |                              |        |   |      |     |        |
|------------------------------------------|-----------------------------------------|-------------|--|--|--|--------|-----|----------------------|------------------------------|--------|---|------|-----|--------|
|                                          |                                         |             |  |  |  |        |     |                      | Weighted average life        | 1.0    | - | 12.0 | yrs | 3.9    |
|                                          |                                         |             |  |  |  | 73     |     | Vendor priced        |                              |        |   |      |     |        |
|                                          | Marketable equity securities: perpetual |             |  |  |  |        |     |                      |                              |        |   |      |     |        |
|                                          | preferred                               |             |  |  |  | 708    | (5) | Discounted cash flow | Discount rate                | 4.6    | - | 8.0  | %   | 6.9    |
|                                          |                                         |             |  |  |  |        |     |                      | Weighted average life        | 1.0    | - | 15.0 | yrs | 12.2   |
| Mortgages held for sale (residential)    |                                         |             |  |  |  | 2,363  |     | Discounted cash flow | Default rate                 | 0.4    | - | 12.7 | %   | 2.8    |
|                                          |                                         |             |  |  |  |        |     |                      | Discount rate                | 3.5    | - | 8.3  |     | 5.5    |
|                                          |                                         |             |  |  |  |        |     |                      | Loss severity                | 1.4    | - | 31.9 |     | 21.2   |
|                                          |                                         |             |  |  |  |        |     |                      | Prepayment rate              | 2.0    | - | 11.8 |     | 5.9    |
| Loans                                    |                                         |             |  |  |  | 5,689  | (6) | Discounted cash flow | Discount rate                | 2.7    | - | 3.9  |     | 3.4    |
|                                          |                                         |             |  |  |  |        |     |                      | Prepayment rate              | 0.5    | - | 48.9 |     | 4.7    |
|                                          |                                         |             |  |  |  |        |     |                      | Utilization rate             | 0.0    | - | 2.0  |     | 0.8    |
| Mortgage servicing rights (residential)  |                                         |             |  |  |  | 14,953 |     | Discounted cash flow | Cost to service per loan (7) | \$ 85  | - | 731  |     | 181    |
|                                          |                                         |             |  |  |  |        |     |                      | Discount rate                | 5.5    | - | 11.4 | %   | 7.8    |
|                                          |                                         |             |  |  |  |        |     |                      | Prepayment rate (8)          | 7.8    | - | 20.4 |     | 11.2   |
| Net derivative assets and (liabilities): |                                         |             |  |  |  |        |     |                      |                              |        |   |      |     |        |
|                                          | Interest rate contracts                 |             |  |  |  | 19     |     | Discounted cash flow | Default rate                 | 0.1    | - | 13.9 |     | 5.3    |
|                                          |                                         |             |  |  |  |        |     |                      | Loss severity                | 46.7   | - | 50.0 |     | 50.0   |
|                                          |                                         |             |  |  |  |        |     |                      | Prepayment rate              | 7.3    | - | 15.6 |     | 15.5   |
| Interest rate contracts: derivative loan |                                         |             |  |  |  |        |     |                      |                              |        |   |      |     |        |
|                                          |                                         | commitments |  |  |  | 39     |     | Discounted cash flow | Fall-out factor              | 1.0    | - | 99.0 |     | 23.3   |
|                                          |                                         |             |  |  |  |        |     |                      | Initial-value servicing      | (35.7) | - | 98.3 | bps | 40.4   |
|                                          | Equity contracts                        |             |  |  |  | 282    |     | Discounted cash flow | Conversion factor            | (18.7) | - | 0.0  | %   | (14.3) |
|                                          |                                         |             |  |  |  |        |     |                      | Weighted average life        | 1.0    | - | 3.0  | yrs | 1.7    |
|                                          |                                         |             |  |  |  | (306)  |     | Option model         | Correlation factor           | (5.3)  | - | 90.0 | %   | 72.8   |
|                                          |                                         |             |  |  |  |        |     |                      | Volatility factor            | 8.1    | - | 69.5 |     | 24.0   |

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|  |                                                      |           |                           |                          |        |   |       |        |
|--|------------------------------------------------------|-----------|---------------------------|--------------------------|--------|---|-------|--------|
|  | Credit contracts                                     | (271)     | Market comparable pricing | Comparability adjustment | (33.8) | - | 30.7  | 1.1    |
|  |                                                      | 3         | Option model              | Credit spread            | 0.0    | - | 11.8  | 0.7    |
|  |                                                      |           |                           | Loss severity            | 10.5   | - | 72.5  | 47.0   |
|  |                                                      |           |                           |                          |        |   |       |        |
|  | Other assets:<br>nonmarketable equity<br>investments | 1,933     | Market comparable pricing | Comparability adjustment | (30.2) | - | (7.8) | (21.9) |
|  |                                                      |           |                           |                          |        |   |       |        |
|  | Insignificant Level 3<br>assets,                     |           |                           |                          |        |   |       |        |
|  | net of liabilities                                   | 648       | (9)                       |                          |        |   |       |        |
|  | Total level 3<br>assets, net of<br>liabilities       | \$ 32,878 | (10)                      |                          |        |   |       |        |
|  |                                                      |           |                           |                          |        |   |       |        |

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments such as loans and securities, and notional amounts for derivative instruments.

(2) Includes \$657 million of collateralized debt obligations.

(3) Securities backed by specified sources of current and future receivables generated from foreign originators.

(4) Consists primarily of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.

(5) Consists of auction rate preferred equity securities with no maturity date that are callable by the issuer.

(6) Consists predominantly of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions.

(7) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is \$85 - \$274.

(8) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.

(9) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, other marketable equity securities, other liabilities and certain net derivative assets and liabilities, such as commodity contracts, foreign exchange contracts and other derivative contracts.

(10) Consists of total Level 3 assets of \$36.0 billion and total Level 3 liabilities of \$3.1 billion, before netting of derivative balances.



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

|                                                  |                                                   |                                             |                               |  |            |       |     |                           |                          |          |   |      |     |             |
|--------------------------------------------------|---------------------------------------------------|---------------------------------------------|-------------------------------|--|------------|-------|-----|---------------------------|--------------------------|----------|---|------|-----|-------------|
|                                                  |                                                   |                                             |                               |  |            |       |     |                           |                          |          |   |      |     |             |
|                                                  |                                                   |                                             |                               |  |            |       |     |                           |                          |          |   |      |     |             |
|                                                  |                                                   |                                             |                               |  | Fair Value |       |     |                           | Significant              | Range of |   |      |     | Weighted    |
| (\$ in millions, except cost to service amounts) |                                                   |                                             |                               |  | Level 3    |       |     | Valuation Technique(s)    | Unobservable Input       | Inputs   |   |      |     | Average (1) |
| December 31, 2013                                |                                                   |                                             |                               |  |            |       |     |                           |                          |          |   |      |     |             |
| Trading and available-for-sale securities:       |                                                   |                                             |                               |  |            |       |     |                           |                          |          |   |      |     |             |
|                                                  | Securities of U.S. states and                     |                                             |                               |  |            |       |     |                           |                          |          |   |      |     |             |
|                                                  | political subdivisions:                           |                                             |                               |  |            |       |     |                           |                          |          |   |      |     |             |
|                                                  |                                                   | Government, healthcare and                  |                               |  |            |       |     |                           |                          |          |   |      |     |             |
|                                                  |                                                   |                                             | other revenue bonds           |  | \$         | 2,739 |     | Discounted cash flow      | Discount rate            | 0.4      | - | 6.4  | %   | 1.4         |
|                                                  |                                                   |                                             |                               |  |            | 63    |     | Vendor priced             |                          |          |   |      |     |             |
|                                                  |                                                   | Auction rate securities and other municipal |                               |  |            |       |     |                           |                          |          |   |      |     |             |
|                                                  |                                                   | bonds                                       |                               |  |            | 451   |     | Discounted cash flow      | Discount rate            | 0.4      | - | 12.3 |     | 4.6         |
|                                                  |                                                   |                                             |                               |  |            |       |     |                           | Weighted average life    | 1.4      | - | 13.0 | yrs | 4.4         |
|                                                  | Collateralized loan and other debt obligations(2) |                                             |                               |  |            | 612   |     | Market comparable pricing | Comparability adjustment | (12.0)   | - | 23.3 | %   | 8.5         |
|                                                  |                                                   |                                             |                               |  |            | 1,349 |     | Vendor priced             |                          |          |   |      |     |             |
|                                                  | Asset-backed securities:                          |                                             |                               |  |            |       |     |                           |                          |          |   |      |     |             |
|                                                  |                                                   | Auto loans and leases                       |                               |  |            | 492   |     | Discounted cash flow      | Discount rate            | 0.6      | - | 0.9  |     | 0.8         |
|                                                  |                                                   |                                             |                               |  |            |       |     |                           | Weighted average life    | 1.4      | - | 1.6  | yrs | 1.5         |
|                                                  | Other asset-backed securities:                    |                                             |                               |  |            |       |     |                           |                          |          |   |      |     |             |
|                                                  |                                                   |                                             | Diversified payment rights(3) |  |            | 757   |     | Discounted cash flow      | Discount rate            | 1.4      | - | 4.7  | %   | 3.0         |
|                                                  |                                                   |                                             |                               |  |            | 944   | (4) |                           | Discount rate            | 0.6      | - | 21.2 |     | 4.0         |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|  |  |  |                                          |  |        |     |                      |                              |        |   |      |     |        |
|--|--|--|------------------------------------------|--|--------|-----|----------------------|------------------------------|--------|---|------|-----|--------|
|  |  |  | Other commercial and consumer            |  |        |     | Discounted cash flow |                              |        |   |      |     |        |
|  |  |  |                                          |  |        |     |                      | Weighted average life        | 0.6    | - | 7.6  | yrs | 2.2    |
|  |  |  |                                          |  | 78     |     | Vendor priced        |                              |        |   |      |     |        |
|  |  |  | Marketable equity securities: perpetual  |  |        |     |                      |                              |        |   |      |     |        |
|  |  |  | preferred                                |  | 729    | (5) | Discounted cash flow | Discount rate                | 4.8    | - | 8.3  | %   | 7.4    |
|  |  |  |                                          |  |        |     |                      | Weighted average life        | 1.0    | - | 15.0 | yrs | 12.2   |
|  |  |  | Mortgages held for sale (residential)    |  | 2,374  |     | Discounted cash flow | Default rate                 | 0.6    | - | 12.4 | %   | 2.8    |
|  |  |  |                                          |  |        |     |                      | Discount rate                | 3.8    | - | 7.9  |     | 5.5    |
|  |  |  |                                          |  |        |     |                      | Loss severity                | 1.3    | - | 32.5 |     | 21.5   |
|  |  |  |                                          |  |        |     |                      | Prepayment rate              | 2.0    | - | 9.9  |     | 5.4    |
|  |  |  | Loans                                    |  | 5,723  | (6) | Discounted cash flow | Discount rate                | 2.4    | - | 3.9  |     | 3.3    |
|  |  |  |                                          |  |        |     |                      | Prepayment rate              | 3.3    | - | 37.8 |     | 12.2   |
|  |  |  |                                          |  |        |     |                      | Utilization rate             | 0.0    | - | 2.0  |     | 0.8    |
|  |  |  | Mortgage servicing rights (residential)  |  | 15,580 |     | Discounted cash flow | Cost to service per loan (7) | \$ 86  | - | 773  |     | 191    |
|  |  |  |                                          |  |        |     |                      | Discount rate                | 5.4    | - | 11.2 | %   | 7.8    |
|  |  |  |                                          |  |        |     |                      | Prepayment rate (8)          | 7.5    | - | 19.4 |     | 10.7   |
|  |  |  | Net derivative assets and (liabilities): |  |        |     |                      |                              |        |   |      |     |        |
|  |  |  | Interest rate contracts                  |  | (14)   |     | Discounted cash flow | Default rate                 | 0.0    | - | 16.5 |     | 5.0    |
|  |  |  |                                          |  |        |     |                      | Loss severity                | 44.9   | - | 50.0 |     | 50.0   |
|  |  |  |                                          |  |        |     |                      | Prepayment rate              | 11.1   | - | 15.6 |     | 15.6   |
|  |  |  | Interest rate contracts: derivative loan |  |        |     |                      |                              |        |   |      |     |        |
|  |  |  | commitments                              |  | (26)   |     | Discounted cash flow | Fall-out factor              | 1.0    | - | 99.0 |     | 21.8   |
|  |  |  |                                          |  |        |     |                      | Initial-value servicing      | (21.5) | - | 81.6 | bps | 32.6   |
|  |  |  | Equity contracts                         |  | 199    |     | Discounted cash flow | Conversion factor            | (18.4) | - | 0.0  | %   | (14.1) |
|  |  |  |                                          |  |        |     |                      | Weighted average life        | 0.3    | - | 3.3  | yrs | 1.8    |
|  |  |  |                                          |  | (245)  |     | Option model         | Correlation factor           | (5.3)  | - | 87.6 | %   | 72.2   |
|  |  |  |                                          |  |        |     |                      | Volatility factor            | 6.8    | - | 81.2 |     | 25.4   |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are 260



|  |                                                |           |                           |                          |        |   |       |        |
|--|------------------------------------------------|-----------|---------------------------|--------------------------|--------|---|-------|--------|
|  | Credit contracts                               | (378)     | Market comparable pricing | Comparability adjustment | (31.3) | - | 30.4  | (0.1)  |
|  |                                                | 3         | Option model              | Credit spread            | 0.0    | - | 12.2  | 0.7    |
|  |                                                |           |                           | Loss severity            | 10.5   | - | 72.5  | 47.4   |
|  |                                                |           |                           |                          |        |   |       |        |
|  | Other assets: nonmarketable equity investments | 1,386     | Market comparable pricing | Comparability adjustment | (30.6) | - | (5.4) | (21.9) |
|  |                                                |           |                           |                          |        |   |       |        |
|  | Insignificant Level 3 assets,                  |           |                           |                          |        |   |       |        |
|  | net of liabilities                             | 678       | (9)                       |                          |        |   |       |        |
|  | Total level 3 assets, net of liabilities       | \$ 33,494 | (10)                      |                          |        |   |       |        |
|  |                                                |           |                           |                          |        |   |       |        |

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments such as loans and securities, and notional amounts for derivative instruments.

(2) Includes \$695 million of collateralized debt obligations.

(3) Securities backed by specified sources of current and future receivables generated from foreign originators.

(4) Consists primarily of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.

(5) Consists of auction rate preferred equity securities with no maturity date that are callable by the issuer.

(6) Consists predominantly of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions.

(7) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is \$86 - \$302.

(8) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.

(9) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, asset-backed securities backed by home equity loans, other marketable equity securities, other assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts, foreign exchange contracts and other derivative contracts.

(10) Consists of total Level 3 assets of \$37.2 billion and total Level 3 liabilities of \$3.7 billion, before netting of derivative balances.



The valuation techniques used for our Level 3 assets and liabilities, as presented in the previous table, are described as follows:

- Discounted cash flow - Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument and then discounting those cash flows at a rate of return that results in the fair value amount.
- Option model - Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.
- Market comparable pricing - Market comparable pricing valuation techniques are used to determine the fair value of certain instruments by incorporating known inputs such as recent transaction prices, pending transactions, or prices of other similar investments which require significant adjustment to reflect differences in instrument characteristics.
- Vendor-priced – Prices obtained from third party pricing vendors or brokers that are used to record the fair value of the asset or liability, of which the related valuation technique and significant unobservable inputs are not provided.

Significant unobservable inputs presented in the previous table are those we consider significant to the fair value of the Level 3 asset or liability. We consider unobservable inputs to be significant, if by their exclusion, the fair value of the Level 3 asset or liability would be impacted by a predetermined percentage change or based on qualitative factors such as nature of the instrument, type of valuation technique used, and the significance of the unobservable inputs relative to other inputs used within the valuation. Following is a description of the significant unobservable inputs provided in the table.

- Comparability adjustment – is an adjustment made to observed market data such as a transaction price in order to reflect dissimilarities in underlying collateral, issuer, rating, or other factors used within a market valuation approach, expressed as a percentage of an observed price.
- Conversion Factor – is the risk-adjusted rate in which a particular instrument may be exchanged for another instrument upon settlement, expressed as a percentage change from a specified rate.
- Correlation factor - is the likelihood of one instrument changing in price relative to another based on an established relationship expressed as a percentage of relative change in price over a period over time.
- Cost to service - is the expected cost per loan of servicing a portfolio of loans which includes estimates for unreimbursed expenses (including delinquency and foreclosure costs) that may occur as a result of servicing such loan portfolios.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

- Credit spread – is the portion of the interest rate in excess of a benchmark interest rate, such as OIS, LIBOR or U.S. Treasury rates, that when applied to an investment captures changes in the obligor's creditworthiness.
- Default rate – is an estimate of the likelihood of not collecting contractual amounts owed expressed as a constant default rate (CDR).
- Discount rate – is a rate of return used to present value the future expected cash flow to arrive at the fair value of an instrument. The discount rate consists of a benchmark rate component and a risk premium component. The benchmark rate component, for example, OIS, LIBOR or U.S. Treasury rates, is generally observable within the market and is necessary to appropriately reflect the time value of money. The risk premium component reflects the amount of compensation market participants require due to the uncertainty inherent in the instruments' cash flows resulting from risks such as credit and liquidity.
- Fall-out factor - is the expected percentage of loans associated with our interest rate lock commitment portfolio that are likely of not funding.
- Initial-value servicing - is the estimated value of the underlying loan, including the value attributable to the embedded servicing right, expressed in basis points of outstanding unpaid principal balance.
- Loss severity – is the percentage of contractual cash flows lost in the event of a default.
- Prepayment rate – is the estimated rate at which forecasted prepayments of principal of the related loan or debt instrument are expected to occur, expressed as a constant prepayment rate (CPR).
- Utilization rate – is the estimated rate in which incremental portions of existing reverse mortgage credit lines are expected to be drawn by borrowers, expressed as an annualized rate.
- Volatility factor – is the extent of change in price an item is estimated to fluctuate over a specified period of time expressed as a percentage of relative change in price over a period over time.
- Weighted average life – is the weighted average number of years an investment is expected to remain outstanding, based on its expected cash flows reflecting the estimated date the issuer will call or extend the maturity of the instrument or otherwise reflecting an estimate of the timing of an instrument's cash flows whose timing is not contractually fixed.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                 |              |             |       |  |  |  |                         |       |  |         |
|---------------------------------|--------------|-------------|-------|--|--|--|-------------------------|-------|--|---------|
|                                 |              |             |       |  |  |  |                         |       |  |         |
|                                 |              |             |       |  |  |  | Quarter ended March 31, |       |  |         |
| (in millions)                   |              |             |       |  |  |  |                         | 2014  |  | 2013    |
| Mortgages held for sale (LOCOM) |              |             |       |  |  |  | \$                      | 46    |  | 39      |
| Loans:                          |              |             |       |  |  |  |                         |       |  |         |
|                                 | Commercial   |             |       |  |  |  |                         | (36)  |  | (91)    |
|                                 | Consumer (1) |             |       |  |  |  |                         | (468) |  | (907)   |
|                                 |              | Total loans |       |  |  |  |                         | (504) |  | (998)   |
| Other assets (2)                |              |             |       |  |  |  |                         | (113) |  | (79)    |
|                                 |              |             | Total |  |  |  | \$                      | (571) |  | (1,038) |
|                                 |              |             |       |  |  |  |                         |       |  |         |

(1) Represents write-downs of loans based on the appraised value of the collateral.

(2) Includes the losses on foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets. Also includes impairment losses on nonmarketable equity investments.

The table below provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a nonrecurring basis for which we use an internal model.

We have excluded from the table classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 nonrecurring measurements. We made this determination based upon an evaluation of each class which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

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All internal valuation models are subject to ongoing review by business-unit-level management, and all models are





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

The following table summarizes our investments in various types of funds for which we use net asset values (NAVs) per share as a practical expedient to measure fair value on recurring and nonrecurring bases. The investments are included in trading assets, available-for-sale securities, and other assets. The table excludes those investments that are probable of being sold at an amount different from the funds' NAVs.

|                                    |  |  |  |  |  |    |       |             |                            | Redemption   |
|------------------------------------|--|--|--|--|--|----|-------|-------------|----------------------------|--------------|
|                                    |  |  |  |  |  |    | Fair  | Unfunded    | Redemption                 | notice       |
| (in millions)                      |  |  |  |  |  |    | value | commitments | frequency                  | period       |
| <b>March 31, 2014</b>              |  |  |  |  |  |    |       |             |                            |              |
| <b>Offshore funds</b>              |  |  |  |  |  | \$ | 256   | -           | Daily - Quarterly          | 1 - 180 days |
| <b>Hedge funds</b>                 |  |  |  |  |  |    | 1     | -           | Monthly - Semi<br>Annually | 5 - 95 days  |
| <b>Private equity funds (1)(2)</b> |  |  |  |  |  |    | 1,496 | 293         | N/A                        | N/A          |
| <b>Venture capital funds (2)</b>   |  |  |  |  |  |    | 73    | 13          | N/A                        | N/A          |
| <b>Total (3)</b>                   |  |  |  |  |  | \$ | 1,826 | 306         |                            |              |
| <b>December 31, 2013</b>           |  |  |  |  |  |    |       |             |                            |              |
| <b>Offshore funds</b>              |  |  |  |  |  | \$ | 308   | -           | Daily - Quarterly          | 1 - 180 days |
| <b>Hedge funds</b>                 |  |  |  |  |  |    | 2     | -           | Monthly - Semi<br>Annually | 5 - 95 days  |
| <b>Private equity funds (1)(2)</b> |  |  |  |  |  |    | 1,496 | 316         | N/A                        | N/A          |
| <b>Venture capital funds (2)</b>   |  |  |  |  |  |    | 63    | 14          | N/A                        | N/A          |
| <b>Total (3)</b>                   |  |  |  |  |  | \$ | 1,869 | 330         |                            |              |

N/A - Not applicable

(1) Excludes a private equity fund investment of \$475 million and \$505 million at March 31, 2014, and December 31, 2013, respectively, for which we recorded nonrecurring fair value adjustments during the periods then ended. This investment is probable of being sold for an amount different from the fund's NAV; therefore, the investment's fair value has been estimated using recent transaction information. This investment is subject to the Volcker Rule, which includes provisions that restrict banking entities from owning interests in certain types of funds.

(2) Includes certain investments subject to the Volcker Rule that we may have to divest.

(3) March 31, 2014, and December 31, 2013, include \$1.5 billion of fair value for nonmarketable equity investments carried at cost for which we use NAVs as a practical expedient to determine nonrecurring fair value adjustments. The fair values of investments that had nonrecurring fair value adjustments were \$75 million and \$88 million at March 31, 2014, and December 31, 2013, respectively.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

Offshore funds primarily invest in foreign mutual funds. Redemption restrictions are in place for these investments with a fair value of \$105 million and \$144 million at March 31, 2014 and December 31, 2013, respectively, due to lock-up provisions that will remain in effect until October 2015.

Private equity funds invest in equity and debt securities issued by private and publicly-held companies in connection with leveraged buyouts, recapitalizations and expansion opportunities. Substantially all of these investments do not allow redemptions. Alternatively, we receive distributions as the underlying assets of the funds liquidate, which we expect to occur over the next 6 years.

Venture capital funds invest in domestic and foreign companies in a variety of industries, including information technology, financial services and healthcare. These investments can never be redeemed with the funds. Instead, we receive distributions as the underlying assets of the fund liquidate, which we expect to occur over the next 5 years.

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## Fair Value Option

We elect the fair value option to account for certain financial instruments. For more information, including the basis for the elections, see Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in our 2013 Form 10-K.

The following table reflects differences between the fair value carrying amount of certain assets and liabilities for which we have elected the fair value option and the contractual aggregate unpaid principal amount at maturity.

[illegible]

(1) The difference between fair value carrying amount and aggregate unpaid principal includes changes in fair value recorded at and subsequent to funding, gains and losses on the related loan commitment prior to funding, and premiums on acquired loans.

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

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

(3) Represents collateralized, non-recourse debt securities issued by certain of our consolidated securitization VIEs that are held by third party investors. To the extent cash flows from the underlying collateral are not sufficient to pay the unpaid principal amount of the debt, those third party investors absorb losses.

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

The assets and liabilities accounted for under the fair value option are initially measured at fair value. Gains and losses from initial measurement and subsequent changes in fair value are recognized in earnings. The changes in fair value related to initial measurement and subsequent changes in fair value included in earnings for these assets and liabilities measured at fair value are shown below by income statement line item.

|                                | <b>2014</b>        |                   |                    |  | <b>2013</b>        |                   |                    |  |
|--------------------------------|--------------------|-------------------|--------------------|--|--------------------|-------------------|--------------------|--|
|                                |                    | <b>Net gains</b>  |                    |  |                    | <b>Net gains</b>  |                    |  |
|                                | <b>Mortgage</b>    | <b>(losses)</b>   |                    |  | <b>Mortgage</b>    | <b>(losses)</b>   |                    |  |
|                                | <b>banking</b>     | <b>from</b>       | <b>Other</b>       |  | <b>banking</b>     | <b>from</b>       | <b>Other</b>       |  |
|                                | <b>noninterest</b> | <b>trading</b>    | <b>noninterest</b> |  | <b>noninterest</b> | <b>trading</b>    | <b>noninterest</b> |  |
| (in millions)                  | <b>income</b>      | <b>activities</b> | <b>income</b>      |  | <b>income</b>      | <b>activities</b> | <b>income</b>      |  |
| <b>Quarter ended March 31,</b> |                    |                   |                    |  |                    |                   |                    |  |
| Mortgages held for sale        | \$ 506             | -                 | -                  |  | 973                | -                 | -                  |  |
| Loans held for sale            | -                  | -                 | -                  |  | -                  | -                 | -                  |  |
| Loans                          | -                  | -                 | -                  |  | -                  | -                 | (47)               |  |
| Other assets                   | -                  | -                 | (61)               |  | -                  | -                 | 14                 |  |
| Other interests held           | -                  | (1)               | (1)                |  | -                  | (7)               | 6                  |  |
|                                |                    |                   |                    |  |                    |                   |                    |  |
|                                |                    |                   |                    |  |                    |                   |                    |  |

For performing loans, instrument-specific credit risk gains or losses were derived principally by determining the change in fair value of the loans due to changes in the observable or implied credit spread. Credit spread is the market yield on the loans less the relevant risk-free benchmark interest rate. For nonperforming loans, we attribute all changes in fair value to instrument-specific credit risk. The following table shows the estimated gains and losses from earnings attributable to instrument-specific credit risk related to assets accounted for under the fair value option.

|                                  |    |  | <b>Quarter ended March 31,</b> |             |
|----------------------------------|----|--|--------------------------------|-------------|
| (in millions)                    |    |  | <b>2014</b>                    | <b>2013</b> |
| Gains (losses) attributable to   |    |  |                                |             |
| instrument-specific credit risk: |    |  |                                |             |
| Mortgages held for sale          | \$ |  | <b>10</b>                      | 37          |
| Total                            | \$ |  | <b>10</b>                      | 37          |
|                                  |    |  |                                |             |



**Disclosures about Fair Value of Financial Instruments**

The table below is a summary of fair value estimates for financial instruments, excluding financial instruments recorded at fair value on a recurring basis as they are included within the Assets and Liabilities Recorded at Fair Value on a Recurring Basis table included earlier in this Note. The carrying amounts in the following table are recorded on the balance sheet under the indicated captions.

We have not included assets and liabilities that are not financial instruments in our disclosure, such as the value of the long-term relationships with our deposit, credit card and trust customers, amortized MSRs, premises and equipment, goodwill and other intangibles, deferred taxes and other liabilities. The total of the fair value calculations presented does not represent, and should not be construed to represent, the underlying value of the Company.

|                       |                                                       |                                                 |                 |         |                      |         |           |  |  |  |  |  |  |
|-----------------------|-------------------------------------------------------|-------------------------------------------------|-----------------|---------|----------------------|---------|-----------|--|--|--|--|--|--|
|                       |                                                       |                                                 |                 |         |                      |         |           |  |  |  |  |  |  |
|                       |                                                       |                                                 |                 |         |                      |         |           |  |  |  |  |  |  |
|                       |                                                       |                                                 |                 |         | Estimated fair value |         |           |  |  |  |  |  |  |
| (in millions)         |                                                       |                                                 | Carrying amount | Level 1 | Level 2              | Level 3 | Total     |  |  |  |  |  |  |
| March 31, 2014        |                                                       |                                                 |                 |         |                      |         |           |  |  |  |  |  |  |
|                       |                                                       |                                                 |                 |         |                      |         |           |  |  |  |  |  |  |
| Financial assets      |                                                       |                                                 |                 |         |                      |         |           |  |  |  |  |  |  |
|                       | Cash and due from banks (1)                           |                                                 | \$ 19,731       | 19,731  | -                    | -       | 19,731    |  |  |  |  |  |  |
|                       | Federal funds sold, securities purchased under resale |                                                 |                 |         |                      |         |           |  |  |  |  |  |  |
|                       |                                                       | agreements and other short-term investments (1) | 222,781         | 6,107   | 216,674              | -       | 222,781   |  |  |  |  |  |  |
|                       | Held-to-maturity securities                           |                                                 | 17,662          | 5,835   | 6,168                | 5,618   | 17,621    |  |  |  |  |  |  |
|                       | Mortgages held for sale (2)                           |                                                 | 3,239           | -       | 2,371                | 870     | 3,241     |  |  |  |  |  |  |
|                       | Loans held for sale (2)                               |                                                 | 90              | -       | 94                   | -       | 94        |  |  |  |  |  |  |
|                       | Loans, net (3)                                        |                                                 | 795,108         | -       | 59,778               | 742,113 | 801,891   |  |  |  |  |  |  |
|                       | Nonmarketable equity investments (cost method)        |                                                 | 7,080           | -       | -                    | 8,515   | 8,515     |  |  |  |  |  |  |
| Financial liabilities |                                                       |                                                 |                 |         |                      |         |           |  |  |  |  |  |  |
|                       | Deposits                                              |                                                 | 1,094,576       | -       | 1,054,884            | 39,951  | 1,094,835 |  |  |  |  |  |  |
|                       | Short-term borrowings (1)                             |                                                 | 57,061          | -       | 57,061               | -       | 57,061    |  |  |  |  |  |  |
|                       | Long-term debt (4)                                    |                                                 | 153,412         | -       | 146,732              | 10,338  | 157,070   |  |  |  |  |  |  |
| December 31, 2013     |                                                       |                                                 |                 |         |                      |         |           |  |  |  |  |  |  |
|                       |                                                       |                                                 |                 |         |                      |         |           |  |  |  |  |  |  |
| Financial assets      |                                                       |                                                 |                 |         |                      |         |           |  |  |  |  |  |  |
|                       | Cash and due from banks (1)                           |                                                 | \$ 19,919       | 19,919  | -                    | -       | 19,919    |  |  |  |  |  |  |
|                       |                                                       |                                                 |                 |         |                      |         |           |  |  |  |  |  |  |

|  |                                                       |           |       |           |         |           |  |  |  |
|--|-------------------------------------------------------|-----------|-------|-----------|---------|-----------|--|--|--|
|  | Federal funds sold, securities purchased under resale |           |       |           |         |           |  |  |  |
|  | agreements and other short-term investments (1)       | 213,793   | 5,160 | 208,633   | -       | 213,793   |  |  |  |
|  | Held-to-maturity securities                           | 12,346    | -     | 6,205     | 6,042   | 12,247    |  |  |  |
|  | Mortgages held for sale (2)                           | 2,884     | -     | 2,009     | 893     | 2,902     |  |  |  |
|  | Loans held for sale (2)                               | 132       | -     | 136       | -       | 136       |  |  |  |
|  | Loans, net (3)                                        | 789,850   | -     | 58,350    | 736,551 | 794,901   |  |  |  |
|  | Nonmarketable equity investments (cost method)        | 6,978     | -     | -         | 8,635   | 8,635     |  |  |  |
|  | Financial liabilities                                 |           |       |           |         |           |  |  |  |
|  | Deposits                                              | 1,079,177 | -     | 1,037,448 | 42,079  | 1,079,527 |  |  |  |
|  | Short-term borrowings (1)                             | 53,883    | -     | 53,883    | -       | 53,883    |  |  |  |
|  | Long-term debt (4)                                    | 152,987   | -     | 144,984   | 10,879  | 155,863   |  |  |  |
|  |                                                       |           |       |           |         |           |  |  |  |

(1) Amounts consist of financial instruments in which carrying value approximates fair value.

(2) Balance reflects MHFS and LHFS, as applicable, other than those MHFS and LHFS for which election of the fair value option was made.

(3) Loans exclude balances for which the fair value option was elected and also exclude lease financing with a carrying amount of \$11.8 billion and \$12.0 billion at March 31, 2014 and December 31, 2013, respectively.

(4) The carrying amount and fair value exclude balances for which the fair value option was elected and obligations under capital leases of \$10 million and \$11 million at March 31, 2014 and December 31, 2013, respectively.

Loan commitments, standby letters of credit and commercial and similar letters of credit are not included in the table above. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related allowance. This amounted to \$840 million and \$597 million at March 31, 2014 and December 31, 2013, respectively.



### Note 14: Preferred Stock

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We are authorized to issue 20 million shares of preferred stock and 4 million shares of preference stock, both without par value. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. We have not issued any preference shares under this authorization. If issued, preference shares would be limited to one vote per share. Our total authorized, issued and outstanding preferred stock is presented in the following two tables. The Employee Stock Ownership Plan (ESOP) Cumulative Convertible Preferred Stock is presented in the two tables below and in the table on the following page.

|                                                                          |  |  |  |  |  |  |                |                   |           |                   |                   |         |           |  |  |  |
|--------------------------------------------------------------------------|--|--|--|--|--|--|----------------|-------------------|-----------|-------------------|-------------------|---------|-----------|--|--|--|
|                                                                          |  |  |  |  |  |  |                |                   |           |                   |                   |         |           |  |  |  |
|                                                                          |  |  |  |  |  |  |                |                   |           |                   |                   |         |           |  |  |  |
|                                                                          |  |  |  |  |  |  | March 31, 2014 |                   |           | December 31, 2013 |                   |         |           |  |  |  |
|                                                                          |  |  |  |  |  |  | Liquidation    | Shares            |           | Liquidation       | Shares            |         |           |  |  |  |
|                                                                          |  |  |  |  |  |  | preference     | authorized        |           | preference        | authorized        |         |           |  |  |  |
|                                                                          |  |  |  |  |  |  | per share      | and<br>designated |           | per share         | and<br>designated |         |           |  |  |  |
| DEP Shares                                                               |  |  |  |  |  |  |                |                   |           |                   |                   |         |           |  |  |  |
| Dividend Equalization Preferred Shares (DEP)                             |  |  |  |  |  |  | \$             | 10                | 97,000    |                   | \$                | 10      | 97,000    |  |  |  |
| Series G                                                                 |  |  |  |  |  |  |                |                   |           |                   |                   |         |           |  |  |  |
| 7.25% Class A Preferred Stock                                            |  |  |  |  |  |  |                | 15,000            | 50,000    |                   |                   | 15,000  | 50,000    |  |  |  |
| Series H                                                                 |  |  |  |  |  |  |                |                   |           |                   |                   |         |           |  |  |  |
| Floating Class A Preferred Stock                                         |  |  |  |  |  |  |                | 20,000            | 50,000    |                   |                   | 20,000  | 50,000    |  |  |  |
| Series I                                                                 |  |  |  |  |  |  |                |                   |           |                   |                   |         |           |  |  |  |
| Floating Class A Preferred Stock                                         |  |  |  |  |  |  |                | 100,000           | 25,010    |                   |                   | 100,000 | 25,010    |  |  |  |
| Series J                                                                 |  |  |  |  |  |  |                |                   |           |                   |                   |         |           |  |  |  |
| 8.00% Non-Cumulative Perpetual Class A Preferred Stock                   |  |  |  |  |  |  |                | 1,000             | 2,300,000 |                   |                   | 1,000   | 2,300,000 |  |  |  |
| Series K                                                                 |  |  |  |  |  |  |                |                   |           |                   |                   |         |           |  |  |  |
| 7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock |  |  |  |  |  |  |                | 1,000             | 3,500,000 |                   |                   | 1,000   | 3,500,000 |  |  |  |
| Series L                                                                 |  |  |  |  |  |  |                |                   |           |                   |                   |         |           |  |  |  |
| 7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock       |  |  |  |  |  |  |                | 1,000             | 4,025,000 |                   |                   | 1,000   | 4,025,000 |  |  |  |
| Series N                                                                 |  |  |  |  |  |  |                |                   |           |                   |                   |         |           |  |  |  |
| 5.20% Non-Cumulative Perpetual Class A Preferred Stock                   |  |  |  |  |  |  |                | 25,000            | 30,000    |                   |                   | 25,000  | 30,000    |  |  |  |
| Series O                                                                 |  |  |  |  |  |  |                |                   |           |                   |                   |         |           |  |  |  |
| 5.125% Non-Cumulative Perpetual Class A Preferred Stock                  |  |  |  |  |  |  |                | 25,000            | 27,600    |                   |                   | 25,000  | 27,600    |  |  |  |
| Series P                                                                 |  |  |  |  |  |  |                |                   |           |                   |                   |         |           |  |  |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

[illegible]

(1) See the following page for additional information about the liquidation preference for the ESOP Cumulative Preferred Stock.

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All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                                                                       |                   |                  |               |              |                   |                  |               |              |  |
|---------------------------------------------------------------------------------------|-------------------|------------------|---------------|--------------|-------------------|------------------|---------------|--------------|--|
| A Preferred Stock                                                                     |                   |                  |               |              |                   |                  |               |              |  |
| <b>Series N (1)</b>                                                                   |                   |                  |               |              |                   |                  |               |              |  |
| 5.20%<br>Non-Cumulative<br>Perpetual Class<br>A Preferred Stock                       |                   |                  |               |              |                   |                  |               |              |  |
|                                                                                       | <b>30,000</b>     | <b>750</b>       | <b>750</b>    | <b>-</b>     | <b>30,000</b>     | <b>750</b>       | <b>750</b>    | <b>-</b>     |  |
| <b>Series O (1)</b>                                                                   |                   |                  |               |              |                   |                  |               |              |  |
| 5.125%<br>Non-Cumulative<br>Perpetual Class<br>A Preferred Stock                      |                   |                  |               |              |                   |                  |               |              |  |
|                                                                                       | <b>26,000</b>     | <b>650</b>       | <b>650</b>    | <b>-</b>     | <b>26,000</b>     | <b>650</b>       | <b>650</b>    | <b>-</b>     |  |
| <b>Series P (1)</b>                                                                   |                   |                  |               |              |                   |                  |               |              |  |
| 5.25%<br>Non-Cumulative<br>Perpetual Class<br>A Preferred Stock                       |                   |                  |               |              |                   |                  |               |              |  |
|                                                                                       | <b>25,000</b>     | <b>625</b>       | <b>625</b>    | <b>-</b>     | <b>25,000</b>     | <b>625</b>       | <b>625</b>    | <b>-</b>     |  |
| <b>Series Q (1)</b>                                                                   |                   |                  |               |              |                   |                  |               |              |  |
| 5.85%<br>Fixed-to-Floating<br>Non-Cumulative<br>Perpetual Class<br>A Preferred Stock  |                   |                  |               |              |                   |                  |               |              |  |
|                                                                                       | <b>69,000</b>     | <b>1,725</b>     | <b>1,725</b>  | <b>-</b>     | <b>69,000</b>     | <b>1,725</b>     | <b>1,725</b>  | <b>-</b>     |  |
| <b>Series R (1)</b>                                                                   |                   |                  |               |              |                   |                  |               |              |  |
| 6.625%<br>Fixed-to-Floating<br>Non-Cumulative<br>Perpetual Class<br>A Preferred Stock |                   |                  |               |              |                   |                  |               |              |  |
|                                                                                       | <b>33,600</b>     | <b>840</b>       | <b>840</b>    | <b>-</b>     | <b>33,600</b>     | <b>840</b>       | <b>840</b>    | <b>-</b>     |  |
| <b>ESOP</b>                                                                           |                   |                  |               |              |                   |                  |               |              |  |
| Cumulative<br>Convertible<br>Preferred Stock                                          |                   |                  |               |              |                   |                  |               |              |  |
|                                                                                       | <b>2,017,328</b>  | <b>2,017</b>     | <b>2,017</b>  | <b>-</b>     | <b>1,105,664</b>  | <b>1,105</b>     | <b>1,105</b>  | <b>-</b>     |  |
| Total                                                                                 | <b>11,792,859</b> | <b>\$ 18,578</b> | <b>17,179</b> | <b>1,399</b> | <b>10,881,195</b> | <b>\$ 17,666</b> | <b>16,267</b> | <b>1,399</b> |  |
|                                                                                       |                   |                  |               |              |                   |                  |               |              |  |

(1) Preferred shares qualify as Tier 1 capital.

See Note 7 (Securitizations and Variable Interest Entities) for additional information on our trust preferred securities. We do not have a commitment to issue Series G or H preferred stock.

**ESOP Cumulative Convertible Preferred Stock** All shares of our ESOP Cumulative Convertible Preferred Stock (ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (the 401(k) Plan). Dividends on the ESOP Preferred Stock are cumulative from the date of initial issuance and are payable quarterly at annual rates based upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the 401(k) Plan is converted into shares of our common stock based on the stated value of the ESOP Preferred Stock and the then current market price of our common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. We have the option to redeem the ESOP Preferred Stock at any time, in whole or in part, at a redemption price per share equal to the higher of (a) \$1,000 per share plus accrued and unpaid dividends or (b) the fair market value, as defined in the Certificates of Designation for the ESOP Preferred Stock.

|                                                 |  |  |  |  |  | Shares issued and outstanding |           | Carrying value |          | Adjustable dividend rate |         |
|-------------------------------------------------|--|--|--|--|--|-------------------------------|-----------|----------------|----------|--------------------------|---------|
|                                                 |  |  |  |  |  | Mar. 31,                      | Dec. 31,  | Mar. 31,       | Dec. 31, |                          |         |
| (in millions, except shares)                    |  |  |  |  |  | 2014                          | 2013      | 2014           | 2013     | Minimum                  | Maximum |
| <b>ESOP Preferred Stock</b>                     |  |  |  |  |  |                               |           |                |          |                          |         |
| <b>\$1,000 liquidation preference per share</b> |  |  |  |  |  |                               |           |                |          |                          |         |
| 2014                                            |  |  |  |  |  | 911,664                       | -         | \$ 912         | -        | 8.70                     | % 9.70  |
| 2013                                            |  |  |  |  |  | 349,788                       | 349,788   | 350            | 350      | 8.50                     | 9.50    |
| 2012                                            |  |  |  |  |  | 217,404                       | 217,404   | 217            | 217      | 10.00                    | 11.00   |
| 2011                                            |  |  |  |  |  | 241,263                       | 241,263   | 241            | 241      | 9.00                     | 10.00   |
| 2010                                            |  |  |  |  |  | 171,011                       | 171,011   | 171            | 171      | 9.50                     | 10.50   |
| 2008                                            |  |  |  |  |  | 57,819                        | 57,819    | 58             | 58       | 10.50                    | 11.50   |
| 2007                                            |  |  |  |  |  | 39,248                        | 39,248    | 39             | 39       | 10.75                    | 11.75   |
| 2006                                            |  |  |  |  |  | 21,139                        | 21,139    | 21             | 21       | 10.75                    | 11.75   |
| 2005                                            |  |  |  |  |  | 7,992                         | 7,992     | 8              | 8        | 9.75                     | 10.75   |
| Total ESOP Preferred Stock (1)                  |  |  |  |  |  | 2,017,328                     | 1,105,664 | \$ 2,017       | 1,105    |                          |         |
| Unearned ESOP shares (2)                        |  |  |  |  |  |                               |           | \$ (2,193)     | (1,200)  |                          |         |

(1) At March 31, 2014 and December 31, 2013, additional paid-in capital included \$176 million and \$95 million, respectively, related to ESOP preferred stock.

(2) We recorded a corresponding charge to unearned ESOP shares in connection with the issuance of the

ESOP Preferred Stock. The unearned ESOP shares are reduced as shares of the ESOP Preferred Stock are committed to be released.

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### **Note 15: Employee Benefits**

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We sponsor a noncontributory qualified defined benefit retirement plan, the Wells Fargo & Company Cash Balance Plan (Cash Balance Plan), which covers eligible employees of Wells Fargo. Benefits accrued under the Cash Balance Plan were frozen effective July 1, 2009.

The net periodic benefit cost was:

[illegible]

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**Note 16: Earnings Per Common Share**

The table below shows earnings per common share and diluted earnings per common share and reconciles the numerator and denominator of both earnings per common share calculations. See Note 1 (Summary of Significant Accounting Policies) for discussion of private share repurchases and the Consolidated Statement of Changes in Equity.

|                                                               |  |  |  |  |  |    | Quarter ended March 31, |         |
|---------------------------------------------------------------|--|--|--|--|--|----|-------------------------|---------|
| (in millions, except per share amounts)                       |  |  |  |  |  |    | <b>2014</b>             | 2013    |
| Wells Fargo net income                                        |  |  |  |  |  | \$ | <b>5,893</b>            | 5,171   |
| Less: Preferred stock dividends and other                     |  |  |  |  |  |    | <b>286</b>              | 240     |
| Wells Fargo net income applicable to common stock (numerator) |  |  |  |  |  | \$ | <b>5,607</b>            | 4,931   |
| <b>Earnings per common share</b>                              |  |  |  |  |  |    |                         |         |
| Average common shares outstanding (denominator)               |  |  |  |  |  |    | <b>5,262.8</b>          | 5,279.0 |
| Per share                                                     |  |  |  |  |  | \$ | <b>1.07</b>             | 0.93    |
| <b>Diluted earnings per common share</b>                      |  |  |  |  |  |    |                         |         |
| Average common shares outstanding                             |  |  |  |  |  |    | <b>5,262.8</b>          | 5,279.0 |
| Add: Stock options                                            |  |  |  |  |  |    | <b>33.5</b>             | 28.8    |
| Restricted share rights                                       |  |  |  |  |  |    | <b>46.5</b>             | 43.9    |
| Warrants                                                      |  |  |  |  |  |    | <b>10.5</b>             | 1.8     |
| Diluted average common shares outstanding (denominator)       |  |  |  |  |  |    | <b>5,353.3</b>          | 5,353.5 |
| Per share                                                     |  |  |  |  |  | \$ | <b>1.05</b>             | 0.92    |

The following table presents the outstanding options and warrants to purchase shares of common stock that were anti-dilutive (the exercise price was higher than the weighted-average market price), and therefore not included in the calculation of diluted earnings per common share.

|               |                         |      |
|---------------|-------------------------|------|
|               |                         |      |
|               | Weighted-average shares |      |
|               | Quarter ended March 31, |      |
| (in millions) | <b>2014</b>             | 2013 |
| Options       | <b>9.6</b>              | 14.4 |

**Note 17: Other Comprehensive  
Income**

The components of other comprehensive income (OCI), reclassifications to net income by income statement line item, and the related tax effects were:

|                                     |                                                                |                                              |                                          |                                          |            |                         |        |        |  |        |  |        |        |        |  |
|-------------------------------------|----------------------------------------------------------------|----------------------------------------------|------------------------------------------|------------------------------------------|------------|-------------------------|--------|--------|--|--------|--|--------|--------|--------|--|
|                                     |                                                                |                                              |                                          |                                          |            |                         |        |        |  |        |  |        |        |        |  |
|                                     |                                                                |                                              |                                          |                                          |            |                         |        |        |  |        |  |        |        |        |  |
|                                     |                                                                |                                              |                                          |                                          |            | Quarter ended March 31, |        |        |  |        |  |        |        |        |  |
|                                     |                                                                |                                              |                                          |                                          |            |                         | 2014   |        |  |        |  | 2013   |        |        |  |
|                                     |                                                                |                                              |                                          |                                          |            |                         | Before | Tax    |  | Net of |  | Before | Tax    | Net of |  |
| (in millions)                       |                                                                |                                              |                                          |                                          |            |                         | tax    | effect |  | tax    |  | tax    | effect | tax    |  |
| Investment securities:              |                                                                |                                              |                                          |                                          |            |                         |        |        |  |        |  |        |        |        |  |
|                                     | Net unrealized gains (losses) arising during the period        |                                              |                                          |                                          |            |                         | 2,725  | (993)  |  | 1,732  |  | (634)  | 230    | (404)  |  |
|                                     | Reclassification of net gains to:                              |                                              |                                          |                                          |            |                         |        |        |  |        |  |        |        |        |  |
|                                     |                                                                | Interest income on investment securities (1) |                                          |                                          |            |                         | (15)   | 6      |  | (9)    |  | -      | -      | -      |  |
|                                     |                                                                | Net gains on debt securities                 |                                          |                                          |            |                         | (83)   | 31     |  | (52)   |  | (45)   | 17     | (28)   |  |
|                                     |                                                                | Net gains from equity investments            |                                          |                                          |            |                         | (296)  | 112    |  | (184)  |  | (68)   | 26     | (42)   |  |
|                                     |                                                                |                                              | Subtotal reclassifications to net income |                                          |            |                         | (394)  | 149    |  | (245)  |  | (113)  | 43     | (70)   |  |
|                                     |                                                                |                                              |                                          |                                          | Net change |                         | 2,331  | (844)  |  | 1,487  |  | (747)  | 273    | (474)  |  |
| Derivatives and hedging activities: |                                                                |                                              |                                          |                                          |            |                         |        |        |  |        |  |        |        |        |  |
|                                     | Net unrealized gains arising during the period                 |                                              |                                          |                                          |            |                         | 44     | (17)   |  | 27     |  | 7      | (2)    | 5      |  |
|                                     | Reclassification of net (gains) losses to:                     |                                              |                                          |                                          |            |                         |        |        |  |        |  |        |        |        |  |
|                                     |                                                                |                                              | Interest income on loans                 |                                          |            |                         | (124)  | 47     |  | (77)   |  | (116)  | 47     | (69)   |  |
|                                     |                                                                |                                              | Interest expense on long-term debt       |                                          |            |                         | 18     | (7)    |  | 11     |  | 27     | (10)   | 17     |  |
|                                     |                                                                |                                              | Salaries expense                         |                                          |            |                         | -      | -      |  | -      |  | 2      | (1)    | 1      |  |
|                                     |                                                                |                                              |                                          | Subtotal reclassifications to net income |            |                         | (106)  | 40     |  | (66)   |  | (87)   | 36     | (51)   |  |
|                                     |                                                                |                                              |                                          |                                          | Net change |                         | (62)   | 23     |  | (39)   |  | (80)   | 34     | (46)   |  |
| Defined benefit plans adjustments:  |                                                                |                                              |                                          |                                          |            |                         |        |        |  |        |  |        |        |        |  |
|                                     | Net actuarial gains arising during the period                  |                                              |                                          |                                          |            |                         | -      | -      |  | -      |  | 6      | (2)    | 4      |  |
|                                     | Reclassification of amounts to net periodic benefit costs (2): |                                              |                                          |                                          |            |                         |        |        |  |        |  |        |        |        |  |
|                                     |                                                                | Amortization of net actuarial loss           |                                          |                                          |            |                         | 19     | (7)    |  | 12     |  | 46     | (18)   | 28     |  |
|                                     |                                                                | Settlements and other                        |                                          |                                          |            |                         | (1)    | -      |  | (1)    |  | 3      | (1)    | 2      |  |
|                                     |                                                                |                                              |                                          | Subtotal reclassifications to net        |            |                         | 18     | (7)    |  | 11     |  | 49     | (19)   | 30     |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are



|                                                      |                                                                                                                                                                                    |  |  |                                                           |    |              |              |  |                 |  |       |      |       |
|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|-----------------------------------------------------------|----|--------------|--------------|--|-----------------|--|-------|------|-------|
|                                                      |                                                                                                                                                                                    |  |  | periodic benefit costs                                    |    |              |              |  |                 |  |       |      |       |
|                                                      |                                                                                                                                                                                    |  |  | Net change                                                |    | <b>18</b>    | <b>(7)</b>   |  | <b>11</b>       |  | 55    | (21) | 34    |
| Foreign currency translation adjustments:            |                                                                                                                                                                                    |  |  |                                                           |    |              |              |  |                 |  |       |      |       |
|                                                      |                                                                                                                                                                                    |  |  | Net unrealized losses arising during the period           |    | <b>(17)</b>  | <b>(3)</b>   |  | <b>(20)</b>     |  | (18)  | 2    | (16)  |
|                                                      |                                                                                                                                                                                    |  |  | Reclassification of net losses to:                        |    |              |              |  |                 |  |       |      |       |
|                                                      |                                                                                                                                                                                    |  |  | Noninterest income                                        |    | <b>6</b>     | -            |  | <b>6</b>        |  | -     | -    | -     |
|                                                      |                                                                                                                                                                                    |  |  | Net change                                                |    | <b>(11)</b>  | <b>(3)</b>   |  | <b>(14)</b>     |  | (18)  | 2    | (16)  |
| Other comprehensive income (loss)                    |                                                                                                                                                                                    |  |  |                                                           | \$ | <b>2,276</b> | <b>(831)</b> |  | <b>1,445</b>    |  | (790) | 288  | (502) |
| Less: Other comprehensive income from noncontrolling |                                                                                                                                                                                    |  |  |                                                           |    |              |              |  |                 |  |       |      |       |
|                                                      |                                                                                                                                                                                    |  |  | interests, net of tax                                     |    |              |              |  | <b>79</b>       |  |       |      | 3     |
|                                                      |                                                                                                                                                                                    |  |  | Wells Fargo other comprehensive income (loss), net of tax |    |              |              |  | <b>\$ 1,366</b> |  |       |      | (505) |
|                                                      |                                                                                                                                                                                    |  |  |                                                           |    |              |              |  |                 |  |       |      |       |
| (1)                                                  | Represents unrealized gains amortized over the remaining lives of securities that were transferred from the available-for-sale portfolio to the held-to-maturity portfolio.        |  |  |                                                           |    |              |              |  |                 |  |       |      |       |
| (2)                                                  | These items are included in the computation of net periodic benefit cost, which is recorded in employee benefits expense (see Note 15 (Employee Benefits) for additional details). |  |  |                                                           |    |              |              |  |                 |  |       |      |       |

Cumulative OCI balances were:

|                                              |    |              |            |             |                |             |  |  | Cumulative   |
|----------------------------------------------|----|--------------|------------|-------------|----------------|-------------|--|--|--------------|
|                                              |    |              |            | Derivatives | Defined        | Foreign     |  |  | other        |
|                                              |    |              |            | and         | benefit        | currency    |  |  | compre-      |
|                                              |    |              | Investment | hedging     | plans          | translation |  |  | hensive      |
| (in millions)                                |    |              | securities | activities  | adjustments    | adjustments |  |  | income       |
| <b>Quarter ended March 31, 2014</b>          |    |              |            |             |                |             |  |  |              |
| <b>Balance, beginning of period</b>          | \$ | <b>2,338</b> |            | <b>80</b>   | <b>(1,053)</b> | <b>21</b>   |  |  | <b>1,386</b> |
| <b>Net unrealized gains (losses)</b>         |    |              |            |             |                |             |  |  |              |
| arising during the period                    |    | <b>1,732</b> |            | <b>27</b>   | <b>-</b>       | <b>(20)</b> |  |  | <b>1,739</b> |
| <b>Amounts reclassified from accumulated</b> |    |              |            |             |                |             |  |  |              |
| other comprehensive income                   |    | <b>(245)</b> |            | <b>(66)</b> | <b>11</b>      | <b>6</b>    |  |  | <b>(294)</b> |
| <b>Net change</b>                            |    | <b>1,487</b> |            | <b>(39)</b> | <b>11</b>      | <b>(14)</b> |  |  | <b>1,445</b> |
| <b>Less: Other comprehensive income</b>      |    |              |            |             |                |             |  |  |              |
| from noncontrolling interests                |    | <b>79</b>    |            | <b>-</b>    | <b>-</b>       | <b>-</b>    |  |  | <b>79</b>    |
| <b>Balance, end of period</b>                | \$ | <b>3,746</b> |            | <b>41</b>   | <b>(1,042)</b> | <b>7</b>    |  |  | <b>2,752</b> |
| <b>Quarter ended March 31, 2013</b>          |    |              |            |             |                |             |  |  |              |
| <b>Balance, beginning of period</b>          | \$ | <b>7,462</b> |            | <b>289</b>  | <b>(2,181)</b> | <b>80</b>   |  |  | <b>5,650</b> |
| <b>Net unrealized gains (losses)</b>         |    |              |            |             |                |             |  |  |              |
| arising during the period                    |    | <b>(404)</b> |            | <b>5</b>    | <b>4</b>       | <b>(16)</b> |  |  | <b>(411)</b> |
| <b>Amounts reclassified from accumulated</b> |    |              |            |             |                |             |  |  |              |
| other comprehensive income                   |    | <b>(70)</b>  |            | <b>(51)</b> | <b>30</b>      | <b>-</b>    |  |  | <b>(91)</b>  |
| <b>Net change</b>                            |    | <b>(474)</b> |            | <b>(46)</b> | <b>34</b>      | <b>(16)</b> |  |  | <b>(502)</b> |
| <b>Less: Other comprehensive income</b>      |    |              |            |             |                |             |  |  |              |
| from noncontrolling interests                |    | <b>3</b>     |            | <b>-</b>    | <b>-</b>       | <b>-</b>    |  |  | <b>3</b>     |
| <b>Balance, end of period</b>                | \$ | <b>6,985</b> |            | <b>243</b>  | <b>(2,147)</b> | <b>64</b>   |  |  | <b>5,145</b> |



### **Note 18: Operating Segments**

—

We have three reportable operating segments: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. The results for these operating segments are based on our management accounting process, for which there is no comprehensive, authoritative guidance equivalent to GAAP for financial accounting. The management accounting process measures the performance of the operating segments based on our management structure and is not necessarily comparable with similar information for other financial services companies. We define our operating segments by product type and customer segment. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change. For a complete description of our operating segments, including the underlying management accounting process, see Note 24 (Operating Segments) to Financial Statements in our 2013 Form 10-K.

[illegible]

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                          |          |       |       |       |       |       |        |        |         |         |
|--------------------------|----------|-------|-------|-------|-------|-------|--------|--------|---------|---------|
| noncontrolling interests | 4,024    | 2,972 | 1,744 | 2,046 | 475   | 337   | (168)  | (135)  | 6,075   | 5,220   |
| Less: Net income from    |          |       |       |       |       |       |        |        |         |         |
| noncontrolling interests | 180      | 48    | 2     | 1     | -     | -     | -      | -      | 182     | 49      |
| Net income (loss) (3)    | \$ 3,844 | 2,924 | 1,742 | 2,045 | 475   | 337   | (168)  | (135)  | 5,893   | 5,171   |
| Average loans            | \$ 505.0 | 498.9 | 301.9 | 283.1 | 50.0  | 43.8  | (33.1) | (29.1) | 823.8   | 796.7   |
| Average assets           | 892.6    | 799.6 | 517.4 | 494.7 | 190.6 | 180.3 | (74.7) | (71.7) | 1,525.9 | 1,402.9 |
| Average core deposits    | 626.5    | 619.2 | 259.0 | 224.1 | 156.0 | 149.4 | (67.7) | (66.8) | 973.8   | 925.9   |
|                          |          |       |       |       |       |       |        |        |         |         |
|                          |          |       |       |       |       |       |        |        |         |         |

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

(2) Net interest income is the difference between interest earned on assets and the cost of liabilities to fund those assets. Interest earned includes actual interest earned on segment assets and, if the segment has excess liabilities, interest credits for providing funding to other segments. The cost of liabilities includes interest expense on segment liabilities and, if the segment does not have enough liabilities to fund its assets, a funding charge based on the cost of excess liabilities from another segment.

(3) Represents segment net income (loss) for Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement segments and Wells Fargo net income for the consolidated company.

The following table presents regulatory capital information for Wells Fargo & Company and the Bank. Information presented for March 31, 2014, reflects commencement of the transition to Basel III capital requirements from previous regulatory capital adequacy guidelines under Basel I effective in 2013. Among other matters, Basel III revises the definition of capital, and changes will be phased-in effective January 1, 2014, through the end of 2021, with regulatory capital ratios determined using Basel III General Approach risk-weighted assets during 2014. Under the Basel III (General Approach), at March 31, 2014, the Company's Common Equity Tier 1 capital was \$132.7 billion, or 11.36% of risk-weighted assets, and the Bank's Common Equity Tier 1 capital was \$114.8 billion, or 10.76% of risk-weighted assets.

We do not consolidate our wholly-owned trust (the Trust) formed solely to issue trust preferred and preferred purchase securities (the Securities). Securities issued by the Trust includable in Tier 2 capital were \$2.1 billion at March 31, 2014. During first quarter 2014, we did not redeem any trust preferred securities. Under the new Basel III capital requirements, our remaining trust preferred and preferred purchase securities will begin amortizing in 2016 and will no longer count as Tier 2 capital in 2022.

The Bank is an approved seller/servicer, and is required to maintain minimum levels of shareholders' equity, as specified by various agencies, including the United States Department of Housing and Urban Development, GNMA, FHLMC and FNMA. At March 31, 2014, the Bank met these requirements. Other subsidiaries, including the Company's insurance and broker-dealer subsidiaries, are also subject to various minimum capital levels, as defined by applicable industry regulations. The minimum capital levels for these subsidiaries, and related restrictions, are not significant to our consolidated operations.

|                              |  |  |  |    |                       |  |  |          |  |                        |  |  |          |  |             |            |  |
|------------------------------|--|--|--|----|-----------------------|--|--|----------|--|------------------------|--|--|----------|--|-------------|------------|--|
|                              |  |  |  |    |                       |  |  |          |  |                        |  |  |          |  |             |            |  |
|                              |  |  |  |    |                       |  |  |          |  |                        |  |  |          |  |             |            |  |
|                              |  |  |  |    | Wells Fargo & Company |  |  |          |  | Wells Fargo Bank, N.A. |  |  |          |  |             |            |  |
|                              |  |  |  |    | <b>Under</b>          |  |  |          |  | <b>Under</b>           |  |  |          |  |             |            |  |
|                              |  |  |  |    | <b>Basel III</b>      |  |  |          |  | <b>Basel III</b>       |  |  |          |  |             |            |  |
|                              |  |  |  |    | <b>(General</b>       |  |  | Under    |  | <b>(General</b>        |  |  | Under    |  |             |            |  |
|                              |  |  |  |    | <b>Approach)</b>      |  |  | Basel I  |  | <b>Approach)</b>       |  |  | Basel I  |  | Well-       | Minimum    |  |
|                              |  |  |  |    | <b>Mar. 31,</b>       |  |  | Dec. 31, |  | <b>Mar. 31,</b>        |  |  | Dec. 31, |  | capitalized | capital    |  |
| (in billions, except ratios) |  |  |  |    | <b>2014</b>           |  |  | 2013     |  | <b>2014</b>            |  |  | 2013     |  | ratios (1)  | ratios (1) |  |
| <b>Regulatory capital:</b>   |  |  |  |    |                       |  |  |          |  |                        |  |  |          |  |             |            |  |
| Tier 1                       |  |  |  | \$ | <b>147.6</b>          |  |  | 140.7    |  | <b>114.8</b>           |  |  | 110.0    |  |             |            |  |
| Total                        |  |  |  |    | <b>183.6</b>          |  |  | 176.2    |  | <b>140.4</b>           |  |  | 136.4    |  |             |            |  |
|                              |  |  |  |    |                       |  |  |          |  |                        |  |  |          |  |             |            |  |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                   |    |         |   |         |  |         |  |         |  |       |  |      |  |
|-----------------------------------|----|---------|---|---------|--|---------|--|---------|--|-------|--|------|--|
| <b>Assets:</b>                    |    |         |   |         |  |         |  |         |  |       |  |      |  |
| Risk-weighted                     | \$ | 1,168.4 |   | 1,141.5 |  | 1,067.8 |  | 1,057.3 |  |       |  |      |  |
| Adjusted average (2)              |    | 1,500.0 |   | 1,466.7 |  | 1,349.9 |  | 1,324.0 |  |       |  |      |  |
|                                   |    |         |   |         |  |         |  |         |  |       |  |      |  |
| <b>Regulatory capital ratios:</b> |    |         |   |         |  |         |  |         |  |       |  |      |  |
| Tier 1 capital                    |    | 12.63   | % | 12.33   |  | 10.76   |  | 10.40   |  | 6.00  |  | 4.00 |  |
| Total capital                     |    | 15.71   |   | 15.43   |  | 13.15   |  | 12.90   |  | 10.00 |  | 8.00 |  |
| Tier 1 leverage (2)               |    | 9.84    |   | 9.60    |  | 8.51    |  | 8.31    |  | 5.00  |  | 4.00 |  |
|                                   |    |         |   |         |  |         |  |         |  |       |  |      |  |
|                                   |    |         |   |         |  |         |  |         |  |       |  |      |  |

(1) As defined by the regulations issued by the Federal Reserve, OCC and FDIC.

(2) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items. The minimum leverage ratio guideline is 3% for banking organizations that do not anticipate significant growth and that have well-diversified risk, excellent asset quality, high liquidity, good earnings, effective management and monitoring of market risk and, in general, are considered top-rated, strong banking organizations.

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

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are



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

**PART II – OTHER INFORMATION****Item 1. Legal Proceedings**

Information in response to this item can be found in Note 11 (Legal Actions) to Financial Statements in this Report which information is incorporated by reference into this item.

**Item 1A. Risk Factors**

Information in response to this item can be found under the “Financial Review – Risk Factors” section in this Report which information is incorporated by reference into this item.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table shows Company repurchases of its common stock for each calendar month in the quarter ended March 31, 2014.

|                |                                                                                                                                                                                              |  |  |  |                              |  |    |                                          |  | Maximum number of                         |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|------------------------------|--|----|------------------------------------------|--|-------------------------------------------|
|                |                                                                                                                                                                                              |  |  |  | Total<br>number<br>of shares |  |    |                                          |  | shares that may yet<br>be purchased under |
|                |                                                                                                                                                                                              |  |  |  | repurchased<br>(1)           |  |    | Weighted-average<br>price paid per share |  | the authorizations                        |
| Calendar month |                                                                                                                                                                                              |  |  |  |                              |  |    |                                          |  |                                           |
| January        |                                                                                                                                                                                              |  |  |  | 3,881,380                    |  | \$ | 45.85                                    |  | 69,645,587                                |
| February       |                                                                                                                                                                                              |  |  |  | 14,835,711                   |  |    | 45.34                                    |  | 54,809,876                                |
| March (2)      |                                                                                                                                                                                              |  |  |  | 14,782,982                   |  |    | 45.66                                    |  | 390,026,894                               |
|                |                                                                                                                                                                                              |  |  |  |                              |  |    |                                          |  |                                           |
|                |                                                                                                                                                                                              |  |  |  |                              |  |    |                                          |  |                                           |
|                |                                                                                                                                                                                              |  |  |  |                              |  |    |                                          |  |                                           |
|                |                                                                                                                                                                                              |  |  |  |                              |  |    |                                          |  |                                           |
|                |                                                                                                                                                                                              |  |  |  |                              |  |    |                                          |  |                                           |
| (1)            | All shares were repurchased under an authorization covering up to 200 million shares of common stock approved by the Board of Directors and publicly announced by the Company on October 23, |  |  |  |                              |  |    |                                          |  |                                           |

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are

|                                                                                                                            |                                                                                                                                                                                                                                                              |  |  |  |                    |                  |   |                      |                      |  |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--------------------|------------------|---|----------------------|----------------------|--|
|                                                                                                                            | 2012. In addition, the Company publicly announced on March 26, 2014, that the Board of Directors authorized the repurchase of an additional 350 million shares of common stock. Unless modified or revoked by the Board, these authorizations do not expire. |  |  |  |                    |                  |   |                      |                      |  |
| (2)                                                                                                                        | Includes a private repurchase transaction of 11,111,168 shares at a weighted-average price per share of \$45.00.                                                                                                                                             |  |  |  |                    |                  |   |                      |                      |  |
|                                                                                                                            |                                                                                                                                                                                                                                                              |  |  |  |                    |                  |   |                      |                      |  |
| The following table shows Company repurchases of the warrants for each calendar month in the quarter ended March 31, 2014. |                                                                                                                                                                                                                                                              |  |  |  |                    |                  |   |                      |                      |  |
|                                                                                                                            |                                                                                                                                                                                                                                                              |  |  |  |                    |                  |   |                      |                      |  |
|                                                                                                                            |                                                                                                                                                                                                                                                              |  |  |  |                    |                  |   |                      |                      |  |
|                                                                                                                            |                                                                                                                                                                                                                                                              |  |  |  | Total<br>number    |                  |   |                      | Maximum dollar value |  |
|                                                                                                                            |                                                                                                                                                                                                                                                              |  |  |  | of warrants        | Average price    |   | of warrants that     |                      |  |
| Calendar month                                                                                                             |                                                                                                                                                                                                                                                              |  |  |  | repurchased<br>(1) | paid per warrant |   | may yet be purchased |                      |  |
| January                                                                                                                    |                                                                                                                                                                                                                                                              |  |  |  | -                  | \$               | - | 451,944,402          |                      |  |
| February                                                                                                                   |                                                                                                                                                                                                                                                              |  |  |  | -                  |                  | - | 451,944,402          |                      |  |
| March                                                                                                                      |                                                                                                                                                                                                                                                              |  |  |  | -                  |                  | - | 451,944,402          |                      |  |
|                                                                                                                            | Total                                                                                                                                                                                                                                                        |  |  |  | -                  |                  |   |                      |                      |  |
|                                                                                                                            |                                                                                                                                                                                                                                                              |  |  |  |                    |                  |   |                      |                      |  |
|                                                                                                                            |                                                                                                                                                                                                                                                              |  |  |  |                    |                  |   |                      |                      |  |
| (1)                                                                                                                        | Warrants are purchased under the authorization covering up to \$1 billion in warrants approved by the Board of Directors (ratified and approved on June 22, 2010). Unless modified or revoked by the Board, this authorization does not expire.              |  |  |  |                    |                  |   |                      |                      |  |
|                                                                                                                            |                                                                                                                                                                                                                                                              |  |  |  |                    |                  |   |                      |                      |  |

Item 6. Exhibits

A list of exhibits to this Form 10-Q is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated herein by reference.

The Company's SEC file number is 001-2979. On and before November 2, 1998, the Company filed documents with the SEC under the name Norwest Corporation. The former Wells Fargo & Company filed documents under SEC file number 001-6214.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 7, 2014

WELLS FARGO & COMPANY

By: /s/ RICHARD D. LEVY

Richard D. Levy

Executive Vice President and Controller

(Principal Accounting Officer)

**EXHIBIT INDEX**

## Exhibit

| <u>Number</u> | <u>Description</u>                                                                                                                                                    | <u>Location</u>                                                                                              |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| 3(a)          | Restated Certificate of Incorporation, as amended and in effect on the date hereof.                                                                                   | Filed herewith.                                                                                              |
| 3(b)          | By-Laws.                                                                                                                                                              | Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed January 28, 2011. |
| 4(a)          | See Exhibits 3(a) and 3(b).                                                                                                                                           |                                                                                                              |
| 4(b)          | The Company agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of the Company. |                                                                                                              |
| 12(a)         | Computation of Ratios of Earnings to Fixed Charges:                                                                                                                   | Filed herewith.                                                                                              |
|               | <div> <div>Quarter ended</div> <div>Mar. 31,</div> <div>2014</div> <div>2013</div> </div>                                                                             |                                                                                                              |
|               | Including interest on deposits                                                                                                                                        | 8.47 7.08                                                                                                    |
|               | Excluding interest on deposits                                                                                                                                        | 11.02 9.64                                                                                                   |
| 12(b)         | Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends:                                                                                           | Filed herewith.                                                                                              |
|               | <div> <div>Quarter ended</div> <div>Mar. 31,</div> <div>2014</div> <div>2013</div> </div>                                                                             |                                                                                                              |
|               | Including interest on deposits                                                                                                                                        | 6.22 5.52                                                                                                    |
|               | Excluding interest on deposits                                                                                                                                        | 7.42 6.88                                                                                                    |
| 31(a)         | Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                               | Filed herewith.                                                                                              |
| 31(b)         | Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                               | Filed herewith.                                                                                              |
| 32(a)         | Certification of Periodic Financial Report by Chief Executive Officer Pursuant to Section 906 of the                                                                  | Furnished herewith.                                                                                          |

|       |                                                                                                                                                                                                                 |                     |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| 32(b) | Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.<br>Certification of Periodic Financial Report by Chief<br>Financial Officer Pursuant to Section 906 of the<br>Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350. | Furnished herewith. |
| 101   | XBRL Instance Document                                                                                                                                                                                          | Filed herewith.     |
| 101   | XBRL Taxonomy Extension Schema Document                                                                                                                                                                         | Filed herewith.     |
| 101   | XBRL Taxonomy Extension Calculation Linkbase<br>Document                                                                                                                                                        | Filed herewith.     |
| 101   | XBRL Taxonomy Extension Definition Linkbase<br>Document                                                                                                                                                         | Filed herewith.     |
| 101   | XBRL Taxonomy Extension Label Linkbase<br>Document                                                                                                                                                              | Filed herewith.     |
| 101   | XBRL Taxonomy Extension Presentation Linkbase<br>Document                                                                                                                                                       | Filed herewith.     |

