WELLS FARGO & COMPANY/MN
Form 10-Q
August 07, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

Commission file number 001-2979

WELLS FARGO & COMPANY

(Exact name of registrant as specified in its charter)

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

420 Montgomery Street, San Francisco, California 94163

(Address of principal executive offices) (Zip Code)

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

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

Yes þ No ¨

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

Yes þ No ¨

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

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

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

Yes ¨ No þ

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

	Shares Outstanding
	July 31, 2013
Common stock, $1-2/3 par value	5,309,782,331

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PART I - FINANCIAL INFORMATION

FINANCIAL REVIEW

Summary Financial Data

			Quarter ended	% Change June 30, 2013 from		Six months ended		
($ in millions, except per share amounts)	**June 30, 2013**	March 31, 2013	June 30, 2012	March 31, 2013	June 30, 2012	**June 30, 2013**	June 30, 2012	% Change
For the Period								
Wells Fargo net income	$ **5,519**	5,171	4,622	7 %	19	**10,690**	8,870	21 %
Wells Fargo net income applicable to common stock	**5,272**	4,931	4,403	7	20	**10,203**	8,425	21
Diluted earnings per common share	**0.98**	0.92	0.82	7	20	**1.90**	1.57	21
Profitability ratios (annualized):								
Wells Fargo net income to average assets (ROA)	**1.55** %	1.49	1.41	4	10	**1.52**	1.36	12
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders equity (ROE)	**14.02**	13.59	12.86	3	9	**13.81**	12.51	10
Efficiency ratio (1)	**57.3**	58.3	58.2	(2)	(2)	**57.8**	59.1	(2)
Total revenue	$ **21,378**	21,259	21,289	1	-	**42,637**	42,925	(1)
Pre-tax pre-provision profit (PTPP) (2)	**9,123**	8,859	8,892	3	3	**17,982**	17,535	3
Dividends declared per common share	**0.30**	0.25	0.22	20	36	**0.55**	0.44	25
Average common shares outstanding	**5,304.7**	5,279.0	5,306.9	-	-	**5,291.9**	5,294.9	-
Diluted average common shares outstanding	**5,384.6**	5,353.5	5,369.9	1	-	**5,369.9**	5,354.3	-
Average loans	$ **800,241**	798,074	768,223	-	4	**799,164**	768,403	4
Average assets	**1,429,005**	1,404,334	1,321,584	2	8	**1,416,741**	1,312,252	8
Average core deposits (3)	**936,090**	925,866	880,636	1	6	**931,006**	875,576	6
Average retail core deposits (4)	**666,043**	662,913	624,329	-	7	**664,487**	620,445	7
Net interest margin	**3.46** %	3.48	3.91	(1)	(12)	**3.47**	3.91	(11)
At Period End								
Securities available for sale	$ **249,439**	248,160	226,846	1	10	**249,439**	226,846	10
Loans	**801,974**	799,966	775,199	-	3	**801,974**	775,199	3
Allowance for loan losses	**16,144**	16,711	18,320	(3)	(12)	**16,144**	18,320	(12)
Goodwill	**25,637**	25,637	25,406	-	1	**25,637**	25,406	1
Assets	**1,440,563**	1,436,634	1,336,204	-	8	**1,440,563**	1,336,204	8
Core deposits (3)	**941,158**	939,934	882,137	-	7	**941,158**	882,137	7
Wells Fargo stockholders equity	**162,421**	162,086	148,070	-	10	**162,421**	148,070	10
Total equity	**163,777**	163,395	149,437	-	10	**163,777**	149,437	10
Tier 1 capital (5)	**132,969**	129,071	117,856	3	13	**132,969**	117,856	13
Total capital (5)	**164,998**	161,551	149,813	2	10	**164,998**	149,813	10
Capital ratios:								
Total equity to assets	**11.37** %	11.37	11.18	-	2	**11.37**	11.18	2
Risk-based capital (5):								
Tier 1 capital	**12.12**	11.80	11.69	3	4	**12.12**	11.69	4
Total capital	**15.03**	14.76	14.85	2	1	**15.03**	14.85	1
Tier 1 leverage (5)	**9.63**	9.53	9.25	1	4	**9.63**	9.25	4
Tier 1 common equity (6)	**10.71**	10.39	10.08	3	6	**10.71**	10.08	6
Common shares outstanding	**5,302.2**	5,288.8	5,275.7	-	1	**5,302.2**	5,275.7	1
Book value per common share	$ **28.26**	28.27	26.06	-	8	**28.26**	26.06	8
Common stock price:								
High	**41.74**	38.20	34.59	9	21	**41.74**	34.59	21
Low	**36.19**	34.43	29.80	5	21	**34.43**	27.94	23
Period end	**41.27**	36.99	33.44	12	23	**41.27**	33.44	23
Team members (active, full-time equivalent)	**274,300**	274,300	264,400	-	4	**274,300**	264,400	4

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

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

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

Financial Review

Overview

Wells Fargo & Company is a nationwide, diversified, community-based financial services company with $1.4 trillion in assets. Founded in 1852 and headquartered in San Francisco, we provide banking, insurance, investments, mortgage, and consumer and commercial finance through more than 9,000 stores, 12,000 ATMs and the Internet (wellsfargo.com), and we have offices in more than 35 countries to support our customers who conduct business in the global economy. With more than 274,000 active, full-time equivalent team members, we serve one in three households in the United States and rank No. 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 June 30, 2013.

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

Financial Performance

Wells Fargo net income was $5.5 billion in second quarter 2013, the highest quarterly profit in our history, with record diluted earnings per share of $0.98. Net income and diluted earnings per share (EPS) increased at double-digit rates (19% and 20%, respectively), compared with second quarter 2012. This was our 14th consecutive quarter of earnings per share growth and 9th consecutive quarter of record earnings per share. Achieving this consistent, strong performance, during a dynamic economic and interest rate environment, demonstrates the benefit of our diversified business model. We are not dependent on any one business to generate growth. We have over 90 different businesses that are all focused on meeting our customer s

financial needs. Our results this quarter demonstrate the momentum we have throughout our businesses. Compared with a year ago:

- we grew pre-tax pre-provision profit by 3%;
- we reduced our expenses and improved our efficiency ratio by 90 basis points to 57.3%;
- our loans grew by $26.8 billion, up 3%, and our core loan portfolio grew by $42.3 billion, up 6%;
- our credit performance continued to improve, benefiting from our conservative underwriting and improving economic conditions, especially in housing, with net charge-offs down to 58 basis points and our total net charge-offs down 48% from a year ago;
- our strong deposit franchise continued to grow, with total deposits up 10% from a year ago, while we reduced total deposit costs by 5 basis points to 14 basis points;
- we achieved record retail banking cross-sell of 6.14 products per household (May 2013); Wholesale Banking grew to 6.9 products (March 2013) and Wealth, Brokerage and Retirement cross-sell increased to 10.35 products (May 2013);
- we grew return on assets (ROA) by 14 basis points to 1.55% and return on equity (ROE) increased by 116 basis points to 14.02%; and
- our capital levels continued to grow with our estimated Tier I common equity ratio under Basel III increasing to 8.62%.

Our balance sheet continued to strengthen in second quarter 2013 with further core loan and deposit growth and an increase in our securities portfolio. Our non-strategic/liquidating loan portfolios decreased $3.3 billion during the quarter and, excluding the planned runoff of these loans, our core loan portfolios increased $5.3 billion from the prior quarter. Total average loans were $800.2 billion, up $2.2 billion from the prior quarter. Our short-term investments and federal funds sold balances increased by $4.9 billion during the quarter on continued strong deposit growth. We grew our securities available for sale portfolio by $1.3 billion as new investments were largely offset by run-off and a $6.1 billion reduction in the net unrealized gain on securities available for sale. Deposit

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Overview ***(continued)***

growth remained strong with period-end deposits up $10.9 billion from first quarter 2013. We have successfully grown deposits while reducing our deposit costs for 10 consecutive quarters. Our ROA grew to 1.55%, within our targeted range of 1.3% to 1.6%, and our ROE increased to 14.02%, also within our targeted range of 12% to 15%.

Credit Quality

Credit quality continued to improve in second quarter 2013, with solid performance in several of our commercial and consumer loan portfolios. Net charge-offs of $1.2 billion were 0.58% (annualized) of average loans, down 57 basis points from a year ago, and the lowest rate since second quarter 2006. Net losses in our commercial portfolio were $44 million, or 5 basis points of average loans. Net consumer losses declined to 101 basis points from 176 basis points in second quarter 2012.

Commercial losses for second quarter 2013 were favorably affected by our commercial real estate portfolios reporting a net recovery position due to resolutions of problem loans. The consumer loss levels have improved due to lower severity reflecting the positive momentum in the residential real estate market, with home values improving significantly in many markets, as well as lower frequency.

Nonperforming assets decreased to $21.1 billion at June 30, 2013, from $24.5 billion at December 31, 2012, with declines in both nonaccrual loans and foreclosed assets.

Reflecting these improvements in our loan portfolios, our $652 million provision for credit losses this quarter was $1.1 billion less than a year ago. This provision included a release of $500 million from the allowance for credit losses (the amount by which net charge-offs exceeded the provision), compared with a release of $400 million a year ago. We continue to expect future allowance releases absent a significant deterioration in the economy.

Capital

We continued to build capital in second quarter 2013, increasing total equity to $163.8 billion at June 30, 2013. Our Tier 1 common equity ratio grew 32 basis points during the quarter to 10.71% of risk-weighted assets (RWA) under Basel I, reflecting strong internal capital generation. Our estimated Tier I common equity ratio under Basel III which reflects our interpretation of the Basel III capital rules adopted July 2, 2013, increased to 8.62% in the second quarter. Other comprehensive income (OCI) negatively impacted the ratio by 24 basis points in the quarter due primarily to a reduction in net unrealized securities gains as a result of the increase in interest rates. Because of our strong earnings growth, we grew capital even with the impact from the increase in rates. We expect reductions to net unrealized securities gains when rates rise and this is one reason why we target an internal capital buffer of approximately 100 basis points.

Our strong earnings growth has enabled us to grow our capital levels while returning more capital to our shareholders. We increased our second quarter 2013 dividend to $0.30 per share, a 20% increase over our first quarter dividend, purchased 26.7 million shares in the quarter and executed a $500 million forward contract that is expected to settle in third quarter 2013 for approximately 13 million shares.

Our other regulatory capital ratios remained strong with an increase in the Tier 1 capital ratio to 12.12% and Tier 1 leverage ratio to 9.63% at June 30, 2013, from 11.80% and 9.53%, respectively, at March 31, 2013. In July 2013, U.S. banking regulatory agencies issued a supplemental leverage ratio proposal. Based on our initial review, we believe our current leverage levels would meet the applicable proposed requirements at the holding company and each of its insured depository institution subsidiaries. See the Capital Management section in this Report for more information regarding our capital, including Tier 1 common equity.

Earnings Performance

Wells Fargo net income for second quarter 2013 was $5.5 billion ($0.98 diluted earnings per common share) compared with $4.6 billion ($0.82 diluted earnings per common share) for second quarter 2012. Net income for the first half of 2013 was $10.7 billion compared with $8.9 billion for the same period a year ago. Our second quarter 2013 quarterly and six-month earnings reflected the strength of our diversified business model with growth in many of our businesses. The key drivers of our financial performance in the second quarter and first half of 2013 were balanced net interest and fee income, diversified sources of fee income, a diversified loan portfolio and strong underlying credit performance.

Revenue, the sum of net interest income and noninterest income, was $21.4 billion in second quarter 2013, compared with $21.3 billion in second quarter 2012. Revenue for the first half of 2013 was $42.6 billion, down 1% from a year ago. The increase in revenue for second quarter 2013 was predominantly due to an increase in noninterest income, resulting from higher fee income in many of the Company s core businesses. The decrease in

revenue for the first half of 2013 was predominantly due to a decrease in net interest income, resulting from continued repricing of the balance sheet in a low interest rate environment. Net interest income was $10.8 billion in second quarter 2013, representing 50% of revenue, compared with $11.0 billion (52%) in second quarter 2012. Continued success in generating low-cost deposits enabled us to grow assets by funding loans and securities growth while reducing higher cost long-term debt.

Noninterest income was $10.6 billion in second quarter 2013, representing 50% of revenue, compared with $10.3 billion (48%) in second quarter 2012. Noninterest income was $21.4 billion for the first half of 2013 compared with $21.0 billion for the same period a year ago. The increase in noninterest income for the second quarter and first half of 2013 was driven predominantly by solid performance in many of our businesses. Those fee sources generating double-digit year-over-year revenue growth in the second quarter and first half of 2013 included deposit service charges, brokerage advisory, commission and other fees, investment banking fees and card fees.

Noninterest expense was $12.3 billion in second quarter 2013, compared with $12.4 billion in second quarter 2012. Noninterest expense was $24.7 billion for the first half of 2013 compared with $25.4 billion for the same period a year ago. The decrease in noninterest expense in the second quarter and first half of 2013 from the same periods a year ago was primarily due to lower operating losses and a reduction in foreclosed assets expense reflecting improvement in the real estate market. Our efficiency ratio was 57.3% in second quarter 2013, compared with 58.2% in second quarter 2012, reflecting our continued focus on expense management efforts.

Net Interest Income

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

While the Company believes that it has the ability to increase net interest income over time, net interest income and the net interest margin in any one period can be significantly affected by a variety of factors including the mix and overall size of our earning asset portfolio and the cost of funding those assets. In addition, some sources of interest income, such as resolutions from purchased credit-impaired (PCI) loans, loan prepayment fees and collection of interest on nonaccrual loans, can vary from period to period.

Net interest income on a taxable-equivalent basis was $10.9 billion and $21.6 billion in the second quarter and first half of 2013, down from $11.2 billion and $22.3 billion, respectively, a year ago. The net interest margin was 3.46% and 3.47% in the second quarter and first half of 2013, down from 3.91% in the same periods a year ago. The decrease in net interest income in both the second quarter and first half of 2013 from the same periods a year ago was largely driven by the impact of higher yielding loan and available-for-sale (AFS) securities runoff, partially offset by the benefits of AFS securities purchases and the retention of $23.1 billion in high-

quality, conforming real estate 1-4 family first mortgages in the second half of 2012 and first half of 2013. In addition, reductions in deposit and long-term debt costs also helped offset lower asset income. The decline in net interest margin in the second quarter and first half of 2013, compared with the same periods a year ago, was primarily driven by deposit growth which caused short-term investment balances to increase. These balances, which are dilutive to net interest margin, are essentially neutral to net interest income. In addition, net interest margin for the second quarter and first half of 2013 experienced significant pressure related to growth and repricing of the balance sheet. We expect continued pressure on our net interest margin as the balance sheet continues to reprice in the current low interest rate environment.

Average earning assets increased $114.6 billion and $107.2 billion in the second quarter and first half of 2013 from a year ago, as average securities available for sale increased $20.5 billion and $15.9 billion for the same periods, respectively. Average short-term investments increased $65.2 billion for both the second quarter and first half of 2013. In addition, an increase in commercial and industrial loans contributed to $32.0 billion and $30.8 billion higher average loans in the second quarter and first half of 2013, compared with a year ago.

Core deposits are an important low-cost source of funding and affect both net interest income and the net interest margin. Core deposits include noninterest-bearing deposits, interest-bearing checking, savings certificates, market rate and other savings, and certain foreign deposits (Eurodollar sweep balances). Average core deposits rose to $936.1 billion in second quarter 2013 ($931.0 billion in the first half of 2013), compared with $880.6 billion in second quarter 2012 ($875.6 billion in the first half of 2012) and funded 117% of average loans in second quarter 2013 (116% for the first half of 2013), compared with 115% a year ago (114% for the first half of 2012). Average core deposits decreased to 74% of average earning assets in both the second quarter and first half of 2013, compared with 76% a year ago. The cost of these deposits has continued to decline due to a sustained low interest rate environment and a shift in our deposit mix from higher cost certificates of deposit to lower yielding checking and savings products. About 94% of our average core deposits are in checking and savings deposits, one of the highest industry percentages.

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Earnings Performance ***(continued)***

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

					Quarter ended June 30,	
			2013			2012
(in millions)	**Average balance**	**Yields/ rates**	**Interest income/ expense**	Average balance	Yields/ rates	Interest income/ expense
Earning assets						
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 136,484**	**0.33 %**	**$ 113**	71,250	0.47 %	$ 83
Trading assets	**46,622**	**2.98**	**347**	42,614	3.27	348
Securities available for sale (3):						
Securities of U.S. Treasury and federal agencies	**6,684**	**1.73**	**29**	1,954	1.60	8
Securities of U.S. states and political subdivisions	**39,267**	**4.42**	**434**	34,560	4.39	379
Mortgage-backed securities:						
Federal agencies	**102,007**	**2.79**	**711**	95,031	3.37	800
Residential and commercial	**31,315**	**6.50**	**509**	33,870	6.97	591
Total mortgage-backed securities	**133,322**	**3.66**	**1,220**	128,901	4.32	1,391
Other debt and equity securities	**55,533**	**3.84**	**531**	48,915	4.39	535
Total securities available for sale	**234,806**	**3.77**	**2,214**	214,330	4.32	2,313
Mortgages held for sale (4)	**43,422**	**3.48**	**378**	49,528	3.86	477
Loans held for sale (4)	**177**	**7.85**	**4**	833	5.48	12
Loans:						
Commercial:						
Commercial and industrial	**186,130**	**3.69**	**1,714**	171,776	4.21	1,801
Real estate mortgage	**105,261**	**3.92**	**1,029**	105,509	4.60	1,208
Real estate construction	**16,458**	**5.02**	**206**	17,943	4.96	221
Lease financing	**12,338**	**6.66**	**206**	12,890	6.86	221
Foreign	**42,273**	**2.23**	**235**	38,917	2.57	249
Total commercial	**362,460**	**3.75**	**3,390**	347,035	4.28	3,700
Consumer:						
Real estate 1-4 family first mortgage	**252,558**	**4.23**	**2,671**	230,065	4.62	2,658
Real estate 1-4 family junior lien mortgage	**71,376**	**4.29**	**764**	82,076	4.30	878
Credit card	**24,023**	**12.55**	**752**	22,065	12.70	697
Automobile	**47,942**	**7.05**	**842**	44,625	7.59	842
Other revolving credit and installment	**41,882**	**4.74**	**495**	42,357	4.51	475
Total consumer	**437,781**	**5.05**	**5,524**	421,188	5.29	5,550
Total loans (4)	**800,241**	**4.46**	**8,914**	768,223	4.83	9,250
Other	**4,151**	**5.55**	**57**	4,486	4.56	51
Total earning assets	**$ 1,265,903**	**3.80 %**	**$ 12,027**	1,151,264	4.37 %	$ 12,534
Funding sources						
Deposits:						

Interest-bearing checking	$ **40,422**	**0.06 %**	$ **6**	30,440	0.07 %	$ 5
Market rate and other savings	**541,843**	**0.08**	**111**	500,327	0.12	152
Savings certificates	**52,552**	**1.23**	**161**	60,341	1.34	200
Other time deposits	**26,045**	**0.76**	**50**	12,803	1.83	59
Deposits in foreign offices	**68,871**	**0.15**	**25**	65,587	0.17	27
Total interest-bearing deposits	**729,733**	**0.19**	**353**	669,498	0.27	443
Short-term borrowings	**57,812**	**0.14**	**21**	51,698	0.19	24
Long-term debt	**125,496**	**2.02**	**632**	127,660	2.48	789
Other liabilities	**13,315**	**2.25**	**75**	10,408	2.48	65
Total interest-bearing liabilities	**926,356**	**0.47**	**1,081**	859,264	0.62	1,321
Portion of noninterest-bearing funding sources	**339,547**	**-**	**-**	292,000	-	-
Total funding sources	$ **1,265,903**	**0.34**	**1,081**	1,151,264	0.46	1,321
Net interest margin and net interest income on a taxable-equivalent basis (5)		**3.46 %**	$ **10,946**		3.91 %	$ 11,213
Noninterest-earning assets						
Cash and due from banks	$ **16,214**			16,200		
Goodwill	**25,637**			25,332		
Other	**121,251**			128,788		
Total noninterest-earning assets	$ **163,102**			170,320		
Noninterest-bearing funding sources						
Deposits	$ **280,029**			254,442		
Other liabilities	**57,959**			58,441		
Total equity	**164,661**			149,437		
Noninterest-bearing funding sources used to fund earning assets	**(339,547)**			(292,000)		
Net noninterest-bearing funding sources	$ **163,102**			170,320		
Total assets	$ **1,429,005**			1,321,584		

(1) Our average prime rate was 3.25% for the quarters ended June 30, 2013 and 2012, and 3.25% for the first six months of both 2013 and 2012. The average three-month London Interbank Offered Rate (LIBOR) was 0.28% and 0.47% for the quarters ended June 30, 2013 and 2012, respectively, and 0.28% and 0.49%, respectively, for the first six months of 2013 and 2012.

(2) Yield/rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.

(3) Yields and rates are based on interest income/expense amounts for the period, annualized based on the accrual basis for the respective accounts. The average balance amounts represent amortized cost for the periods presented.

(4) Nonaccrual loans and related income are included in their respective loan categories.

(5) Includes taxable-equivalent adjustments of $196 million and $176 million for the quarters ended June 30, 2013 and 2012, respectively, and $373 million and $346 million for the first six months of 2013 and 2012, respectively, primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate utilized was 35% for the periods presented.

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						Six months ended June 30,			
				2013					2012
(in millions)		**Average balance**	**Yields/ rates**		**Interest income/ expense**	Average balance	Yields/ rates		Interest income/ expense
Earning assets									
Federal funds sold, securities purchased under resale agreements and other short-term investments	$	**128,797**	**0.35 %**	$	**221**	63,635	0.49 %	$	156
Trading assets		**44,388**	**3.07**		**681**	43,190	3.39		731
Securities available for sale (3):									
Securities of U.S. Treasury and federal agencies		**6,880**	**1.65**		**56**	3,875	1.13		22
Securities of U.S. states and political subdivisions		**38,430**	**4.40**		**844**	33,578	4.45		747
Mortgage-backed securities:									
Federal agencies		**98,705**	**2.77**		**1,365**	93,165	3.43		1,597
Residential and commercial		**31,726**	**6.48**		**1,028**	34,201	6.89		1,178
Total mortgage-backed securities		**130,431**	**3.67**		**2,393**	127,366	4.36		2,775
Other debt and equity securities		**54,634**	**3.71**		**1,008**	49,658	4.10		1,015
Total securities available for sale		**230,375**	**3.74**		**4,301**	214,477	4.26		4,559
Mortgages held for sale (4)		**43,367**	**3.45**		**749**	48,218	3.88		936
Loans held for sale (4)		**159**	**8.28**		**7**	790	5.29		21
Loans:									
Commercial:									
Commercial and industrial		**185,327**	**3.71**		**3,414**	169,279	4.20		3,534
Real estate mortgage		**105,738**	**3.88**		**2,035**	105,750	4.33		2,280
Real estate construction		**16,508**	**4.93**		**404**	18,337	4.87		444
Lease financing		**12,381**	**6.72**		**416**	13,009	7.89		513
Foreign		**41,093**	**2.19**		**448**	40,042	2.54		507
Total commercial		**361,047**	**3.75**		**6,717**	346,417	4.22		7,278
Consumer:									
Real estate 1-4 family first mortgage		**252,305**	**4.26**		**5,374**	229,859	4.66		5,346
Real estate 1-4 family junior lien mortgage		**72,715**	**4.29**		**1,548**	83,397	4.28		1,778
Credit card		**24,060**	**12.58**		**1,502**	22,097	12.81		1,408
Automobile		**47,258**	**7.12**		**1,668**	44,155	7.69		1,688
Other revolving credit and installment		**41,779**	**4.72**		**977**	42,478	4.54		958
Total consumer		**438,117**	**5.08**		**11,069**	421,986	5.31		11,178
Total loans (4)		**799,164**	**4.47**		**17,786**	768,403	4.82		18,456
Other		**4,203**	**5.37**		**112**	4,545	4.49		103
Total earning assets	$	**1,250,453**	**3.83 %**	$	**23,857**	1,143,258	4.38 %	$	24,962
Funding sources									
Deposits:									
Interest-bearing checking	$	**36,316**	**0.06 %**	$	**11**	31,299	0.06 %	$	10
Market rate and other savings		**539,708**	**0.09**		**233**	498,177	0.12		305
Savings certificates		**53,887**	**1.23**		**328**	61,515	1.35		413
Other time deposits		**21,003**	**0.95**		**99**	12,727	1.88		119
Deposits in foreign offices		**69,968**	**0.15**		**51**	65,217	0.16		53
Total interest-bearing deposits		**720,882**	**0.20**		**722**	668,935	0.27		900
Short-term borrowings		**56,618**	**0.16**		**44**	50,040	0.17		43
Long-term debt		**126,299**	**2.11**		**1,329**	127,599	2.54		1,619
Other liabilities		**12,467**	**2.24**		**140**	10,105	2.55		129
Total interest-bearing liabilities		**916,266**	**0.49**		**2,235**	856,679	0.63		2,691

Portion of noninterest-bearing funding sources		**334,187**	**-**		**-**	286,579	-		-
Total funding sources	**$**	**1,250,453**	**0.36**		**2,235**	1,143,258	0.47		2,691
Net interest margin and net interest income on a taxable-equivalent basis (5)			**3.47 %**	**$**	**21,622**		3.91 %	$	22,271
Noninterest-earning assets									
Cash and due from banks	**$**	**16,371**				16,587			
Goodwill		**25,638**				25,230			
Other		**124,279**				127,177			
Total noninterest-earning assets	**$**	**166,288**				168,994			
Noninterest-bearing funding sources									
Deposits	**$**	**277,141**				250,528			
Other liabilities		**60,784**				57,821			
Total equity		**162,550**				147,224			
Noninterest-bearing funding sources used to fund earning assets		**(334,187)**				(286,579)			
Net noninterest-bearing funding sources	**$**	**166,288**				168,994			
Total assets	**$**	**1,416,741**				1,312,252			

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Earnings Performance ***(continued)***

Noninterest Income

Table 2: Noninterest Income

(in millions)	Quarter ended June 30, **2013**	2012	% Change	Six months ended June 30, **2013**	2012	% Change
Service charges on deposit accounts	$ **1,248**	1,139	10 %	$ **2,462**	2,223	11 %
Trust and investment fees:						
Brokerage advisory, commissions and other fees (1)	**2,127**	1,845	15	**4,177**	3,675	14
Trust and investment management (1)	**829**	762	9	**1,628**	1,514	8
Investment banking	**538**	291	85	**891**	548	63
Total trust and investment fees	**3,494**	2,898	21	**6,696**	5,737	17
Card fees	**813**	704	15	**1,551**	1,358	14
Other fees:						
Charges and fees on loans	**387**	427	(9)	**771**	872	(12)
Merchant processing fees	**174**	157	11	**328**	282	16
Cash network fees	**125**	120	4	**242**	238	2
Commercial real estate brokerage commissions	**73**	82	(11)	**118**	132	(11)
Letters of credit fees	**102**	108	(6)	**211**	220	(4)
All other fees	**228**	240	(5)	**453**	485	(7)
Total other fees	**1,089**	1,134	(4)	**2,123**	2,229	(5)
Mortgage banking:						
Servicing income, net	**393**	679	(42)	**707**	931	(24)
Net gains on mortgage loan origination/sales activities	**2,409**	2,214	9	**4,889**	4,832	1
Total mortgage banking	**2,802**	2,893	(3)	**5,596**	5,763	(3)
Insurance	**485**	522	(7)	**948**	1,041	(9)
Net gains from trading activities	**331**	263	26	**901**	903	-
Net losses on debt securities available for sale	**(54)**	(61)	(11)	**(9)**	(68)	(87)
Net gains from equity investments	**203**	242	(16)	**316**	606	(48)
Lease income	**225**	120	88	**355**	179	98
Life insurance investment income	**142**	154	(8)	**287**	322	(11)
All other	**(150)**	244	NM	**162**	707	(77)
Total	$ **10,628**	10,252	4	$ **21,388**	21,000	2

NM - Not meaningful

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

Noninterest income was $10.6 billion and $10.3 billion for second quarter 2013 and 2012, respectively, and $21.4 billion and $21.0 billion for the first half of 2013 and 2012, respectively. Noninterest income represented 50% of revenue for both the second quarter and first half of 2013 compared with 48% and 49%, respectively, for the same periods a year ago. The increase in noninterest income in the second quarter and first

half of 2013 from the same periods a year ago was driven by solid performance in many of our businesses including retail deposits, credit card, merchant card processing, government and institutional banking, corporate banking, capital markets, asset-backed finance, commercial real estate, corporate trust, wealth management, retail brokerage, and retirement services.

Our service charges on deposit accounts increased in second quarter 2013 by $109 million, or 10% from second quarter 2012, and $239 million in the first half of 2013, or 11% from the first half of 2012, due to primary consumer checking customer growth, product changes and continued customer adoption of overdraft services.

We receive brokerage advisory, commissions and other fees for providing services to full-service and discount brokerage customers. Brokerage advisory, commissions and other fees

include transactional commissions based on the number of transactions executed at the customer s direction, and asset-based fees, which are based on the market value of the customer s assets. These fees increased to $2.1 billion and $4.2 billion in the second quarter and first half of 2013, respectively, from $1.8 billion and $3.7 billion for the same periods in 2012. The growth was predominantly due to higher asset-based fees from improved market performance and growing market share, as well as higher brokerage transactional revenue driven by increased client activity. Brokerage client assets totaled $1.3 trillion at June 30, 2013, a 9% increase from $1.2 trillion at June 30, 2012, due to higher market values and customer growth in assets under management.

We earn trust and investment management fees from managing and administering assets, including mutual funds, corporate trust, personal trust, employee benefit trust and agency assets. At June 30, 2013, these assets totaled $2.3 trillion, up 4% from $2.2 trillion at June 30, 2012, driven by higher market values. Trust and investment management fees are largely based on a tiered scale relative to the market value of the assets under management or administration. These fees increased to $829 million and $1.6 billion in the second quarter

and first half of 2013, respectively, from $762 million and $1.5 billion for the same periods in 2012, primarily due to growth in assets under management and higher market values.

We earn investment banking fees from underwriting debt and equity securities, loan syndications, and performing other related advisory services. Investment banking fees increased to $538 million and $891 million in the second quarter and first half of 2013, respectively, from $291 million and $548 million for the same periods a year ago, due primarily to increased loan syndication volume and equity originations.

Card fees were $813 million in second quarter 2013, compared with $704 million in second quarter 2012 and $1.6 billion and $1.4 billion for the first half of 2013 and 2012, respectively. Card fees increased primarily due to active account growth and increased purchase activity.

Mortgage banking noninterest income, consisting of net servicing income and net gains on loan origination/sales activities, totaled $2.8 billion in second quarter 2013, compared with $2.9 billion in second quarter 2012 and totaled $5.6 billion for the first half of 2013, compared with $5.8 billion for the same period a year ago.

Net mortgage loan servicing income includes amortization of commercial mortgage servicing rights (MSRs), changes in the fair value of residential MSRs during the period, as well as changes in the value of derivatives (economic hedges) used to hedge the residential MSRs. Net servicing income for second quarter 2013 included a $68 million net MSR valuation gain ($1.87 billion increase in the fair value of the MSRs offset by a $1.80 billion hedge loss) and for second quarter 2012 included a $377 million net MSR valuation gain ($1.63 billion decrease in the fair value of MSRs offset by a $2.01 billion hedge gain). For the first half of 2013, net servicing income included a $197 million net MSR valuation gain ($2.63 billion increase in the fair value of the MSRs offset by a $2.43 billion hedge loss) and for the same period of 2012, included a $319 million net MSR valuation gain ($1.79 billion decrease in the fair value of MSRs offset by a $2.11 billion hedge gain). Our portfolio of loans serviced for others was $1.90 trillion at June 30, 2013, and $1.91 trillion at December 31, 2012. At June 30, 2013, the ratio of MSRs to related loans serviced for others was 0.81%, compared with 0.67% at December 31, 2012. See the Risk Management Mortgage Banking Interest Rate and Market Risk section of this Report for additional information regarding our MSRs risks and hedging approach.

Net gains on mortgage loan origination/sale activities were $2.4 billion and $4.9 billion in the second quarter and first half of 2013, respectively, compared with $2.2 billion and $4.8 billion for the same periods a year ago. The year over year increases for both periods were driven by higher margins, partially offset by lower origination volumes. Mortgage loan originations were $112 billion for second quarter 2013, of which 44% were for home purchases, compared with $131 billion and 38% for the same period a year ago. During the first half of 2013, we retained for investment $3.6 billion of 1-4 family conforming first mortgage loans, forgoing approximately $120 million of revenue that could have been generated had the loans been originated for sale along with other agency conforming loan production. While retaining these mortgage loans on our balance

sheet reduced mortgage revenue, we expect to generate greater spread income in future quarters from mortgage loans with higher yields than mortgage-backed securities we could have purchased in the market. While we do not currently plan to hold additional conforming mortgages on balance sheet, we have a large mortgage business and strong capital that provides us with the flexibility to make such choices in the future to benefit our long-term results. Mortgage applications were $146 billion and $286 billion in the second quarter and first half of 2013, compared with $208 billion and $396 billion for the same periods a year ago. The 1-4 family first mortgage unclosed pipeline was $63 billion at June 30, 2013, and $102 billion at June 30, 2012. For additional information about our mortgage banking activities and results, see the Risk Management Mortgage Banking Interest Rate and Market Risk section and Note 8 (Mortgage Banking Activities) and Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Net gains on mortgage loan origination/sales activities include the cost of additions to the mortgage repurchase liability. Mortgage loans are repurchased from third parties based on standard representations and warranties, and early payment default clauses in mortgage sale contracts. Additions to the mortgage repurchase liability that were charged against net gains on mortgage loan origination/sales activities during second quarter 2013 totaled $65 million (compared with $669 million for second quarter 2012), of which $25 million ($597 million for second quarter 2012) was for subsequent increases in estimated losses on prior period loan sales. Additions to the mortgage repurchase liability for the first half of 2013 and 2012 were $374 million and $1.1 billion, respectively, of which $275 million and $965 million, respectively, were for subsequent increase in estimated losses on prior period loan sales. For additional information about mortgage loan repurchases, see the Risk Management Credit Risk Management Liability for Mortgage Loan Repurchase Losses section and Note 8 (Mortgage Banking Activities) to Financial Statements in this Report.

We engage in trading activities primarily to accommodate the investment activities of our customers, execute economic hedging to manage certain of our balance sheet risks and for a very limited amount of proprietary trading for our own account. Net gains (losses) from trading activities, which reflect unrealized changes in fair value of our trading positions and realized gains and losses, were $331 million and $901 million in the second quarter and first half of 2013, respectively, and $263 million and $903 million in the second quarter and first half of 2012. The year-over-year increase for the quarter was driven in part by higher gains on deferred compensation plan investments (offset in employee

benefits expense). Net gains (losses) 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 $4 million of net gains in second quarter 2013 and $8 million of net gains in the first half of 2013 compared with $1 million of net loss and $14 million of net gains for the same periods, respectively, in 2012. Proprietary trading results also included interest and fees reported in their corresponding income

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Earnings Performance *(continued)*

statement line items. Proprietary trading activities are not significant to our client-focused business model. For additional information about proprietary and other trading, see Risk Management Asset and Liability Management Market Risk Trading Activities section in this Report.

Net gains on debt and equity securities totaled $149 million for second quarter 2013 and $181 million for second quarter 2012 ($307 million and $538 million for the first half of 2013 and 2012, respectively), after other-than-temporary impairment (OTTI) write-downs of $111 million and $120 million for second

quarter 2013 and 2012, respectively, and $189 million and $185 million for the first half of 2013 and 2012, respectively.

All other income includes ineffectiveness recognized on derivatives that qualify for hedge accounting, losses on low income housing tax credit investments, foreign currency adjustments, and income from investments accounted for under the equity accounting method, any of which can cause other income losses. Lower other income for the second quarter and first half of 2013 primarily reflected an increase in ineffectiveness losses on derivatives that qualify for hedge accounting.

Noninterest Expense

Table 3: Noninterest Expense

	Quarter ended June 30,		%	Six months ended June 30,		%
(in millions)	**2013**	2012	Change	**2013**	2012	Change
Salaries	$ **3,768**	3,705	2%	$ **7,431**	7,306	2%
Commission and incentive compensation	**2,626**	2,354	12	**5,203**	4,771	9
Employee benefits	**1,118**	1,049	7	**2,701**	2,657	2
Equipment	**418**	459	(9)	**946**	1,016	(7)
Net occupancy	**716**	698	3	**1,435**	1,402	2
Core deposit and other intangibles	**377**	418	(10)	**754**	837	(10)
FDIC and other deposit assessments	**259**	333	(22)	**551**	690	(20)
Outside professional services	**607**	658	(8)	**1,142**	1,252	(9)
Operating losses	**288**	524	(45)	**445**	1,001	(56)
Foreclosed assets	**146**	289	(49)	**341**	593	(42)
Contract services	**226**	236	(4)	**433**	539	(20)
Outside data processing	**235**	233	1	**468**	449	4
Travel and entertainment	**229**	218	5	**442**	420	5
Postage, stationery and supplies	**184**	195	(6)	**383**	411	(7)
Advertising and promotion	**183**	144	27	**288**	266	8
Telecommunications	**125**	127	(2)	**248**	251	(1)
Insurance	**143**	183	(22)	**280**	340	(18)
Operating leases	**49**	27	81	**97**	55	76
All other	**558**	547	2	**1,067**	1,134	(6)
Total	$ **12,255**	12,397	(1)	$ **24,655**	25,390	(3)

Noninterest expense was $12.3 billion in second quarter 2013, down 1% from $12.4 billion a year ago, primarily due to lower operating losses ($288 million, down from $524 million a year ago) and lower foreclosed assets expense ($146 million, down from $289 million a year ago), partially offset by higher personnel expenses ($7.5 billion, up from $7.1 billion a year ago). For the first half of 2013, noninterest expense was down 3% from the same period a year ago predominantly due to lower operating losses ($445 million, down from $1.0 billion in first half of 2012), the completion of Wachovia merger integration activities in the prior year ($218 million in first half of 2012), and lower foreclosed assets expense reflecting an improvement in the real estate market ($341 million, down from $593 million in first half of 2012), partially offset by higher personnel expenses ($15.3 billion, up from $14.7 billion a year ago).

Personnel expenses were up $404 million, or 6%, in second quarter 2013 compared with the same quarter last year, largely due to higher revenue-based compensation, increased staffing primarily in our mortgage business, and annual salary increases and related employment taxes. Included in personnel expense was a $69 million increase in employee benefits partly due to

higher deferred compensation expense (offset in trading income). Personnel expenses were up $601 million, or 4%, for the first half of 2013 compared with the same period in 2012, mostly due to higher revenue-based compensation, and annual salary increases and related salary taxes.

The completion of Wachovia integration activities, which totaled $218 million in first quarter 2012, contributed to year-over-year reductions in the first half of 2013, mainly in outside professional services and contract services.

Operating losses were down 45% and 56% in the second quarter and first half of 2013, respectively, compared with the same periods a year ago. The decrease for both periods is primarily due to lower mortgage-related litigation charges.

Foreclosed assets expense was down 49% in second quarter 2013 compared with the same quarter last year and down 42% in the first half of 2013 compared with the same period in 2012, reflecting lower write-downs and higher gains on sale of foreclosed properties, primarily due to the improvement in the real estate market.

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The Company continued to operate within its targeted efficiency ratio range of 55 to 59%, with a ratio of 57.3% in second quarter 2013, compared with 58.2% in the prior year.

Income Tax Expense

Our effective tax rate was 34.2% and 33.9% for second quarter 2013 and 2012, respectively. Our effective tax rate was 33.1% in the first half of 2013, down from 34.6% in the first half of 2012. The lower tax rate in the first half of 2013 reflected a tax benefit from the realization for tax purposes of a previously written down investment and a reduction in accruals for uncertain tax positions.

Operating Segment Results

We are organized for management reporting purposes into three operating segments: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. These segments are defined by product type and customer segment and their results are based on our management accounting process, for which there is no comprehensive, authoritative financial accounting guidance equivalent to generally accepted accounting principles (GAAP). In first quarter 2012, we modified internal funds transfer rates and the allocation of funding. Table 4 and the following discussion present our results by operating segment. For a more complete description of our operating segments, including additional financial information and the underlying management accounting process, see Note 18 (Operating Segments) to Financial Statements in this Report.

Table 4: Operating Segment Results   Highlights

		Community Banking		Wholesale Banking		Wealth, Brokerage and Retirement		Other (1)		Consolidated Company	
(in billions)		**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Quarter ended June 30,											
Revenue	$	**12.9**	13.1	**6.1**	6.1	**3.3**	3.0	**(0.9)**	(0.9)	**21.4**	21.3
Provision (reversal of provision) for credit losses		**0.8**	1.6	**(0.1)**	0.2	**-**	-	**-**	-	**0.7**	1.8
Noninterest expense		**7.2**	7.6	**3.2**	3.1	**2.5**	2.4	**(0.6)**	(0.7)	**12.3**	12.4
Net income		**3.2**	2.5	**2.0**	1.9	**0.4**	0.3	**(0.1)**	(0.1)	**5.5**	4.6
Average loans		**498.2**	483.9	**286.9**	270.2	**45.4**	42.5	**(30.3)**	(28.4)	**800.2**	768.2
Average core deposits		**623.0**	586.1	**230.5**	220.9	**146.4**	134.2	**(63.8)**	(60.6)	**936.1**	880.6
Six months ended June 30,											
Revenue	$	**25.8**	26.5	**12.2**	12.2	**6.5**	6.0	**(1.9)**	(1.8)	**42.6**	42.9
Provision (reversal of provision) for credit losses		**2.0**	3.5	**(0.2)**	0.3	**-**	0.1	**0.1**	(0.1)	**1.9**	3.8
Noninterest expense		**14.6**	15.4	**6.3**	6.2	**5.2**	4.9	**(1.4)**	(1.1)	**24.7**	25.4
Net income		**6.2**	4.9	**4.0**	3.7	**0.8**	0.6	**(0.3)**	(0.3)	**10.7**	8.9
Average loans		**498.6**	485.0	**285.7**	269.4	**44.6**	42.5	**(29.7)**	(28.5)	**799.2**	768.4
Average core deposits		**621.1**	580.7	**227.3**	220.9	**147.9**	134.9	**(65.3)**	(60.9)	**931.0**	875.6

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

Community Banking offers a complete line of diversified financial products and services for consumers and small businesses. These products include investment, insurance and trust services in 39 states and D.C., and mortgage and home equity loans in all 50 states and D.C. through its Regional Banking and Wells Fargo Home Lending business units. Cross-sell of our products is an important part of our strategy to achieve our vision to satisfy all our customers financial needs. Our retail bank household cross-sell was 6.14 products per household in May 2013, up from 6.00 in May 2012. We believe there is more opportunity for cross-sell as we continue to earn more business from our customers. Our goal is eight products per household, which is approximately half of our estimate of potential demand for an average U.S. household. In May 2013, one of every four of our retail banking households had eight or more of our products.

Community Banking had net income of $3.2 billion, up $710 million, or 28%, from second quarter 2012, and $6.2 billion for the first six months of 2013, up $1.3 billion, or 26%, compared with the same period a year ago. Revenue of $12.9 billion,

decreased $150 million, or 1%, from second quarter 2012, and was $25.8 billion for the first six months of 2013, a decrease of $672 million, or 3%, compared with the same period last year. The decrease in revenue was due to lower net interest income, lower mortgage banking revenue, and lower other noninterest income, mostly offset by growth in deposit service charges, higher trust and investment fees, and higher debit, credit and merchant card processing volumes. Average core deposits increased $37 billion, or 6%, from second quarter 2012 and $40 billion, or 7%, from the first six months of 2012. The number of primary consumer checking customers grew 3.5% from second quarter 2012 (May 2013 compared with May 2012). Noninterest expense declined 5% from second quarter 2012 and for the first six months of 2012, largely driven by lower operating losses and Federal Deposit Insurance Corporation (FDIC) deposit insurance assessments. The provision for credit losses was $810 million, or 51% lower than second quarter 2012, and $1.4 billion, or 41% lower than the first six months of 2012, as net-charge offs declined and portfolio credit performance improved, largely in the residential real estate portfolios.

Earnings Performance ***(continued)***

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 had net income of $2.0 billion in second quarter 2013, up $123 million, or 7%, from second quarter 2012. In the first half of the year, net income increased $300 million or 8% from a year ago to $4.0 billion. Results for the first six months of 2013 benefited from strong noninterest income growth and improvement in provision for loan losses. Revenue in second quarter 2013 increased $18 million, or 0.3%, from second quarter 2012 and revenue in the first half of 2013 increased $71 million, or 1%, from the first half of 2012 as strong noninterest income growth in capital markets, asset backed finance and real estate capital markets was partially offset by lower net interest income primarily related to lower purchased credit impaired (PCI) resolutions. Average loans of $286.9 billion in second quarter 2013 increased 6% from second quarter 2012 driven by strong customer demand. Average core deposits of $230.5 billion in second quarter 2013 increased 4% from second quarter 2012, reflecting continued customer liquidity. Noninterest expense in second quarter and for the first half of 2013 increased 2%, from the comparable periods last year, due to higher personnel expense related to growing the business and higher non-personnel expenses related to growth initiatives. The provision for credit losses improved $306 million from second quarter 2012 and $459 million from first half of 2012 driven by net recoveries in 2013 compared with net charge-offs in 2012 and other improved credit performance.

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

Wealth, Brokerage and Retirement reported net income of $434 million in second quarter 2013, up 27% from second quarter 2012. Net income for the first half of 2013 was $771 million, up 21% compared with the same period a year ago. Net income growth was driven by higher noninterest income and an improved efficiency ratio. Second quarter 2013 total revenue was up 10% from second quarter 2012 and up 7% for the first six months of 2013 from the same period in 2012, predominantly due to growth in asset-based fees from improved market performance and growing market share, as well as higher brokerage transaction revenue, partially offset by reduced securities gains in the brokerage business. Average core deposits in second quarter 2013 of $146.4 billion were up 9% from second quarter 2012. First half 2013 average core deposits increased 10% from the same period a year ago. Noninterest expense for the second quarter 2013 was up 7% from second quarter 2012 and up 5% from the first six months of 2012 largely due to higher personnel expenses, primarily broker commissions. Total provision for credit losses decreased $18 million and $47 million from the second quarter and first half of 2012, respectively, driven by lower net charge-offs and continued improvement in credit.

Balance Sheet Analysis

At June 30, 2013, our assets totaled $1.4 trillion, up $17.6 billion from December 31, 2012. The predominant areas of asset growth were in securities available for sale, which increased $14.2 billion, and federal funds sold and short-term investments, which increased $11.4 billion, partially offset by a $3.9 billion decrease in cash and due from banks. Deposit growth of $18.8 billion and total equity growth of $4.9 billion

from December 31, 2012, were the predominant sources of funding our asset growth for the first half of 2013. The deposit growth resulted in an increase in the proportion of interest-bearing deposits while equity growth benefited from $7.3 billion in earnings, net of dividends paid, as well as from the repurchase of common stock and the issuance of preferred stock. The strength of our business model produced record earnings and continued internal capital

generation as reflected in our capital ratios, all of which improved from December 31, 2012. Tier 1 capital as a percentage of total risk-weighted assets increased to 12.12%, total capital increased to 15.03%, Tier 1 leverage increased to 9.63%, and Tier 1 common equity increased to 10.71% at June 30, 2013, compared with 11.75%, 14.63%, 9.47%, and 10.12%, respectively, at December 31, 2012.

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

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Securities Available for Sale

Table 5: Securities Available for Sale Summary

		June 30, 2013			December 31, 2012	
(in millions)	Cost	Net unrealized gain	Fair value	Cost	Net unrealized gain	Fair value
Debt securities available for sale	$ 242,158	4,524	246,682	220,946	11,468	232,414
Marketable equity securities	2,210	547	2,757	2,337	448	2,785
Total securities available for sale	$ 244,368	5,071	249,439	223,283	11,916	235,199

Table 5 presents a summary of our securities available-for-sale portfolio, which consists of both debt and marketable equity securities. The total net unrealized gains on securities available for sale were $5.1 billion at June 30, 2013, down from net unrealized gains of $11.9 billion at December 31, 2012, due primarily to an increase in long-term interest rates.

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

We analyze securities for OTTI quarterly or more often if a potential loss-triggering event occurs. Of the $189 million in OTTI write-downs recognized in the first half of 2013, $105 million related to debt securities. There was $9 million in OTTI write-downs for marketable equity securities and $75 million in OTTI write-downs related to nonmarketable equity investments. For a discussion of our OTTI accounting policies and underlying considerations and analysis see Note 1 (Summary of Significant Accounting Policies Investments) in our 2012 Form 10-K and Note 4 (Securities Available for Sale) to Financial Statements in this Report.

At June 30, 2013, debt securities available for sale included $40.9 billion of municipal bonds, of which 83% were rated A- or better based predominantly on external and, in some cases, internal ratings. Additionally, some of the securities in our total municipal bond portfolio are guaranteed against loss by bond insurers. These guaranteed bonds are predominantly investment grade and were generally underwritten in accordance with our

own investment standards prior to the determination to purchase, without relying on the bond insurer s guarantee in making the investment decision. Our municipal bond holdings are monitored as part of our ongoing impairment analysis of our securities available for sale.

The weighted-average expected maturity of debt securities available for sale was 6.7 years at June 30, 2013. Because 58% of this portfolio is MBS, the expected remaining maturity is shorter than the remaining contractual maturity because borrowers generally have the right to prepay obligations before the underlying mortgages mature. The estimated effects of a 200 basis point increase or decrease in interest rates on the fair

value and the expected remaining maturity of the MBS available for sale are shown in Table 6.

Table 6: Mortgage-Backed Securities

(in billions)	Fair value	Net unrealized gain (loss)	Expected remaining maturity (in years)
At June 30, 2013			
Actual	$ 144.0	2.6	5.7
Assuming a 200 basis point:			
Increase in interest rates	130.4	(11.0)	7.0
Decrease in interest rates	151.2	9.8	3.2

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

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Balance Sheet Analysis *(continued)*

Loan Portfolio

Total loans were $802.0 billion at June 30, 2013, up $2.4 billion from December 31, 2012. Table 7 provides a summary of total outstanding loans for our commercial and consumer loan portfolios. The runoff in the non-strategic/liquidating portfolios was $7.0 billion, while loans in the core portfolio grew $9.4 billion from December 31, 2012. Our core loan growth in 2013 included:

- a $2.9 billion increase in the commercial segment from growth in the commercial and industrial and foreign loans portfolios; and
- a $6.5 billion increase in consumer loans with growth of $11.0 billion of 1-4 family non-conforming first mortgages, partially offset by runoff in the core portfolio.

In July 2013, we signed an agreement to acquire an institutional loan portfolio from Commerzbank s Hypothekenbank Frankfurt involving £3.5 billion ($5.4 billion) of commercial real estate loans throughout the United Kingdom. A portion of the portfolio, consisting of approximately £1.0 billion ($1.5 billion) of non-performing assets, was acquired by a third party, for which we provided financing. The transaction closed on August 2, 2013.

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

Table 7: Loan Portfolios

	June 30, 2013			December 31, 2012		
(in millions)	**Core**	**Liquidating**	**Total**	Core	Liquidating	Total
Commercial	**$ 360,940**	**2,532**	**363,472**	358,028	3,170	361,198
Consumer	**353,470**	**85,032**	**438,502**	346,984	91,392	438,376
Total loans	**$ 714,410**	**87,564**	**801,974**	705,012	94,562	799,574

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

information are in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

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

Table 8: Maturities for Selected Commercial Loan Categories

	June 30, 2013				December 31, 2012			
(in millions)	**Within one year**	**After one year through five years**	**After five years**	**Total**	Within one year	After one year through five years	After five years	Total
Selected loan maturities:								
Commercial and industrial	**$ 42,973**	**126,183**	**19,602**	**188,758**	45,212	123,578	18,969	187,759
Real estate mortgage	**20,504**	**57,284**	**26,885**	**104,673**	22,328	56,085	27,927	106,340
Real estate construction	**6,659**	**8,507**	**1,276**	**16,442**	7,685	7,961	1,258	16,904
Foreign	**30,232**	**9,207**	**2,394**	**41,833**	27,219	7,460	3,092	37,771
Total selected loans	**$ 100,368**	**201,181**	**50,157**	**351,706**	102,444	195,084	51,246	348,774
Distribution of loans to changes in interest rates:								
Loans at fixed interest rates	**$ 16,157**	**21,305**	**12,685**	**50,147**	17,218	20,894	11,387	49,499
Loans at floating/variable interest rates	**84,211**	**179,876**	**37,472**	**301,559**	85,226	174,190	39,859	299,275
Total selected loans	**$ 100,368**	**201,181**	**50,157**	**351,706**	102,444	195,084	51,246	348,774

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Deposits

Deposits totaled $1.0 trillion at June 30, 2013, and December 31, 2012. Table 9 provides additional information regarding deposits. Information regarding the impact of deposits on net interest income and a comparison of average deposit balances is provided in Earnings Performance Net Interest Income

and Table 1 earlier in this Report. Total core deposits were $941.2 billion at June 30, 2013, down $4.5 billion from $945.7 billion at December 31, 2012.

Table 9: Deposits

($ in millions)	**June 30, 2013**	**% of total deposits**	Dec. 31, 2012	% of total deposits	% Change
Noninterest-bearing	**$ 277,647**	**27 %**	$ 288,207	29 %	(4)
Interest-bearing checking	**35,924**	**3**	35,275	4	2
Market rate and other savings	**527,036**	**52**	517,464	52	2
Savings certificates	**49,987**	**5**	55,966	6	(11)
Foreign deposits (1)	**50,564**	**5**	48,837	4	4
Core deposits	**941,158**	**92**	945,749	95	-
Other time and savings deposits	**46,763**	**5**	33,755	3	39
Other foreign deposits	**33,664**	**3**	23,331	2	44
Total deposits	**$ 1,021,585**	**100 %**	$ 1,002,835	100 %	2

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

Fair Valuation of Financial Instruments

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

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

Table 10: Fair Value Level 3 Summary

($ in billions)	June 30, 2013 Total balance	Level 3 (1)	December 31, 2012 Total balance	Level 3 (1)
Assets carried at fair value	**$ 368.5**	**42.5**	358.7	51.9
As a percentage of total assets	**26 %**	**3**	25	4
Liabilities carried at fair value	**$ 23.2**	**3.6**	22.4	3.1
As a percentage of total liabilities	**2 %**	*	2	*

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

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

Equity

Total equity was $163.8 billion at June 30, 2013 compared with $158.9 billion at December 31, 2012. The increase was predominantly driven by a $7.2 billion increase in retained earnings, partially offset by a $3.9 billion decline in cumulative other comprehensive income (OCI). The decline in OCI was due to a $6.8 billion ($4.2 billion after tax) reduction in net unrealized gains on our securities available for sale portfolio resulting from an increase in long-term interest rates. This decline was partially offset by our recognition of settlement losses and the related re-measurement of our Cash Balance Plan liability, which increased cumulative other comprehensive income by $840 million ($524 million after tax). See Note 15 (Employee Benefits) to Financial Statements in this Report for additional information.

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Off-Balance Sheet Arrangements

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

Commitments to Lend

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

Transactions with Unconsolidated Entities

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

Guarantees and Certain Contingent Arrangements

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

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

Derivatives

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

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

Other Commitments

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

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Risk Management

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

Operational Risk Management

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

Credit Risk Management

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

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

(in millions)		June 30, 2013	Dec. 31, 2012
Commercial:			
Commercial and industrial	$	**188,758**	187,759
Real estate mortgage		**104,673**	106,340
Real estate construction		**16,442**	16,904
Lease financing		**11,766**	12,424
Foreign (1)		**41,833**	37,771
Total commercial		**363,472**	361,198
Consumer:			
Real estate 1-4 family first mortgage		**252,841**	249,900
Real estate 1-4 family junior lien mortgage		**70,059**	75,465
Credit card		**24,815**	24,640
Automobile		**48,648**	45,998
Other revolving credit and installment		**42,139**	42,373
Total consumer		**438,502**	438,376
Total loans	$	**801,974**	799,574

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

Risk Management Credit Risk Management *(continued)*

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

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

Fargo Financial, and our education finance government guaranteed loan portfolio. The total balance of our non-strategic and liquidating loan portfolios has decreased 54% since the merger with Wachovia at December 31, 2008, and decreased 7% from the end of 2012.

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

Table 12: Non-Strategic and Liquidating Loan Portfolios

		Outstanding balance		
		June 30,	December 31,	
(in millions)		**2013**	2012	2008
Commercial:				
Legacy Wachovia commercial and industrial, CRE and foreign PCI loans (1)	$	**2,532**	3,170	18,704
Total commercial		**2,532**	3,170	18,704
Consumer:				
Pick-a-Pay mortgage (1)		**54,755**	58,274	95,315
Liquidating home equity		**4,173**	4,647	10,309
Legacy Wells Fargo Financial indirect auto		**428**	830	18,221
Legacy Wells Fargo Financial debt consolidation		**13,707**	14,519	25,299
Education Finance - government guaranteed		**11,534**	12,465	20,465
Legacy Wachovia other PCI loans (1)		**435**	657	2,478
Total consumer		**85,032**	91,392	172,087
Total non-strategic and liquidating loan portfolios	$	**87,564**	94,562	190,791

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

PURCHASED CREDIT-IMPAIRED (PCI) LOANS Loans acquired with evidence of credit deterioration since their origination and where it is probable that we will not collect all contractually required principal and interest payments are PCI loans. Substantially all of our PCI loans were acquired in the Wachovia acquisition on December 31, 2008. PCI loans are recorded at fair value at the date of acquisition, and the historical allowance for credit losses related to these loans is not carried over. The carrying value of PCI loans totaled $28.8 billion at June 30,

2013, down from $31.0 billion and $58.8 billion at December 31, 2012 and 2008, respectively. Such loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments. For additional information on PCI loans, see the Risk Management Credit Risk Management Purchased Credit-Impaired Loans section in our 2012 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

During the first half of 2013, we recognized as income $52 million released from the nonaccretable difference related to commercial PCI loans due to payoffs and other resolutions. We also transferred $907 million from the nonaccretable difference to the accretable yield for PCI loans with improving credit-related cash flows and absorbed $564 million of losses in the nonaccretable difference from loan resolutions and write-downs. Our cash flows expected to be collected have been favorably affected by lower than expected defaults and losses as a result of observed economic strengthening, particularly in housing prices, and by our loan modification efforts. See the Real Estate 1-4 Family First and Junior Lien Mortgage Loans section in this Report for additional information. Table 13 provides an analysis of changes in the nonaccretable difference.

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Table 13: Changes in Nonaccretable Difference for PCI Loans

(in millions)		Commercial	Pick-a-Pay	Other consumer	Total
Balance, December 31, 2008	$	10,410	26,485	4,069	40,964
Addition of nonaccretable difference due to acquisitions		195	-	-	195
Release of nonaccretable difference due to:					
Loans resolved by settlement with borrower (1)		(1,426)	-	-	(1,426)
Loans resolved by sales to third parties (2)		(303)	-	(85)	(388)
Reclassification to accretable yield for loans with improving credit-related cash flows (3)		(1,531)	(3,031)	(792)	(5,354)
Use of nonaccretable difference due to:					
Losses from loan resolutions and write-downs (4)		(6,923)	(17,222)	(2,882)	(27,027)
Balance, December 31, 2012		**422**	**6,232**	**310**	**6,964**
Addition of nonaccretable difference due to acquisitions		**-**	**-**	**-**	**-**
Release of nonaccretable difference due to:					
Loans resolved by settlement with borrower (1)		**(47)**	**-**	**-**	**(47)**
Loans resolved by sales to third parties (2)		**(5)**	**-**	**-**	**(5)**
Reclassification to accretable yield for loans with improving credit-related cash flows (3)		**(41)**	**(866)**	**-**	**(907)**
Use of nonaccretable difference due to:					
Losses from loan resolutions and write-downs (4)		**(18)**	**(486)**	**(60)**	**(564)**
Balance, June 30, 2013	**$**	**311**	**4,880**	**250**	**5,441**
Balance, March 31, 2013	**$**	**336**	**5,887**	**263**	**6,486**
Addition of nonaccretable difference due to acquisitions		**-**	**-**	**-**	**-**
Release of nonaccretable difference due to:					
Loans resolved by settlement with borrower (1)		**(17)**	**-**	**-**	**(17)**
Loans resolved by sales to third parties (2)		**-**	**-**	**-**	**-**
Reclassification to accretable yield for loans with improving credit-related cash flows (3)		**(10)**	**(866)**	**-**	**(876)**
Use of nonaccretable difference due to:					
Losses from loan resolutions and write-downs (4)		**2**	**(141)**	**(13)**	**(152)**
Balance, June 30, 2013	**$**	**311**	**4,880**	**250**	**5,441**

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

Since December 31, 2008, we have released $8.1 billion in nonaccretable difference, including $6.3 billion transferred from the nonaccretable difference to the accretable yield and $1.8 billion released to income through loan resolutions. Also, we have provided $1.8 billion for losses on certain PCI loans or pools of PCI loans that have had credit-related decreases to cash flows expected to be collected. The net result is a $6.3 billion reduction from December 31, 2008, through June 30, 2013, in our initial projected losses of $41.0 billion on all PCI loans.

At June 30, 2013, the allowance for credit losses on certain PCI loans was $71 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 June 30, 2013.

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

Risk Management Credit Risk Management *(continued)*

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

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	$ 1,473	-	-	1,473
Loans resolved by sales to third parties (2)	308	-	85	393
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	1,572	3,897	792	6,261
Total releases of nonaccretable difference due to better than expected losses	3,353	3,897	877	8,127
Provision for losses due to credit deterioration (4)	(1,659)	-	(124)	(1,783)
Actual and projected losses on PCI loans less than originally expected	$ 1,694	3,897	753	6,344

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

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

The commercial and industrial loans and lease financing portfolio, which totaled $200.5 billion or 25% of total loans at June 30, 2013, experienced credit improvement in second quarter 2013. The annualized net charge-off rate for this portfolio was 0.19% for both first and second quarter 2013, and 0.46% for the full year of 2012. At June 30, 2013, 0.52% of this portfolio was nonaccruing compared with 0.72% at December 31, 2012. In addition, $17.2 billion of this portfolio was criticized at June 30, 2013, down from $19.0 billion at December 31, 2012.

A majority of our commercial and industrial loans and lease financing portfolio is secured by short-term assets, such as accounts receivable, inventory and securities, as well as long-lived assets, such as equipment and other business assets. Generally, the collateral securing this portfolio represents a secondary source of repayment. See Note 5 (Loans and

Allowance for Credit Losses) to Financial Statements in this Report for additional credit metric information.

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

			June 30, 2013
(in millions)	Nonaccrual loans	Total portfolio (1)	% of total loans
Investors	$ 22	15,729	2 %
Cyclical retailers	27	14,160	2
Oil and gas	17	13,392	2
Food and beverage	44	12,876	2
Financial institutions	51	10,588	1
Industrial equipment	45	10,569	1
Healthcare	34	10,271	1
Real estate lessor	29	8,825	1
Technology	9	7,292	1
Transportation	7	6,408	1
Business services	32	6,018	1
Public Administration	135	5,569	*
Other	590	78,827 (2)	10
Total	$ 1,042	200,524	25 %

* Less than 1%.

(1) Includes $195 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 $4.9 billion.

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

COMMERCIAL REAL ESTATE (CRE) The CRE portfolio totaled $121.1 billion, or 15%, of total loans at June 30, 2013, and consisted of $16.4 billion of construction loans and $104.7 billion of mortgage loans. Table 16 summarizes CRE loans by state and property type with the related nonaccrual totals. The portfolio is diversified both geographically and by property type. The largest geographic concentrations of combined CRE loans are in California and Florida, which

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represented 27% and 8% of the total CRE portfolio, respectively. By property type, the largest concentrations are office buildings at 27% and apartments at 12% of the portfolio. CRE nonaccrual loans totaled 2.8% of the CRE outstanding balance at June 30, 2013, compared with 3.5% at December 31, 2012. At June 30, 2013, we had $15.4 billion of criticized CRE mortgage loans, down from $18.8 billion at December 31, 2012, and $2.8 billion of criticized CRE construction loans, down

from $4.5 billion at December 31, 2012. See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for additional information on criticized loans.

At June 30, 2013, the recorded investment in PCI CRE loans totaled $2.3 billion, down from $12.3 billion when acquired at December 31, 2008, reflecting the reduction resulting from principal payments, loan resolutions and write-downs.

Table 16: CRE Loans by State and Property Type

						June 30, 2013	
	Real estate mortgage		Real estate construction			Total	
(in millions)	Nonaccrual loans	Total portfolio (1)	Nonaccrual loans	Total portfolio (1)	Nonaccrual loans	Total portfolio (1)	% of total loans
By state:							
California	$ 627	29,250	80	2,960	707	32,210	4 %
Florida	389	8,836	96	1,315	485	10,151	1
Texas	208	8,537	27	1,564	235	10,101	1
New York	49	6,386	10	1,001	59	7,387	1
North Carolina	183	4,010	51	1,011	234	5,021	1
Arizona	115	3,979	16	541	131	4,520	1
Virginia	71	2,831	9	1,059	80	3,890	1
Georgia	176	3,198	59	464	235	3,662	*
Washington	29	2,932	6	554	35	3,486	*
Colorado	58	2,821	7	500	65	3,321	*
Other	803	31,893	304	5,473	1,107	37,366 (2)	5
Total	$ 2,708	104,673	665	16,442	3,373	121,115	15 %
By property:							
Office buildings	$ 689	30,790	53	1,728	742	32,518	4 %
Apartments	138	10,599	18	4,493	156	15,092	2
Retail (excluding shopping center)	350	12,158	37	768	387	12,926	2
Industrial/warehouse	407	11,811	20	659	427	12,470	2
Real estate - other	311	10,379	9	284	320	10,663	1
Hotel/motel	140	8,531	10	631	150	9,162	1
Shopping center	218	7,753	10	591	228	8,344	1
Land (excluding 1-4 family)	8	82	207	3,977	215	4,059	1
Institutional	82	2,629	-	336	82	2,965	*
Agriculture	92	2,479	-	17	92	2,496	*
Other	273	7,462	301	2,958	574	10,420	1
Total	$ 2,708	104,673	665	16,442	3,373	121,115	15 %

* Less than 1%.

(1) Includes a total of $2.3 billion PCI loans, consisting of $1.7 billion of real estate mortgage and $602 million of real estate construction, which are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

(2) Includes 40 states; no state had loans in excess of $2.7 billion.

FOREIGN LOANS AND COUNTRY RISK EXPOSURE We classify loans for financial statement and certain regulatory purposes as foreign if the borrower s primary address is outside of the United States. At June 30, 2013, foreign loans totaled $41.8 billion, representing approximately 5% of our total consolidated loans outstanding and approximately 3% of our consolidated total assets.

Our foreign country risk monitoring process incorporates frequent dialogue with our 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 June 30, 2013, was the United Kingdom, which totaled $15.7 billion, or 1% of our total assets, and included $2.0 billion of sovereign claims. Our United Kingdom sovereign claims arise primarily from deposits we have placed with the Bank of England pursuant to regulatory requirements in support of our London branch.

At June 30, 2013, our Eurozone exposure, including cross-border claims on an ultimate risk basis, and foreign exchange and derivative products, aggregated approximately $10.4

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Risk Management Credit Risk Management *(continued)*

billion, including $200 million of sovereign claims, compared with approximately $10.5 billion at December 31, 2012, which included $232 million of sovereign claims. Our Eurozone exposure is relatively small compared to our overall credit risk exposure and is diverse by country, type, and counterparty.

We conduct periodic stress tests of our significant country risk exposures, analyzing the direct and indirect impacts on the risk of loss from various macroeconomic and capital markets scenarios. We do not have significant exposure to foreign country risks because our foreign portfolio is relatively small. However, we have identified exposure to increased loss from

U.S. borrowers associated with the potential impact of a European downturn on the U.S. economy. We mitigate these potential impacts on the risk of loss through our normal risk management processes which include active monitoring and, if necessary, the application of aggressive loss mitigation strategies.

Table 17 provides information regarding our top 20 exposures on an ultimate risk basis by country (excluding the U.S.) and our Eurozone exposure. The selection of the top 20 countries is based solely on our largest total exposure by country.

Table 17: Select Country Exposures

	Lending (1)		Securities (2)		Derivatives and other (3)		Total exposure		
(in millions)	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign (4)	Total
June 30, 2013									
Top 20 country exposures:									
United Kingdom	$ 1,978	5,886	-	7,419	-	454	1,978	13,759	15,737
Canada	-	6,291	-	4,532	-	655	-	11,478	11,478
China	-	3,865	-	73	38	11	38	3,949	3,987
Netherlands	-	2,506	-	349	-	18	-	2,873	2,873
Germany	63	1,531	-	810	-	241	63	2,582	2,645
Bermuda	-	2,385	-	76	-	22	-	2,483	2,483
Brazil	-	2,248	-	17	-	2	-	2,267	2,267
South Korea	-	1,764	1	74	9	2	10	1,840	1,850
India	-	1,614	-	209	-	-	-	1,823	1,823
Turkey	-	1,687	-	-	-	2	-	1,689	1,689
Australia	-	932	-	611	-	17	-	1,560	1,560
France	-	198	-	1,149	-	136	-	1,483	1,483
Chile	-	1,344	-	12	-	48	-	1,404	1,404
Switzerland	-	747	-	82	-	518	-	1,347	1,347
Japan	-	431	778	37	-	98	778	566	1,344
Cayman Islands	-	889	-	-	-	23	-	912	912
Spain	-	794	-	53	-	5	-	852	852
Luxembourg	-	754	-	90	-	4	-	848	848
Ireland	33	639	-	128	-	9	33	776	809
Mexico	-	771	-	25	1	4	1	800	801
Total top 20 country exposures	$ 2,074	37,276	779	15,746	48	2,269	2,901	55,291	58,192
Eurozone exposure:									
Eurozone countries included in Top 20 above (5)	$ 96	6,422	-	2,579	-	413	96	9,414	9,510
Austria	103	269	-	2	-	-	103	271	374
Italy	-	209	-	75	-	1	-	285	285

Belgium	-	142	-	19	-	14	-	175	175
Other Eurozone countries (6)	-	64	-	28	1	9	1	101	102
Total Eurozone exposure	$ 199	7,106	-	2,703	1	437	200	10,246	10,446

(1) Lending exposure includes funded loans and unfunded commitments, leveraged leases, and money market placements presented on a gross basis prior to the deduction of impairment allowance and collateral received under the terms of the credit agreements. For the countries listed above, includes $472 million in PCI loans, predominantly to customers in Germany and the United Kingdom, and $2.3 billion in defeased leases secured predominantly by U.S. Treasury and government agency securities, or government guaranteed.

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

(3) Represents counterparty exposure on foreign exchange and derivative contracts, and securities resale and lending agreements. This exposure is presented net of counterparty netting adjustments and reduced by the amount of cash collateral. It includes credit default swaps (CDS) predominantly used to manage our U.S. and London-based cash credit trading businesses, which sometimes results in selling and purchasing protection on the identical reference entity. Generally, we do not use market instruments such as CDS to hedge the credit risk of our investment or loan positions, although we do use them to manage risk in our trading businesses. At June 30, 2013, the gross notional amount of our CDS sold that reference assets in the Top 20 or Eurozone countries was $6.0 billion, which was offset by the notional amount of CDS purchased of $6.2 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 $29.0 billion exposure to financial institutions and $27.1 billion to non-financial corporations at June 30, 2013.

(5) Consists of exposure to Netherlands, Germany, France, Spain, Luxembourg and Ireland included in Top 20.

(6) Includes non-sovereign exposure to Greece, Cyprus and Portugal in the amount of $5 million, $6 million and $23 million, respectively. Sovereign debt exposure to these countries was insignificant at June 30, 2013.

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

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

Some of our real estate 1-4 family first and junior lien mortgage loans include an interest-only feature as part of the loan terms. These interest-only loans were approximately 17% of total loans at June 30, 2013, compared with 18% at December 31, 2012.

We believe we have manageable adjustable-rate mortgage (ARM) reset risk across our owned mortgage loan portfolios. We do not offer option ARM products, nor do we offer variable-rate mortgage products with fixed payment amounts, commonly referred to within the financial services industry as negative amortizing mortgage loans. Our liquidating option ARM portfolio was acquired from Wachovia. Since our acquisition of the Pick-a-Pay loan portfolio at the end of 2008, we have reduced the option payment portion of the portfolio, from 86% to 46% of the portfolio at June 30, 2013. For more information, see the Pick-a-Pay Portfolio section in this Report.

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

Real estate 1-4 family first and junior lien mortgage loans by state are presented in Table 18. Our real estate 1-4 family mortgage loans to borrowers in California represented approximately 13% of total loans at June 30, 2013, located mostly within the larger metropolitan areas, with no single California metropolitan area consisting of more than 3% of total loans. We monitor changes in real estate values and underlying economic or market conditions for all geographic areas of our real estate 1-4 family mortgage portfolio as part of our credit risk management process.

We monitor the credit performance of our junior lien mortgage portfolio for trends and factors that influence the frequency and severity of loss. In third quarter 2012 we aligned our nonaccrual and troubled debt reclassification policies in accordance with guidance in the Office of the Comptroller of the Currency (OCC) update to the Bank Accounting Advisory Series (OCC guidance), which requires consumer loans discharged in bankruptcy to be written down to net realizable collateral value

and classified as nonaccrual TDRs, regardless of their delinquency status.

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

				June 30, 2013
(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total real estate 1-4 family mortgage	% of total loans
PCI loans:				
California	$ 16,584	32	16,616	2 %
Florida	2,137	23	2,160	*
New Jersey	1,220	17	1,237	*
Other (1)	5,467	62	5,529	1
Total PCI loans	$ 25,408	134	25,542	3 %
All other loans:				

California	$ 67,163	19,550	86,713	11 %
Florida	15,261	6,302	21,563	3
New York	12,943	3,035	15,978	2
New Jersey	9,862	5,337	15,199	2
Virginia	6,826	3,698	10,524	1
Pennsylvania	6,066	3,309	9,375	1
North Carolina	6,068	2,997	9,065	1
Texas	7,725	1,013	8,738	1
Georgia	4,892	2,761	7,653	1
Other (2)	61,005	21,923	82,928	10
Government insured/guaranteed loans (3)	29,622	-	29,622	4
Total all other loans	$ 227,433	69,925	297,358	37 %
Total	$ 252,841	70,059	322,900	40 %

* Less than 1%.
(1) Consists of 45 states; no state had loans in excess of $691 million.
(2) Consists of 41 states; no state had loans in excess of $7.0 billion.
(3) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.

Part of our credit monitoring includes tracking delinquency, FICO scores and collateral values (LTV/CLTV) on the entire real estate 1-4 family mortgage loan portfolio. These credit risk indicators, which exclude government insured/guaranteed loans, continued to improve in second quarter 2013 on the non-PCI mortgage portfolio. Loans 30 days or more delinquent at June 30, 2013, totaled $13.3 billion, or 4%, of total non-PCI mortgages, compared with $15.5 billion, or 5%, at December 31, 2012. Loans with FICO scores lower than 640 totaled $34.2 billion at June 30, 2013, or 12% of total non-PCI mortgages, compared with $37.7 billion, or 13%, at December 31, 2012. Mortgages with a LTV/CLTV greater than 100% totaled $48.7 billion at June 30, 2013, or 16% of total non-PCI mortgages, compared with $58.7 billion, or 20%, at December 31, 2012. Information regarding credit risk indicators can be found in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

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

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

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

1-4 family junior lien mortgages and lines of credit associated with Pick-a-Pay loans are reported in the home equity portfolio. Table 19 provides balances by types of loans as of June 30, 2013, as a result of modification efforts, compared to the types of loans included in the portfolio at acquisition. Total adjusted unpaid principal balance of PCI Pick-a-Pay loans was $30.3 billion at June 30, 2013, compared with $61.0 billion at acquisition. Modification efforts have largely involved option payment PCI loans, which have declined to 18% of the total Pick-a-Pay portfolio at June 30, 2013, compared with 51% at acquisition.

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

	June 30, 2013		2012		December 31, 2008	
(in millions)	**Adjusted unpaid principal balance (1)**	**% of total**	Adjusted unpaid principal balance (1)	% of total	Adjusted unpaid principal balance (1)	% of total
Option payment loans	**$ 27,643**	**46 %**	$ 31,510	49 %	$ 99,937	86 %
Non-option payment adjustable-rate and fixed-rate loans (2)	**8,619**	**15**	8,781	14	15,763	14
Full-term loan modifications	**23,549**	**39**	23,528	37	-	-
Total adjusted unpaid principal balance (2)	**$ 59,811**	**100 %**	$ 63,819	100 %	$ 115,700	100 %
Total carrying value	**$ 54,755**		58,274		95,315	

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

(2) Includes loans refinanced under the Refinance Program discussed in the Risk Management Credit Risk Management Risks Relating to Servicing Activities section in this Report.

Pick-a-Pay loans may have fixed or adjustable rates with payment options that include a minimum payment, an interest-only payment or fully amortizing payment (both 15 and 30 year options). Total interest deferred due to negative amortization on Pick-a-Pay loans was $1.1 billion at June 30, 2013, and $1.4 billion at December 31, 2012. Approximately 91% of the Pick-a-Pay customers making a minimum payment in June

2013 did not defer interest, consistent with December 2012.

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

Due to the terms of the Pick-a-Pay portfolio, there is little recast risk in the near term. Based on assumptions of a flat rate environment, if all eligible customers elect the minimum payment option 100% of the time and no balances prepay, we would expect the following balances of loans to recast based on reaching the principal cap: $16 million for the remainder of 2013, $41 million in 2014 and $72 million in 2015. In addition, in a flat rate environment, we would expect the following balances of loans to start fully amortizing due to reaching their recast anniversary date: $54 million for the remainder of 2013, $274 million in 2014 and $716 million in 2015. In second quarter 2013, the amount of loans reaching their recast anniversary date and also having a payment change over the annual 7.5% reset was $6 million.

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

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

			June 30, 2013			
			PCI loans		All other loans	
(in millions)	Adjusted unpaid principal balance (2)	Current LTV ratio (3)	Carrying value (4)	Ratio of carrying value to current value (5)	Carrying value (4)	Ratio of carrying value to current value (5)
California	$ 20,585	103 %	$ 16,570	82 %	$ 14,450	75 %
Florida	2,605	107	2,070	79	3,026	87
New Jersey	1,143	91	1,183	89	1,925	78
New York	657	88	667	85	866	77
Texas	285	76	270	71	1,183	61
Other states	5,002	97	4,347	82	8,198	81
Total Pick-a-Pay loans	$ 30,277		$ 25,107		$ 29,648	

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

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

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

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

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

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

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

In second quarter 2013, we completed more than 2,400 proprietary and Home Affordability Modification Program (HAMP) Pick-a-Pay loan modifications. We have completed more than 117,000 modifications since the Wachovia acquisition, resulting in $5.5 billion of principal forgiveness to our Pick-a-Pay customers as well as an additional $331 million of conditional forgiveness that can be earned by borrowers through performance over the next three years.

Due to better than expected performance observed on the Pick-a-Pay PCI portfolio compared with the original acquisition estimates, we have reclassified $3.9 billion from the nonaccretable difference to the accretable yield since acquisition. Our cash flows expected to be collected have been favorably affected by lower expected defaults and losses as a result of observed and forecasted economic strengthening, particularly in housing prices, and our loan modification efforts. These factors are expected to reduce the frequency and severity of defaults and keep these loans performing for a longer period, thus increasing future principal and interest cash flows. The resulting increase in the accretable yield will be realized over the remaining life of the portfolio, which is estimated to have a weighted-average

remaining life of approximately 14.5 years at June 30, 2013. The weighted-average remaining life increased from fourth quarter 2012 due to the positive housing market, credit trends and economic outlook. The accretable yield percentage during second quarter 2013 was 4.70%, unchanged from the end of 2012. The accretable yield balance increased by $2.1 billion to $20.0 billion during second quarter 2013 as a result of a reclassification from the nonaccretable difference and an increase in cash flows expected to be collected. Due to this increase in the accretable yield balance, the accretable yield percentage is expected to be 4.98% for third quarter 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 Pick-a-Pay portfolio includes a significant portion of our PCI loans. For further information on the judgment involved in estimating expected cash flows for PCI loans, see Critical Accounting Policies Purchased Credit-Impaired Loans in our 2012 Form 10-K.

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

HOME EQUITY PORTFOLIOS Our home equity portfolios consist of real estate 1-4 family junior lien mortgages and first and junior lien lines of credit secured by real estate. Our first lien lines of credit represent 21% of our home equity portfolio and are included in real estate 1-4 family first mortgages. The majority of our junior lien loan products are amortizing payment loans with fixed interest rates and repayment periods between 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. 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 $170 million, because their losses were generally reflected in our nonaccretable difference established at the date of acquisition.

Table 21: Home Equity Portfolio Payment Schedule

		Scheduled end of draw / term						
(in millions)	Outstanding balance June 30, 2013	Remainder of 2013	2014	2015	2016	2017	2018 and thereafter (4)	Amortizing
Home equity lines secured by real estate (1):								
Junior residential lines	$ 60,624	1,222	3,703	6,763	8,279	8,377	30,136	2,144
First residential lines	19,046	417	1,118	1,460	1,157	1,128	13,149	617
Total residential lines (2)	79,670	1,639	4,821	8,223	9,436	9,505	43,285	2,761
Junior loans (3)	9,316	6	13	125	162	165	1,666	7,179
Total home equity portfolio	$ 88,986	1,645	4,834	8,348	9,598	9,670	44,951	9,940
% of portfolio	100%	2%	5%	9%	11%	11%	51%	11%

(1) Products in their draw period are predominantly interest-only.

(2) Includes scheduled end-of-term balloon payments totaling $354 million, $1.1 billion, $573 million, $375 million, $483 million and $2.0 billion for the remainder of 2013, 2014, 2015, 2016, 2017, 2018 and thereafter, respectively, and $109 million reported as Amortizing in the table. At June 30, 2013, $235 million, or 9% of outstanding lines of credit that are amortizing are 30 or more days past due compared to $1.6 billion, or 2% for lines in their draw period. The portfolio also has unfunded credit commitments of $75.5 billion.

(3) 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 $85 million of balloon loans that have reached end of term and are now past due.

(4) The annual scheduled end of draw or term ranges from $2.2 billion to $6.6 billion per year for 2018 through 2023, except for $11.4 billion in 2022. The remaining $12.4 billion of loans that convert in 2024 and thereafter have draw periods that generally extend to 15 or 20 years.

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

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

	Outstanding balance (2)		% of loans two payments or more past due		Loss rate (annualized) quarter ended				
(in millions)	**June 30, 2013**	Dec. 31, 2012	**June 30, 2013**	Dec. 31, 2012	**June 30, 2013**	Mar. 31, 2013	Dec. 31, 2012 (3)	Sept. 30, 2012 (3)	June 30, 2012
Junior lien mortgages and lines behind:									
Wells Fargo owned or serviced first lien	**$ 34,808**	37,913	**2.38 %**	2.65	**2.08**	2.46	3.81	4.96	3.34
Third party first lien	**35,132**	37,417	**2.55**	2.86	**2.00**	2.48	3.15	5.40	3.44
Total junior lien mortgages and lines	**69,940**	75,330	**2.46**	2.75	**2.04**	2.47	3.48	5.18	3.39
First lien lines	**19,046**	19,744	**2.93**	3.08	**0.56**	0.61	1.00	0.95	0.88
Total	**$ 88,986**	95,074	**2.56**	2.82	**1.72**	2.08	2.97	4.32	2.89

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

(2) Includes $1.3 billion at June 30, 2013 and December 31, 2012, associated with the Pick-a-Pay portfolio.

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

We monitor the number of borrowers paying the minimum amount due on a monthly basis. In June 2013, approximately 44% of our borrowers with a home equity outstanding balance paid only the minimum amount due; 93% paid the minimum or more.

The home equity liquidating portfolio includes home equity loans generated through third party channels, including correspondent loans. This liquidating portfolio represents less than 1% of our total loans outstanding at June 30, 2013, and contains some of the highest risk in our home equity portfolio, with an annualized loss rate of 5.05% compared with 1.56% for the core (non-liquidating) home equity portfolio for the quarter ended June 30, 2013.

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Risk Management Credit Risk Management *(continued)*

Table 23 shows the credit attributes of the core and liquidating home equity portfolios and lists the top five states by outstanding balance for the core portfolio. Loans to California borrowers represent the largest state concentration in each of these portfolios. The decrease in outstanding balances since December 31, 2012, primarily reflects loan paydowns and charge-offs. As of June 30, 2013, 30% 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 13% of the core home equity portfolio at June 30, 2013.

Table 23: Home Equity Portfolios (1)

	Outstanding balance		% of loans two payments or more past due		Loss rate (annualized) quarter ended				
(in millions)	**June 30, 2013**	Dec. 31, 2012	**June 30, 2013**	Dec. 31, 2012	**June 30, 2013**	Mar. 31, 2013	Dec. 31, 2012 (2)	Sept. 30, 2012 (2)	June 30, 2012
Core portfolio (3)									
California	$ **21,404**	22,900	**2.24** %	2.46	**1.47**	2.01	2.89	4.77	3.13
Florida	**9,171**	9,763	**3.71**	4.15	**2.13**	2.61	3.09	4.75	3.76
New Jersey	**6,999**	7,338	**3.31**	3.43	**1.43**	1.70	2.30	3.22	2.02
Virginia	**4,499**	4,758	**1.75**	2.04	**1.03**	1.36	1.78	2.54	1.60
Pennsylvania	**4,441**	4,683	**2.53**	2.67	**1.18**	1.36	1.72	2.15	1.45
Other	**38,299**	40,985	**2.31**	2.59	**1.60**	1.80	2.77	3.75	2.37
Total	**84,813**	90,427	**2.51**	2.77	**1.56**	1.89	2.69	3.93	2.60
Liquidating portfolio	**4,173**	4,647	**3.63**	3.82	**5.05**	5.87	8.33	11.60	8.14
Total core and liquidating portfolios	$ **88,986**	95,074	**2.56**	2.82	**1.72**	2.08	2.97	4.32	2.89

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

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

(3) Includes $1.3 billion at June 30, 2013 and December 31, 2012, associated with the Pick-a-Pay portfolio.

CREDIT CARDS Our credit card portfolio totaled $24.8 billion at June 30, 2013, which represented 3% of our total outstanding loans. The quarterly net charge-off rate (annualized) for our credit card loans was 3.90% for second quarter 2013, compared with 4.37% for second quarter 2012 and 3.93% and 4.39% for the six months ended June 30, 2013 and 2012, respectively.

AUTOMOBILE Our automobile portfolio, predominantly composed of indirect loans, totaled $48.6 billion at June 30, 2013. The quarterly net charge-off rate (annualized) for our automobile portfolio for second quarter 2013 was 0.35%, compared with 0.25% for second quarter 2012 and 0.50% and 0.46% for the six months ended June 30, 2013 and 2012, respectively.

OTHER REVOLVING CREDIT AND INSTALLMENT Other revolving credit and installment loans totaled $42.1 billion at June 30, 2013, and primarily include student and security-based margin loans. The quarterly net charge-off rate (annualized) for other revolving credit and installment loans was 1.38% for second quarter 2013, compared with 1.35% for second quarter 2012 and 1.38% and 1.34% for the six months ended June 30, 2013 and 2012, respectively. Excluding government guaranteed student loans, the quarterly net charge-off rates (annualized) were 1.84% and 1.93% for second quarter 2013 and 2012, respectively, and 1.83% and 1.94% for the first half of 2013 and 2012, respectively.

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

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

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

	June 30, 2013		March 31, 2013		December 31, 2012		September 30, 2012	
($ in millions)	**Balance**	**% of total loans**	Balance	% of total loans	Balance	% of total loans	Balance	% of total loans
Nonaccrual loans:								
Commercial:								
Commercial and industrial	**$ 1,022**	**0.54 %**	$ 1,193	0.64 %	$ 1,422	0.76 %	$ 1,404	0.79 %
Real estate mortgage	**2,708**	**2.59**	3,098	2.92	3,322	3.12	3,599	3.44
Real estate construction	**665**	**4.04**	870	5.23	1,003	5.93	1,253	7.08
Lease financing	**20**	**0.17**	25	0.20	27	0.22	49	0.40
Foreign	**40**	**0.10**	56	0.14	50	0.13	66	0.17
Total commercial (1)	**4,455**	**1.23**	5,242	1.45	5,824	1.61	6,371	1.81
Consumer:								
Real estate 1-4 family first mortgage (2)	**10,705**	**4.23**	11,320	4.49	11,455	4.58	11,195	4.65
Real estate 1-4 family junior lien mortgage	**2,522**	**3.60**	2,712	3.74	2,922	3.87	3,140	4.02
Automobile	**200**	**0.41**	220	0.47	245	0.53	295	0.64
Other revolving credit and installment	**33**	**0.08**	32	0.08	40	0.09	43	0.10
Total consumer	**13,460**	**3.07**	14,284	3.26	14,662	3.34	14,673	3.41
Total nonaccrual loans (3)(4)(5)	**17,915**	**2.23**	19,526	2.44	20,486	2.56	21,044	2.69
Foreclosed assets:								
Government insured/guaranteed (6)	**1,026**		969		1,509		1,479	
Non-government insured/guaranteed	**2,114**		2,381		2,514		2,730	
Total foreclosed assets	**3,140**		3,350		4,023		4,209	
Total nonperforming assets	**$ 21,055**	**2.63 %**	$ 22,876	2.86 %	$ 24,509	3.07 %	$ 25,253	3.23 %
Change in NPAs from prior quarter	**$ (1,821)**		(1,633)		(744)		368	

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

(2) Includes MHFS of $293 million, $368 million, $336 million and $338 million at June 30 and March 31, 2013, and December 31 and September 30, 2012, respectively.

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

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

Table 25: Analysis of Changes in Nonaccrual Loans

					Quarter ended
(in millions)	**June 30, 2013**	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012
Commercial nonaccrual loans					
Balance, beginning of quarter	**$ 5,242**	5,824	6,371	6,924	7,599
Inflows	**557**	611	746	976	952
Outflows:					
Returned to accruing	**(128)**	(109)	(135)	(90)	(242)
Foreclosures	**(120)**	(91)	(107)	(151)	(92)
Charge-offs	**(193)**	(189)	(322)	(364)	(402)
Payments, sales and other (1)	**(903)**	(804)	(729)	(924)	(891)
Total outflows	**(1,344)**	(1,193)	(1,293)	(1,529)	(1,627)
Balance, end of quarter	**4,455**	5,242	5,824	6,371	6,924
Consumer nonaccrual loans					
Balance, beginning of quarter	**14,284**	14,662	14,673	13,654	14,427
Inflows (2)	**2,071**	2,340	2,943	4,111	2,750
Outflows:					
Returned to accruing	**(1,156)**	(1,031)	(893)	(1,039)	(1,344)
Foreclosures	**(95)**	(173)	(151)	(182)	(186)
Charge-offs	**(651)**	(775)	(1,053)	(987)	(1,137)
Payments, sales and other (1)	**(993)**	(739)	(857)	(884)	(856)
Total outflows	**(2,895)**	(2,718)	(2,954)	(3,092)	(3,523)
Balance, end of quarter	**13,460**	14,284	14,662	14,673	13,654
Total nonaccrual loans	**$ 17,915**	19,526	20,486	21,044	20,578

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

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 June 30, 2013:

- 97% of total commercial nonaccrual loans and 99% of total consumer nonaccrual loans are secured. Of the consumer nonaccrual loans, 98% are secured by real estate and 51% have a combined LTV (CLTV) ratio of 80% or below.
- losses of $1.2 billion and $4.2 billion have already been recognized on 37% of commercial nonaccrual loans and 51% of consumer nonaccrual loans, respectively. Generally, when a consumer real estate loan is 120 days past due (except when required earlier by the Interagency or OCC guidance), we transfer it to nonaccrual status. When the loan reaches 180 days past due, or is discharged in bankruptcy, it is our policy to write these loans down to net realizable value (fair value of collateral less estimated costs to sell), except for modifications in their trial period that are not written down as long as trial payments are made on time. Thereafter, we reevaluate each loan regularly and record additional write-downs if needed.
- 65% of commercial nonaccrual loans were current on interest.
- the risk of loss of all nonaccrual loans has been considered and we believe is adequately covered by the allowance for loan losses.
- $2.4 billion of consumer loans discharged in bankruptcy and classified as nonaccrual were less than 60 days past due, of which $2.2 billion were current.

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

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

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Table 26: Foreclosed Assets

(in millions)		**June 30, 2013**	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012
Government insured/guaranteed (1)	$	**1,026**	969	1,509	1,479	1,465
PCI loans:						
Commercial		**597**	641	667	707	777
Consumer		**127**	179	219	263	321
Total PCI loans		**724**	820	886	970	1,098
All other loans:						
Commercial		**1,012**	1,060	1,073	1,175	1,147
Consumer		**378**	501	555	585	597
Total all other loans		**1,390**	1,561	1,628	1,760	1,744
Total foreclosed assets	$	**3,140**	3,350	4,023	4,209	4,307
Analysis of changes in foreclosed assets						
Balance, beginning of quarter	$	**3,350**	4,023	4,209	4,307	4,617
Net change in government insured/guaranteed (2)		**57**	(540)	30	14	113
Additions to foreclosed assets (3)		**406**	559	537	692	664
Reductions:						
Sales		**(647)**	(658)	(710)	(750)	(1,003)
Write-downs and loss on sales		**(26)**	(34)	(43)	(54)	(84)
Total reductions		**(673)**	(692)	(753)	(804)	(1,087)
Balance, end of quarter	$	**3,140**	3,350	4,023	4,209	4,307

(1) Consistent with regulatory reporting requirements, foreclosed real estate securing government insured/guaranteed loans are classified as nonperforming. Both principal and interest for government insured/guaranteed loans secured by the foreclosed real estate are collectible because the loans are predominantly insured by the FHA or guaranteed by the VA.
(2) Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as servicer, until reimbursement is received from FHA or VA. The net change in government insured/guaranteed foreclosed assets is made up of inflows from mortgages held for investment and MHFS, and outflows when we are reimbursed by FHA/VA. Transfers from government insured/guaranteed loans to foreclosed assets amounted to $1.4 billion, $803 million, $1.6 billion, $1.7 billion and $1.7 billion for the quarters ended June 30 and March 2013, and December 31, September 30, and June 30, 2012, respectively.
(3) Predominantly include loans moved into foreclosure from nonaccrual status, PCI loans transitioned directly to foreclosed assets and repossessed automobiles.

Foreclosed assets at June 30, 2013, included $1.0 billion of foreclosed real estate that is predominantly FHA insured or VA guaranteed and expected to have minimal or no loss content. The remaining balance of $2.1 billion of foreclosed assets has been written down to estimated net realizable value. Foreclosed assets were down $883 million, or 22%, at June 30, 2013, compared with December 31, 2012. At June 30, 2013, 59% of foreclosed assets of $3.1 billion have been in the foreclosed assets portfolio one year or less.

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

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Risk Management Credit Risk Management *(continued)*

TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 27: Troubled Debt Restructurings (TDRs)

(in millions)	**June 30, 2013**	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012
Commercial TDRs					
Commercial and industrial	**$ 1,238**	1,493	1,683	1,877	1,937
Real estate mortgage	**2,605**	2,556	2,625	2,498	2,457
Real estate construction	**680**	735	801	949	980
Lease financing	**11**	17	20	26	27
Foreign	**17**	17	17	28	28
Total commercial TDRs	**4,551**	4,818	5,146	5,378	5,429
Consumer TDRs					
Real estate 1-4 family first mortgage	**19,093**	18,928	17,804	17,861	13,919
Real estate 1-4 family junior lien mortgage	**2,408**	2,431	2,390	2,437	1,975
Credit Card	**477**	501	531	557	575
Automobile	**246**	279	314	392	265
Other revolving credit and installment	**29**	27	24	32	16
Trial modifications	**716**	723	705	733	745
Total consumer TDRs (1)	**22,969**	22,889	21,768	22,012	17,495
Total TDRs	**$ 27,520**	27,707	26,914	27,390	22,924
TDRs on nonaccrual status	**$ 9,030**	10,332	10,149	9,990	6,900
TDRs on accrual status	**18,490**	17,375	16,765	17,400	16,024
Total TDRs	**$ 27,520**	27,707	26,914	27,390	22,924

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

Table 27 provides information regarding the recorded investment of loans modified in TDRs. The allowance for loan losses for TDRs was $5.2 billion and $5.0 billion at June 30, 2013 and December 31, 2012, respectively. See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for additional information regarding TDRs. In those situations where principal is forgiven, the entire amount of such forgiveness is immediately charged off to the extent not done so prior to the modification. We sometimes delay the timing on the repayment of a portion of principal (principal forbearance) and charge off the amount of forbearance if that amount is not considered fully collectible.

Our nonaccrual policies are generally the same for all loan types when a restructuring is involved. We re-underwrite loans at the time of restructuring to determine whether there is sufficient evidence of sustained repayment capacity based on the borrower s documented income, debt to income ratios, and other factors. Loans lacking sufficient evidence of sustained repayment capacity at the time of modification are charged down to the fair value of the collateral, if applicable. For an accruing loan that has been modified, if the borrower has demonstrated performance under the previous terms and the underwriting process shows the capacity to continue to perform under the restructured terms, the loan will generally remain in accruing status. Otherwise, the loan will be placed in nonaccrual status until the borrower demonstrates a sustained period of performance, generally six consecutive months of payments, or equivalent, inclusive of consecutive payments made prior to modification. Loans will also be placed on nonaccrual, and a corresponding charge-off is recorded to the loan balance, when

we believe that principal and interest contractually due under the modified agreement will not be collectible.

Table 28 provides an analysis of the changes in TDRs. Loans that may be modified more than once are reported as TDRs inflows only in the period they are first modified. We may remove loans from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

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Table 28: Analysis of Changes in TDRs

				Quarter ended	
(in millions)	**June 30, 2013**	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012
Commercial TDRs					
Balance, beginning of quarter	**$ 4,818**	5,146	5,378	5,429	5,548
Inflows	**468**	500	542	620	687
Outflows					
Charge-offs	**(24)**	(40)	(66)	(84)	(112)
Foreclosures	**(26)**	(30)	(14)	(20)	(24)
Payments, sales and other (1)	**(685)**	(758)	(694)	(567)	(670)
Balance, end of quarter	**4,551**	4,818	5,146	5,378	5,429
Consumer TDRs					
Balance, beginning of quarter	**22,889**	21,768	22,012	17,495	17,447
Inflows (2)	**1,352**	2,076	1,247	5,212	762
Outflows					
Charge-offs (3)	**(241)**	(280)	(542)	(244)	(319)
Foreclosures (3)	**(240)**	(114)	(333)	(35)	(25)
Payments, sales and other (1)	**(785)**	(579)	(588)	(404)	(392)
Net change in trial modifications (4)	**(6)**	18	(28)	(12)	22
Balance, end of quarter	**22,969**	22,889	21,768	22,012	17,495
Total TDRs	**$ 27,520**	27,707	26,914	27,390	22,924

(1) Payments, sales and other outflows reflect pay downs, sales, normal amortization/accretion of loan basis adjustments and loans transferred to held-for-sale. It also included $40 million and $15 million of loans refinanced or restructured as new loans and removed from TDR classification for the quarters ended June 30 and March 31, 2013, respectively. No loans were removed from TDR classification for the quarters ended December 31, September 30 and June 30, 2012, as a result of being refinanced or restructured as new loans.

(2) Includes loans discharged in bankruptcy of $586 million, $1.3 billion, $316 million and $4.3 billion for the quarters ended June 30 and March 31, 2013, and December 31 and September 30, 2012, respectively. The OCC guidance issued in third quarter 2012 requires consumer loans discharged in bankruptcy to be classified as TDRs, as well as written down to net realizable collateral value.

(3) Fourth quarter 2012 charge-offs and foreclosures outflows reflect the resolution of certain loans discharged in bankruptcy that were initially reported as TDRs in accordance with the OCC guidance starting in third quarter 2012.

(4) Net change in trial modifications includes: inflows of new TDRs entering the trial payment period, net of outflows for modifications that either (i) successfully perform and enter into a permanent modification, or (ii) did not successfully perform according to the terms of the trial period plan and are subsequently charged-off, foreclosed upon or otherwise resolved. Our recent experience is that most of the mortgages that enter a trial payment period program are successful in completing the program requirements.

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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 June 30, 2013, were down $281 million, or 20%, from December 31, 2012, due to loss mitigation

activities including modifications, seasonality, decline in non-strategic and liquidating portfolios, and credit stabilization.

Loans 90 days or more past due and still accruing whose repayments are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA) for mortgages and the U.S. Department of Education for student loans under the Federal Family Education Loan Program (FFELP) were $21.0 billion at June 30, 2013, down from $21.8 billion at December 31, 2012.

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

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

(in millions)	**June 30, 2013**	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012
Loans 90 days or more past due and still accruing:					
Total (excluding PCI (1)):	**$ 22,197**	23,082	23,245	22,894	22,872
Less: FHA insured/guaranteed by the VA (2)(3)	**20,112**	20,745	20,745	20,320	20,368
Less: Student loans guaranteed under the FFELP (4)	**931**	977	1,065	1,082	1,144
Total, not government insured/guaranteed	**$ 1,154**	1,360	1,435	1,492	1,360
By segment and class, not government insured/guaranteed:					
Commercial:					
Commercial and industrial	**$ 37**	47	47	49	44
Real estate mortgage	**175**	164	228	206	184
Real estate construction	**4**	47	27	41	25
Foreign	**-**	7	1	2	3
Total commercial	**216**	265	303	298	256
Consumer:					
Real estate 1-4 family first mortgage (3)	**476**	563	564	627	561
Real estate 1-4 family junior lien mortgage (3)	**92**	112	133	151	159
Credit card	**263**	306	310	288	274
Automobile	**32**	33	40	43	36
Other revolving credit and installment	**75**	81	85	85	74
Total consumer	**938**	1,095	1,132	1,194	1,104
Total, not government insured/guaranteed	**$ 1,154**	1,360	1,435	1,492	1,360

(1) PCI loans totaled $5.4 billion, $5.8 billion, $6.0 billion, $6.2 billion and $6.6 billion at June 30 and March 31, 2013, and December 31, September 30 and June 30, 2012.
(2) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.
(3) Includes mortgages held for sale 90 days or more past due and still accruing.
(4) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP.

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NET CHARGE-OFFS

Table 30: Net Charge-offs

									Quarter ended	
	June 30, 2013		Mar. 31, 2013		Dec. 31, 2012		Sept. 30, 2012		June 30, 2012	
($ in millions)	**Net loan charge-offs**	**As a % of avg. loans (1)**	Net loan charge-offs	As a % of avg. loans (1)	Net loan charge-offs	As a % of avg. loans (1)	Net loan charge-offs	As a % of avg. loans (1)	Net loan charge-offs	As a % of avg. loans (1)
Commercial:										
Commercial and industrial	**$ 77**	**0.17 %**	$ 93	0.20 %	$ 209	0.46 %	$ 131	0.29 %	$ 249	0.58 %
Real estate mortgage	**(5)**	**(0.02)**	29	0.11	38	0.14	54	0.21	81	0.31
Real estate construction	**(45)**	**(1.10)**	(34)	(0.83)	(18)	(0.43)	1	0.03	17	0.40
Lease financing	**18**	**0.57**	(1)	(0.02)	2	0.04	1	0.03	-	-
Foreign	**(1)**	**(0.01)**	3	0.03	24	0.25	30	0.29	11	0.11
Total commercial	**44**	**0.05**	90	0.10	255	0.29	217	0.24	358	0.42
Consumer:										
Real estate 1-4 family first mortgage	**328**	**0.52**	429	0.69	649	1.05	673	1.15	743	1.30
Real estate 1-4 family junior lien mortgage	**359**	**2.02**	449	2.46	690	3.57	1,036	5.17	689	3.38
Credit card	**234**	**3.90**	235	3.96	222	3.71	212	3.67	240	4.37
Automobile	**42**	**0.35**	76	0.66	112	0.97	75	0.66	28	0.25
Other revolving credit and installment	**145**	**1.38**	140	1.37	153	1.46	145	1.38	142	1.35
Total consumer (2)	**1,108**	**1.01**	1,329	1.23	1,826	1.68	2,141	2.01	1,842	1.76
Total	**$ 1,152**	**0.58 %**	$ 1,419	0.72 %	$ 2,081	1.05 %	$ 2,358	1.21 %	$ 2,200	1.15 %

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

Table 30 presents net charge-offs for second quarter 2013 and the previous four quarters. Net charge-offs in second quarter 2013 were $1.2 billion (0.58% of average total loans outstanding) compared with $2.2 billion (1.15%) in second quarter 2012.

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

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

We employ a disciplined process and methodology to establish our allowance for credit losses each quarter. This process takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific loss factors.

The process involves subjective and complex judgments. In addition, we review a variety of credit metrics and trends. These credit metrics and trends, however, do not solely determine the amount of the allowance as we use several analytical tools. For additional information on our allowance for credit losses, see the Critical Accounting Policies Allowance for Credit Losses section in our 2012 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

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

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Risk Management Credit Risk Management *(continued)*

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

(in millions)	**June 30, 2013 ACL**	**Loans as % of total loans**	Dec. 31, 2012 ACL	Loans as % of total loans	Dec. 31, 2011 ACL	Loans as % of total loans	Dec. 31, 2010 ACL	Loans as % of total loans	Dec. 31, 2009 ACL	Loans as % of total loans
Commercial:										
Commercial and industrial	**$ 2,757**	**24 %**	$ 2,543	23 %	$ 2,649	22 %	$ 3,299	20 %	$ 4,014	20 %
Real estate mortgage	**2,314**	**13**	2,283	13	2,550	14	3,072	13	2,398	12
Real estate construction	**448**	**2**	552	2	893	2	1,387	4	1,242	5
Lease financing	**95**	**1**	85	2	82	2	173	2	181	2
Foreign	**282**	**5**	251	5	184	5	238	4	306	4
Total commercial	**5,896**	**45**	5,714	45	6,358	45	8,169	43	8,141	43
Consumer:										
Real estate 1-4 family first mortgage	**5,268**	**32**	6,100	31	6,934	30	7,603	30	6,449	29
Real estate 1-4 family junior lien mortgage	**3,249**	**9**	3,462	10	3,897	11	4,557	13	5,430	13
Credit card	**1,271**	**3**	1,234	3	1,294	3	1,945	3	2,745	3
Automobile	**381**	**6**	417	6	555	6	771	6	1,381	6
Other revolving credit and installment	**553**	**5**	550	5	630	5	418	5	885	6
Total consumer	**10,722**	**55**	11,763	55	13,310	55	15,294	57	16,890	57
Total	**$ 16,618**	**100 %**	$ 17,477	100 %	$ 19,668	100 %	$ 23,463	100 %	$ 25,031	100 %

	June 30, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Components:					
Allowance for loan losses	**$ 16,144**	17,060	19,372	23,022	24,516
Allowance for unfunded credit commitments	**474**	417	296	441	515
Allowance for credit losses	**$ 16,618**	17,477	19,668	23,463	25,031
Allowance for loan losses as a percentage of total loans	**2.01 %**	2.13	2.52	3.04	3.13
Allowance for loan losses as a percentage of total net charge-offs (1)	**349**	189	171	130	135
Allowance for credit losses as a percentage of total loans	**2.07**	2.19	2.56	3.10	3.20
Allowance for credit losses as a percentage of total nonaccrual loans	**93**	85	92	89	103

(1) Total net charge-offs are annualized for quarter ended June 30, 2013.

In addition to the allowance for credit losses, there was $5.4 billion at June 30, 2013, and $7.0 billion at December 31, 2012, of nonaccretable difference to absorb losses for PCI loans. The allowance for credit losses is lower than otherwise would have been required without PCI loan accounting. As a result of PCI loans, certain ratios of the Company may not be directly comparable with credit-related metrics for other financial institutions. For additional information on PCI loans, see the Risk Management Credit Risk Management Purchased Credit-Impaired Loans section and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

The ratio of the allowance for credit losses to total nonaccrual loans may fluctuate significantly from period to period due to such factors as the mix of loan types in the portfolio, borrower credit strength and the value and marketability of collateral. Over half of nonaccrual loans were home mortgages at June 30, 2013.

The decline in the allowance for loan losses in second quarter 2013 reflected continued improvement in consumer loss severity, delinquency trends and improved portfolio performance, particularly in residential real estate. The reduction included a $500 million allowance release due to strong underlying credit. Total provision for credit losses was $0.7 billion in second quarter 2013, compared with $1.8 billion a year ago.

We believe the allowance for credit losses of $16.6 billion at June 30, 2013, was appropriate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at that date. The allowance for credit losses is subject to change and reflects existing factors as of the date of determination, including economic or market conditions and ongoing internal and external examination processes. Due to the sensitivity of the allowance for credit losses to changes in the economic and business environment, it is possible that we will incur incremental credit losses not anticipated as of the balance sheet date. Absent significant deterioration in the economy, we continue to expect future allowance releases. Our process for determining the allowance for credit losses is discussed in the Critical Accounting Policies Allowance for Credit Losses section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2012 Form 10-K.

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

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

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

During the first half of 2013, we experienced some leveling off in repurchase activity as measured by outstanding

repurchase demands. We repurchased or reimbursed investors for incurred losses on mortgage loans with original balances of $457 million in second quarter 2013, compared with $847 million a year ago. We incurred net losses on repurchased loans and investor reimbursements totalling $160 million in second quarter 2013, compared with $349 million a year ago.

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

Table 32: Unresolved Repurchase Demands and Mortgage Insurance Rescissions

	Government sponsored entities (1)		Private		Mortgage insurance rescissions with no demand (2)		Total	
($ in millions)	Number of loans	Original loan balance (3)	Number of loans	Original loan balance (3)	Number of loans	Original loan balance (3)	Number of loans	Original loan balance (3)
2013								
June 30,	**6,313**	**$ 1,413**	**1,206**	**$ 258**	**561**	**$ 127**	**8,080**	**$ 1,798**
March 31,	5,910	1,371	1,278	278	652	145	7,840	1,794
2012								

December 31,	6,621	1,503	1,306	281	753	160	8,680	1,944
September 30,	6,525	1,489	1,513	331	817	183	8,855	2,003
June 30,	5,687	1,265	913	213	840	188	7,440	1,666
March 31,	6,333	1,398	857	241	970	217	8,160	1,856

(1) Includes unresolved repurchase demands of 942 and $190 million, 674 and $147 million, 661 and $132 million, 534 and $111 million, 526 and $103 million and 694 and $131 million at June 30 and March 31, 2013, and December 31, September 30, June 30 and March 31, 2012, respectively, received from investors on mortgage servicing rights acquired from other originators. We generally have the right of recourse against the seller and may be able to recover losses related to such repurchase demands subject to counterparty risk associated with the seller. The number of repurchase demands from GSEs that are from mortgage loans originated in 2006 through 2008 totaled 89% at June 30, 2013.

(2) As part of our representations and warranties in our loan sales contracts, we typically represent to GSEs and private investors that certain loans have mortgage insurance to the extent there are loans that have loan to value ratios in excess of 80% that require mortgage insurance. To the extent the mortgage insurance is rescinded by the mortgage insurer due to a claim of breach of a contractual representation or warranty, the lack of insurance may result in a repurchase demand from an investor. Similar to repurchase demands, we evaluate mortgage insurance rescission notices for validity and appeal for reinstatement if the rescission was not based on a contractual breach. When investor demands are received due to lack of mortgage insurance, they are reported as unresolved repurchase demands based on the applicable investor category for the loan (GSE or private). Over the last year, approximately 15% of our repurchase demands from GSEs had mortgage insurance rescission as one of the reasons for the repurchase demand. Of all the mortgage insurance rescission notices received in 2012, approximately 75% have resulted in repurchase demands through June 2013. Not all mortgage insurance rescissions received in 2012 have been completed through the appeals process with the mortgage insurer and, upon successful appeal, we work with the investor to rescind the repurchase demand.

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

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The overall level of unresolved repurchase demands and mortgage insurance rescissions outstanding at June 30, 2013, was up from a year ago in both number of outstanding loans and in total dollar balances as we continued to work through the new demands and mortgage insurance rescissions. Customary with industry practice, we have the right of recourse against correspondent lenders from whom we have purchased loans with respect to representations and warranties. Of total repurchase demands and mortgage insurance recissions outstanding as of June 30, 2013, presented in Table 32, approximately 25% relate to loans purchased from correspondent lenders. Due primarily to the financial difficulties of some correspondent lenders, we are currently recovering on average approximately 45% of losses from these lenders. Historical recovery rates as well as projected lender performance are incorporated in the establishment of our mortgage repurchase liability.

We believe we have a high quality residential mortgage loan servicing portfolio. Of the $1.9 trillion in the residential mortgage loan servicing portfolio at June 30, 2013, 93% was current, less than 2% was subprime at origination, and less than 1% was related to home equity loan securitizations. Our combined delinquency and foreclosure rate on this portfolio was 6.65% at June 30, 2013, compared with 7.04% at December 31, 2012. Four percent of this portfolio is private label securitizations for which we originated the loans and therefore have some repurchase risk. We have observed a decrease in outstanding demands, compared with December 31, 2012, associated with our private label securitizations. Investors continue to review defaulted loans for potential breaches of our loan sale representations and warranties, and we continue to believe the risk of repurchase in our private label securitizations is

substantially reduced, relative to third-party issued private label securitizations, because approximately one-half of this portfolio of private label securitizations does not contain representations and warranties regarding borrower or other third party misrepresentations related to the mortgage loan, general compliance with underwriting guidelines, or property valuation, which are commonly asserted bases for repurchase. For the 4% private label securitization segment of our residential mortgage loan servicing portfolio (weighted average age of 92 months), 57% are loans from 2005 vintages or earlier; 77% were prime at origination; and approximately 62% are jumbo loans. The weighted-average LTV as of June 30, 2013 for this private securitization segment was 69%. We believe the highest risk segment of these private label securitizations is the subprime loans originated in 2006 and 2007. These subprime loans have seller representations and warranties and currently have LTVs close to or exceeding 100%, and represent 10% of the private label securitization portion of the residential mortgage servicing portfolio. We had $12 million of repurchases related to private label securitizations in the quarter ended June 30, 2013.

Of the servicing portfolio, 3% is non-agency acquired servicing and 1% is private whole loan sales. We did not underwrite and securitize the non-agency acquired servicing and therefore we have no obligation on that portion of our servicing portfolio to the investor for any repurchase demands arising from origination practices. For the private whole loan segment, while we do have repurchase risk on these loans, less than 2% were subprime at origination and loans that were sold and subsequently securitized are included in the private label securitization segment discussed above.

Table 33 summarizes the changes in our mortgage repurchase liability.

Table 33: Changes in Mortgage Repurchase Liability

		Quarter ended					Six months ended	
(in millions)		**June 30, 2013**	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	**June 30, 2013**	June 30, 2012
Balance, beginning of period	$	**2,317**	2,206	2,033	1,764	1,444	**2,206**	1,326
Provision for repurchase losses:								
Loan sales		**40**	59	66	75	72	**99**	134
Change in estimate (1)		**25**	250	313	387	597	**275**	965
Total additions		**65**	309	379	462	669	**374**	1,099
Losses		**(160)**	(198)	(206)	(193)	(349)	**(358)**	(661)

Balance, end of period	$	**2,222**	2,317	2,206	2,033	1,764	**2,222**	1,764

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

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Risk Management Credit Risk Management *(continued)*

Our liability for mortgage repurchases, included in Accrued expenses and other liabilities in our consolidated balance sheet, was $2.2 billion at June 30, 2013 and December 31, 2012. In the quarter ended June 30, 2013, we provided $65 million, which reduced net gains on mortgage loan origination/sales activities, compared with a provision of $669 million a year ago. Our provision in second quarter 2013 reflected an increase for indemnifications and specific private investor demands (comprising approximately 55% of the second quarter 2013 provision) and new loan sales (approximately 45%).

The mortgage repurchase liability of $2.2 billion at June 30, 2013, represents our best estimate of the probable loss that we expect to incur for various representations and warranties in the contractual provisions of our sales of mortgage loans. The mortgage repurchase liability estimation process requires management to make difficult, subjective and complex judgments about matters that are inherently uncertain, including demand expectations, economic factors, and the specific characteristics of the loans subject to repurchase. Our evaluation considers all vintages and the collective actions of the GSEs and their regulator, the Federal Housing Finance Agency (FHFA), mortgage insurers and our correspondent lenders. We maintain regular contact with the GSEs, the FHFA, and other significant investors to monitor their repurchase demand practices and issues as part of our process to update our repurchase liability estimate as new information becomes available.

Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that are reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of assumptions that are subject to change. The high end of this range of reasonably possible losses in excess of our recorded liability was $2.2 billion at June 30, 2013, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) utilized in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions. For additional information on our repurchase liability, see the Critical Accounting Policies Liability for Mortgage Loan Repurchase Losses section in our 2012 Form 10-K and Note 8 (Mortgage Banking Activities) to Financial Statements in this Report.

To the extent that economic conditions and the housing market do not recover or future investor repurchase demands and appeals success rates differ from past experience, we could continue to have increased demands and increased loss severity on repurchases, causing future additions to the repurchase liability. However, some of the underwriting standards that were permitted by the GSEs for conforming loans in the 2006 through 2008 vintages, which significantly contributed to recent levels of repurchase demands, were tightened starting in mid to late 2008. Accordingly, we do not expect a similar rate of repurchase requests from the 2009 and prospective vintages, absent deterioration in economic conditions or changes in investor behavior.

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

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

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

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

Additionally and simultaneously, the OCC and FRB announced the imposition of civil money penalties of $83 million and $87 million, respectively, pursuant to the Consent Orders. While still subject to FRB confirmation, Wells Fargo believes the civil money obligations were satisfied through payments made under the Foreclosure Assistance Program to the federal government and participating states for their use to

address the impact of foreclosure challenges as they determine and which may include direct payments to consumers.

As of June 30, 2013, we believe we have successfully executed activities required under both the Consumer Relief (and state-level sub-commitments) and the Refinance Programs in accordance with the terms of our commitments. In our May 14, 2013, submission to the Monitor of the National Mortgage Settlement, we reported $2.5 billion of earned credits toward our Consumer Relief commitment and $1.7 billion of earned credits toward our Refinance Program commitment. We expect our August 14, 2013 submission to the Monitor will include sufficient credits to satisfy the requirements of both programs. Our earned credits are subject to review and approval by the Monitor.

Under the Refinance Program, we refinanced approximately 31,000 borrowers with an unpaid principal balance of approximately $6.7 billion. Based on the mix of loans we have refinanced, the weighted average note rate was reduced by approximately 260 basis points and the weighted average estimated remaining life is approximately 10 years. The impact of fulfilling our commitment under the Refinance Program will be recognized over a period of years in the form of lower interest income as qualified borrowers benefit from reduced interest rates on loans refinanced under the Refinance Program. We expect the future reduction in interest income to be approximately $1.8 billion, or $180 million annually. As a result of refinancings under the Refinance Program, we will be forgoing interest that we may not otherwise have agreed to forgo. No loss was recognized in our consolidated financial statements for this estimated forgone interest income at the time of the settlement as the impact will be recognized over a period of years in the form of lower interest income as qualified borrowers benefit from reduced interest rates on loans refinanced under the Refinance Program. The impact of this forgone interest income on our future net interest margin is anticipated to be modestly adverse and will be influenced by the overall mortgage interest rate environment. The Refinance Program also affects our fair value for these loans. The estimated reduction of the fair value of our loans for the Refinance Program is approximately $1.1 billion.

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

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

In aggregate, the servicers have agreed to make cash payments into a qualified settlement fund to be administered by the OCC and the FRB and to provide additional assistance, such as loan modifications, to consumers. Our portion of the cash settlement is $766 million, which is based on the proportionate share of Wells Fargo-serviced loans in the overall IFR population. We accrued the cash portion of the settlement in 2012, along with our estimate of other remediation-related costs, and we paid this settlement in the first quarter of 2013. We also committed to foreclosure prevention actions which include first and second lien modifications and short sales/deeds-in-lieu of foreclosure on $1.2 billion of loans. We anticipate meeting this

commitment primarily through first lien modification and short sale activities. We are required to meet this commitment by January 7, 2015, and we anticipate that we will be able to meet our commitment within the required timeline. This commitment did not result in any charge as we believe that this commitment is covered through the existing allowance for credit losses and the nonaccretable difference relating to the purchased credit-impaired loan portfolios. With this settlement, beginning in second quarter 2013, we no longer incur significant costs associated with the independent foreclosure reviews, which approximated $125 million per quarter during 2012 for external consultants and additional staffing.

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Asset/Liability Management

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

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

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

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

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

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

The degree to which these sensitivities offset each other is dependent upon the timing and magnitude of changes in interest rates, and the slope of the yield curve. During a transition to a higher or lower interest rate environment, a reduction or increase in interest sensitive earnings from the mortgage banking business could occur quickly, while the benefit or detriment from balance sheet repricing could take more time to develop. For example, our lower rate scenarios (scenario 1 and scenario 2) in the following table primarily measure a decline in long-term interest rates versus our most likely scenario. Although the performance in both lower rate scenarios contains initial benefit from increased mortgage banking activity, each results in lower earnings relative to the most likely scenario over time given pressure on net interest income. The higher rate scenarios (scenario 3 and scenario 4) measure the impact of varying degrees of rising short-term and long-term interest rates over the course of the forecast horizon relative to the most likely scenario, both resulting in positive earnings sensitivity.

As of June 30, 2013, our most recent simulations estimate earnings at risk over the next 24 months under a range of both lower and higher interest rates. The results of the simulations are summarized in Table 34, indicating cumulative net income after tax earnings sensitivity relative to the most likely earnings plan over the 24 month horizon (a positive range indicates a beneficial earnings sensitivity measurement relative to the most likely earnings plan).

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

	Most	Lower rates		Higher rates	
		Scenario	Scenario	Scenario	Scenario
	likely	1	2	3	4
Ending rates:					
Fed funds	0.50 %	0.25	0.25	1.25	4.00
10-year treasury (1)	3.24	1.45	2.35	4.24	5.10
Earnings relative to most likely	N/A	-2.7%	-0.5%	0-5%	>5%

(1) U.S. Constant Maturity Treasury Rate

We use the available-for-sale securities portfolio and exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. See the Balance Sheet Analysis Securities Available for Sale section of this Report for more information on the use of the available-for-sale securities portfolio. The notional or contractual amount, credit risk amount and fair value of the derivatives used to hedge our interest rate risk exposures as of June 30, 2013, and December 31, 2012, are presented in Note 12 (Derivatives) to Financial Statements in this Report. We use derivatives for asset/liability management in three main ways:

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

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

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

The total carrying value of our residential and commercial MSRs was $15.4 billion at June 30, 2013, and $12.7 billion at December 31, 2012. The weighted-average note rate on our portfolio of loans serviced for others was 4.59% at June 30, 2013, and 4.77% at December 31, 2012. The carrying value of our

total MSRs represented 0.81% of mortgage loans serviced for others at June 30, 2013, and 0.67% at December 31, 2012.

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

Table 35 presents total revenue from trading activities.

Table 35: Income from Trading Activities

(in millions)	Quarter ended June 30, 2013	Quarter ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Interest income (1)	$ **340**	343	**667**	720
Less: Interest expense (2)	**75**	65	**140**	129
Net interest income	**265**	278	**527**	591
Noninterest income:				
Net gains (losses) from trading activities (3):				
Customer accommodation	**337**	356	**804**	690
Economic hedging and other (4)	**(11)**	(92)	**88**	199
Proprietary trading	**5**	(1)	**9**	14
Total net trading gains	**331**	263	**901**	903
Total trading-related net interest and noninterest income	$ **596**	541	**1,428**	1,494

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

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

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

For the majority of our customer accommodation trading, we serve as intermediary between buyer and seller. For example, we may purchase or sell a derivative to a customer who wants to

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Risk Management   Asset/Liability Management *(continued)*

manage interest rate risk exposure. We typically enter into offsetting derivative(s) or security positions with a separate counterparty or exchange to manage our exposure to the derivative with our customer. We earn income on this activity based on the transaction price difference between the customer and offsetting derivative or security positions, which is reflected in the fair value changes of the positions recorded in net gains (losses) on trading activities.

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

Economic hedges and other Economic hedges in trading are not designated in a hedge accounting relationship and exclude economic hedging related to our asset/liability risk management and substantially all mortgage banking risk management activities. Economic hedging activities include the use of trading securities to economically hedge risk exposures related to non-trading activities or derivatives to hedge risk exposures related to trading assets or trading liabilities. Economic hedges are

unrelated to our customer accommodation activities. Other activities include financial assets held for investment purposes that we elected to carry at fair value with changes in fair value recorded to earnings in order to mitigate accounting measurement mismatches or avoid embedded derivative accounting complexities.

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

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

Table 36: Distribution of Daily Trading-Related Revenues (for the six months ended June 30, 2013)

Table 37: Daily Trading-Related Revenues

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

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

Value-at-Risk Overview VaR is a statistical risk measure used to estimate the potential loss from adverse market moves on trading and other positions carried at fair value. We utilize VaR models to measure market risk on an aggregate basis as well as on a disaggregated basis for individual lines 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 worst 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 scenarios of the risk factors from each trading day in the previous 12 months and is used to identify the critical risk driver of each trading position with respect to interest rates, credit spreads, foreign exchange rates, and equity and commodity prices. The risk drivers for each position are updated on a daily basis. 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 trading 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 institutions is not readily comparable due to modeling and assumption differences. VaR measures are more useful when interpreted as an indication of trends rather than an absolute measure to be compared across institutions.

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Risk Management Asset/Liability Management *(continued)*

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

Stress Testing While VaR captures the risk of loss due to adverse changes in markets using recent historical data, stress testing captures the Company s exposure to extreme, 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). We update and review the stress scenarios with recent market trends on a daily basis.

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

Table 38 shows the results of the Company s Trading VaR by risk category. As presented in the table, average Trading VaR was $15 million for the quarter ended June 30, 2013, compared with $24 million for the quarter ended March 31, 2013. The decrease was primarily driven by several volatile days rolling off of the 1-year historical time series used in the VaR calculation.

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

									Quarter ended
			June 30, 2013						March 31, 2013
(in millions)		**Period end**	**Average**	**Low**	**High**	Period end	Average	Low	High
VaR Risk Categories									
Credit	$	**31**	**16**	**12**	**31**	25	25	24	26
Interest rate		**20**	**19**	**11**	**30**	29	28	26	30
Equity		**6**	**5**	**4**	**8**	5	4	4	5
Commodity		**3**	**3**	**2**	**5**	2	3	2	3
Foreign exchange		**1**	**2**	**1**	**3**	2	2	1	2
Diversification benefit (1)		**(43)**	**(30)**			(40)	(38)		
Total VaR		**18**	**15**			23	24		

(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.

Market Risk Regulatory Capital Effective January 1, 2013, the U.S banking regulators adopted Risk-Based Capital Guidelines: Market Risk as the regulations covering the calculation of market risk capital. The market risk capital rule, commonly known as Basel 2.5, substantially modified the determination of market risk-weighted assets, and implements a more risk sensitive methodology for the risks inherent in certain covered trading positions. The positions that are covered by the market risk 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 are predominantly concentrated in the trading assets managed within Wholesale Banking, which is the predominant contributor to the Company s overall VaR and manages the areas traditionally considered as trading lines of business. Wholesale Banking engages in fixed income, foreign exchange, equities, and commodities markets and those positions comprise predominantly all of our covered positions.

Basel 2.5 prescribes various VaR calculations (e.g. Regulatory VaR) in the determination of regulatory capital and risk-weighted assets.

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Regulatory VaR The VaR measurements use the previous rolling 12 months of historical market data and include:

- Total VaR is composed of General and Specific Risk VaR and uses the previous 12 months of historical market data to comply with regulatory requirements.
  - General VaR
    - Measures the risk of broad market movements such as changes in the level of interest rates, credit spreads, equity prices, foreign exchange rates, and commodity prices.
    - Uses historical simulation analysis based on 99% confidence level and a 10-day time horizon.
  - Specific Risk VaR
    - Measures the risk of loss that could result from factors other than broad market movement.
    - Uses historical simulation analysis based on a 99% confidence level and a 10-day time horizon.
- Total Stressed VaR uses a historical period of significant financial stress over a continuous 12 month period using historically available market data and is composed of General and Specific Risk Stressed VaR. Stressed VaR uses the same methodology and models as General VaR.
- Incremental Risk Charge
  - Measures the potential loss in value of non-securitized credit products from both default and credit migration events.
  - Analysis is based on 99.9% confidence level and a 12 month time horizon.

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

Table 39 shows the results of the Company s modeled measures for regulatory capital calculations. As presented in the table, average total Wells Fargo VaR was $38 million for the quarter ended June 30, 2013, compared with $50 million for the quarter ended March 31, 2013. The decrease was primarily driven by several volatile days rolling off of the 1-year historical time series used in the VaR calculation.

Table 39: Regulatory 10-Day 99% Value-at-Risk (VaR) Metrics

							Quarter ended	
			June 30, 2013				March 31, 2013	
(in millions)	**Period end**	**Average**	**Low**	**High**	Period end	Average	Low	High
Wholesale General VaR								
Risk Categories								
Credit	$ **96**	**46**	**27**	**96**	27	54	27	68
Interest rate	**30**	**32**	**23**	**48**	34	34	25	45
Equity	**5**	**7**	**2**	**11**	11	7	4	12
Commodity	**5**	**5**	**3**	**10**	4	5	3	6
Foreign exchange	**2**	**2**	**1**	**6**	3	2	-	5
Diversification benefit (1)	**(118)**	**(71)**			(61)	(67)		
Wholesale General VaR	**20**	**21**	**15**	**32**	18	35	18	56
Wholesale Specific Risk VaR	**22**	**26**	**21**	**37**	36	30	25	37
Wholesale Banking Total VaR (2)(3)(4)		**30**	**34**			40	46	
Wells Fargo Total VaR (2)(4)	**42**	**38**				41	50	
Wholesale Stressed General VaR	**253**	**243**	**190**	**305**	260	288	218	356
Wholesale Stressed Specific Risk VaR	**115**	**136**	**104**	**187**	162	138	83	169
Wholesale Banking Total Stressed VaR (2)(3)(4)	**278**	**280**			306	319	-	-
Wells Fargo Total Stressed VaR (2)(4)	**290**	**299**			329	345		
Wells Fargo Incremental Risk Charge (1-year 99.9%)	**402**	**393**	**357**	**426**	396	415	360	486
Wells Fargo Market Risk Regulatory Capital	**2,906**					3,025		
Wells Fargo Risk-Weighted Assets	**36,325**					37,814		

(1) The period-end VaR and average VaR were less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone.
(2) The Low and High metrics may have occurred during different days for the individual components. As such, the low and high for the overall portfolio will not equal the sum of the individual components.
(3) The material portfolio of the Company s covered positions is predominantly concentrated in the trading assets managed within Wholesale Banking.
(4) General VaR and Specific Risk VaR are combined in accordance with regulator prescribed methodology.

Risk Management   Asset/Liability Management *(continued)*

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

Any observed clean P&L loss in excess of the VaR estimate is considered an exception. There were backtesting exceptions which occurred in the last part of second quarter 2013. The exceptions were driven by increased volatility in the fixed income markets from uncertainty about the Federal Reserve s intentions regarding their quantitative easing efforts. The number of actual backtesting exceptions is dependent on current market performance relative to historic market volatility. Table 40 shows daily Total Regulatory VaR (1-day, 99%) for the previous 12 months ended June 30, 2013. The Wells Fargo average Total Regulatory VaR for second quarter 2013 was $16 million with a low of $13 million and a high of $21 million. The decline in Total Regulatory VaR for the previous 12 months is due to the overall risk reduction in the trading portfolio as well as low volatile markets.

Table 40: Daily Total Regulatory Value-at-Risk (VaR)

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There is a separate market risk capital charge required for covered trading securitization products in the Basel 2.5 market risk capital rule. Table 41 shows the aggregate net fair market value of securities and derivative securitization positions by exposure type that meet the regulatory definition of a covered trading securitization position for the quarter ended June 30, 2013. Covered trading securitizations positions under Basel 2.5 include asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), and collateralized loan and other debt obligations (CLO/CDO) positions.

Table 41: Covered Securitization Positions by Exposure Type (Market Value)

		Quarter ended June 30, 2013			
(in millions)		ABS	CMBS	RMBS	CLO/CDO
Securitization Exposure					
Securities	$	694	481	461	675
Derivatives		-	(755)	37	(75)
Total	$	694	(274)	498	600

Furthermore, the regulatory market risk capital rule requires capital for correlation trading positions. The net market value of correlation trading positions that meet the definition of a covered position for the quarter ended June 30, 2013, was $30 million. Correlation trading is a discontinued business in which the Company is no longer active, with current positions hedged and maturing over time.

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

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

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

Table 42 provides information regarding our marketable and nonmarketable equity investments.

Table 42: Nonmarketable and Marketable Equity Investments

(in millions)		June 30, 2013	Dec. 31, 2012
Nonmarketable equity investments:			
Cost method:			
Private equity investments	$	**2,419**	2,572
Federal bank stock		**4,100**	4,227
Total cost method		**6,519**	6,799
Equity method and other:			
LIHTC investments (1)		**4,931**	4,767
Private equity and other		**5,741**	6,156
Total equity method and other		**10,672**	10,923
Fair value (2)		**595**	-
Total nonmarketable equity investments (3)	$	**17,786**	17,722
Marketable equity securities:			
Cost	$	**2,210**	2,337
Net unrealized gains		**547**	448
Total marketable equity securities (4)	$	**2,757**	2,785

(1) Represents low income housing tax credit investments
(2) Represents nonmarketable equity investments for which we have elected the fair value option. See Note 6 (Other Assets) and Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information.
(3) Included in other assets on the balance sheet. See Note 6 (Other Assets) to Financial Statements in this Report for additional information.
(4) Included in securities available for sale. See Note 4 (Securities Available for Sale) to Financial Statements in this Report for additional information.

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

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

Unencumbered debt and equity securities in the securities available-for-sale portfolio provide asset liquidity, in addition to

the immediately liquid resources of cash and due from banks and federal funds sold, securities purchased under resale agreements and other short-term investments. Asset liquidity is further enhanced by our ability to sell or securitize loans in secondary markets and to pledge loans to access secured borrowing facilities through the Federal Home Loan Banks (FHLB) and the FRB.

Core customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. At June 30, 2013, core deposits were 117% of total loans, compared with 114% a year ago. Additional funding is provided by long-term debt, other foreign deposits, and short-term borrowings.

Table 43 shows selected information for short-term borrowings, which generally mature in less than 30 days.

Table 43: Short-Term Borrowings

					Quarter ended
(in millions)	**June 30, 2013**	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012
Balance, period end					
Commercial paper and other short-term borrowings	**$ 18,497**	22,263	22,202	20,474	19,695
Federal funds purchased and securities sold under agreements to repurchase	**38,486**	38,430	34,973	31,483	36,328
Total	**$ 56,983**	60,693	57,175	51,957	56,023
Average daily balance for period					
Commercial paper and other short-term borrowings	**$ 19,606**	20,850	20,609	19,675	18,072
Federal funds purchased and securities sold under agreements to repurchase	**38,206**	34,561	32,212	32,182	33,626
Total	**$ 57,812**	55,411	52,821	51,857	51,698
Maximum month-end balance for period					
Commercial paper and other short-term borrowings (1)	**$ 19,834**	22,263	22,202	20,474	19,695

Federal funds purchased and securities sold under agreements to repurchase (2)	**39,451**	38,430	35,941	32,766	36,328

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

We access domestic and international capital markets for long-term funding (generally greater than one year) through issuances of registered debt securities, private placements and asset-backed secured funding. Investors in the long-term capital markets, as well as other market participants, generally will consider, among other factors, a company s debt rating in making investment decisions. Rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, the level and quality of earnings, and rating agency assumptions regarding the probability and extent of federal financial assistance or support for certain large financial institutions. Adverse changes in these factors could result in a reduction of our credit rating; however, a reduction in credit rating would not cause us to violate any of our debt covenants. This year, both Moody s Investors Service (Moody s) and Standard and Poor s (S&P) have announced that they intend to reassess their assumptions regarding the probability and extent of federal support for certain bank holding companies, including the Parent, in light of recent regulatory developments related to the Title II Orderly Liquidation Authority of the Dodd-Frank Act that could make federal support less certain and predictable. Moody s expects to complete their review by year-end; S&P has not provided a

timeframe for their review. Generally, rating agencies review a firm s ratings at least annually. There were no changes to our credit ratings in second quarter 2013. See the Risk Management Asset/Liability Management and Risk Factors sections in our 2012 Form 10-K for additional information regarding our credit ratings as of December 31, 2012, and the potential impact a credit rating downgrade would have on our liquidity and operations, as well as Note 12 (Derivatives) to Financial Statements in this Report for information regarding additional collateral and funding obligations required for certain derivative instruments in the event our credit ratings were to fall below investment grade.

On December 20, 2011, the FRB proposed enhanced liquidity risk management rules. On January 6, 2013, the Basel Committee on Bank Supervision (BCBS) endorsed a revised liquidity framework for banks. These rules have not yet been finalized and adopted by the FRB. The proposed rules would require modifications to our existing liquidity risk management processes. This includes increased frequency of liquidity reporting and stress testing, maintenance of a 30-day liquidity buffer comprised of highly-liquid assets and additional corporate governance requirements. We will continue to analyze the proposed rules and other regulatory proposals that may affect

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liquidity risk management to determine the level of operational or compliance impact to Wells Fargo. For additional information see the Capital Management and Regulatory Reform sections in this Report and in our 2012 Form 10-K.

Parent Under SEC rules, our Parent is classified as a well-known seasoned issuer, which allows it to file a registration statement that does not have a limit on issuance capacity. In April 2012, the Parent filed a registration statement with the SEC for the issuance of senior and subordinated notes, preferred stock and other securities. The Parent s ability to issue debt and other securities under this registration statement is limited by the debt issuance authority granted by the Board. The Parent is currently authorized by the Board to issue $60 billion in outstanding short-term debt and $170 billion in outstanding long-term debt. During the first half of 2013, the Parent issued $7.1 billion of senior notes, of which $2.7 million were registered with the SEC. In addition, during the first half of 2013, the Parent issued $2.0 billion of registered subordinated notes. In July 2013, the Parent issued an additional $2.5 billion of registered senior notes.

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

Table 44 provides information regarding the Parent s medium-term note (MTN) programs. The Parent may issue senior and subordinated debt securities under Series L & M, and the European and Australian programmes. Under Series K, the Parent may issue senior debt securities linked to one or more indices or bearing interest at a fixed or floating rate.

Table 44: Medium-Term Note (MTN) Programs

			June 30, 2013	
(in billions)	Date established		Debt issuance authority	Available for issuance
MTN program:				
Series L & M (1)	May 2012		$ 25.0	16.9
Series K (1) (3)	April 2010		25.0	22.5
European (2) (4)	December 2009		25.0	18.4
Australian (2) (5)	June 2005	AUD	10.0	5.7

(1) SEC registered.
(2) Not registered with the SEC. May not be offered in the United States without applicable exemptions from registration.
(3) As amended in April 2012.
(4) As amended in April 2012 and April 2013.
(5) As amended in October 2005 and March 2010.

Wells Fargo Bank, N.A. Wells Fargo Bank, N.A. is authorized by its board of directors to issue $100 billion in outstanding short-term debt and $125 billion in outstanding long-term debt. At June 30, 2013, Wells Fargo Bank, N.A. had available $100 billion in short-term debt issuance authority and $100.4 billion in long-term debt issuance authority. In March 2012, Wells

Fargo Bank, N.A. established a $100 billion bank note program under which, subject to any other debt outstanding under the limits described above, it may issue $50 billion in outstanding short-term senior notes and $50 billion in outstanding long-term senior or subordinated notes. During the first half of 2013, Wells Fargo Bank, N.A. issued $5.6 billion of senior notes. At June 30, 2013, Wells Fargo Bank, N.A. had remaining issuance capacity under the bank note program of $50 billion in short-term senior notes and $39.9 billion in long-term senior or subordinated notes. In July 2013, Wells Fargo Bank, N.A. issued $2.6 billion of senior notes. In addition, since June 30, 2013, Wells Fargo Bank N.A. has executed advances of $1.0 billion with the Federal Home Loan Bank of Des Moines.

Wells Fargo Canada Corporation In January 2012, Wells Fargo Canada Corporation (WFCC, formerly known as Wells Fargo Financial Canada Corporation), an indirect wholly owned Canadian subsidiary of the Parent, qualified with the Canadian provincial securities commissions a base shelf prospectus for the distribution from time to time in Canada of up to CAD $7.0 billion in medium-term notes. During the first half of 2013, WFCC issued CAD $500 million in medium-term notes. At June 30, 2013, CAD $3.5 billion remained available for future issuance. All medium-term notes issued by WFCC are unconditionally guaranteed by the Parent.

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

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

Capital Management

We have an active program for managing stockholders equity and regulatory capital, and maintain a comprehensive process for assessing the Company s overall capital adequacy. We generate capital primarily through the retention of earnings net of dividends. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. Our potential sources of stockholders equity include retained earnings and issuances of common and preferred stock. Retained earnings increased $7.2 billion from December 31, 2012, predominantly from Wells Fargo net income of $10.7 billion, less common and preferred stock dividends of $3.4 billion. During second quarter 2013, we issued approximately 40 million shares of common stock (approximately 79 million for the first half of 2013), substantially all of which related to employee benefit plans. In July 2013, we issued 69 million Depository Shares, each representing 1/1,000th interest in a share of the Company s newly issued 5.85% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series Q, for an aggregate public offering price of $1.7 billion. During second quarter 2013, we also repurchased approximately 27 million shares of common stock in open market transactions and from employee benefit plans, at a net cost of $1.1 billion. In addition, the Company entered into forward purchase contracts in April 2013 and July 2013 and paid $500 million for each contract to an unrelated third party. Both of these contracts expire in third quarter 2013; however, the counterparty has the right to accelerate settlement. For additional information about our forward repurchase agreements see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Table 45 and Table 46, which appear at the end of this Capital Management section, provide information regarding our Tier 1 common equity calculations under Basel I and as estimated under Basel III, respectively.

Regulatory Capital Guidelines

The Company and each of our subsidiary banks are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC. Risk-based capital (RBC) guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures. At June 30, 2013, the Company and each of our subsidiary banks were well-capitalized under applicable regulatory capital adequacy guidelines. See Note 19 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

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

Effective January 1, 2013, the Company implemented changes to the market risk capital rule, commonly referred to as Basel 2.5, as required by U.S. banking regulators. Basel 2.5 requires banking organizations with significant trading activities to adjust their capital requirements to better account for the market risks of those activities. The market risk capital rule is reflected in the Company s calculation of risk-weighted assets and, upon initial adoption in first quarter 2013, negatively impacted capital ratios under Basel I by approximately 25 basis points, but did not impact our ratio under Basel III, as its impact has historically been included in our calculations. For additional information see the Risk Management Asset/Liability Management section in this Report.

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

In December 2010, the BCBS finalized a set of international guidelines for determining regulatory capital known as Basel III. These guidelines were developed in response to the financial crisis of 2008 and 2009 and were intended to address many of the weaknesses identified in the banking sector as contributing to the crisis including excessive leverage, inadequate and low quality capital and insufficient liquidity buffers.

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

implement in the United States the Basel III regulatory capital reforms including those that revise the definition of capital, increase minimum capital ratios, and introduce a minimum Tier 1 common equity ratio of 4.5% and a capital conservation buffer of 2.5% (for a total minimum Tier 1 common equity ratio of 7.0%) and a potential countercyclical buffer of up to 2.5%, which would be imposed by regulators at their discretion if it is determined that a period of excessive credit growth is contributing to an increase in systemic risk;

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 supplemental leverage ratio of 3% that incorporates off-balance sheet exposures;

revise Basel I rules for calculating risk-weighted assets to enhance risk sensitivity;

modify the existing Basel II advanced approaches rules for calculating risk-weighted assets to implement Basel III; and

comply with the Dodd-Frank Act provision prohibiting the reliance on external credit ratings.

We will be required to comply with the final Basel III capital rules beginning January 2014. Based on our interpretation of the final capital rules, we estimate that our Tier 1 common equity ratio under the final Basel III capital rules exceeded the fully phased-in minimum of 7.0% by 162 basis points at June 30, 2013. Because the rules were only recently finalized, the interpretations and assumptions we use in estimating our calculations are subject to change depending on our ongoing review of the final capital rules.

The final Basel III capital rules did not address the proposed Basel III liquidity standards and also did not address additional capital and leverage requirements that are currently under consideration by the BCBS and U.S. banking regulators. For example, in July 2013, U.S. banking regulators introduced proposals that would enhance the recently finalized supplemental leverage ratio requirements for large BHCs like Wells Fargo and their insured depository institution subsidiaries. Under the proposals, a covered BHC would be required to maintain a supplemental leverage ratio of at least 5% to avoid restrictions on capital distributions and discretionary bonus payments. The proposals would also require that all of our insured depository institution subsidiaries maintain a supplemental leverage ratio of 6% in order to be considered well capitalized. Based on our initial review, we believe our current leverage levels would meet the applicable proposed requirements at the holding company and each of its insured depository institution subsidiaries. U.S. banking regulators, however, have indicated they may make further changes to the U.S. supplemental leverage ratio requirements based on revisions to the Basel III leverage framework recently proposed by the BCBS.

The FRB has also indicated that it is in the process of considering new rules to address the amount of equity and long-term debt a company must hold to facilitate its orderly liquidation and to address risks related to banking organizations that are substantially reliant on short-term wholesale funding. In addition, the FRB is developing rules to implement an additional BCBS Tier 1 common equity capital surcharge on those U.S. banking organizations 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% Tier 1 common equity requirement and ranges from 1.0% to 3.5% of risk-weighted assets, depending on the bank s systemic importance, which would be determined under an indicator-based approach that considers five broad categories: cross-jurisdictional activity; size; inter-connectedness; substitutability/financial institution infrastructure; and complexity. The G-SIB surcharge is expected to be phased in beginning in January 2016 and become fully effective on January 1, 2019. The FSB, in an updated listing published in November 2012 based on year-end 2011 data, identified the Company as one of the 28 G-SIBs and provisionally determined that the Company s surcharge would be 1.0%. The FSB is expected to update the list of G-SIBs and

their required surcharges prior to implementation based on additional or future data.

Capital Planning and Stress Testing

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

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

In addition to CCAR, banking regulators also require stress tests to evaluate whether an institution has sufficient capital to continue to operate during periods of adverse economic and financial conditions. In October 2012, the FRB issued final rules regarding stress testing requirements as required under the Dodd-Frank Act provision imposing enhanced prudential standards on large BHCs such as Wells Fargo. The OCC issued and finalized similar rules during 2012 for stress testing of large national banks. These stress testing rules, which became effective for Wells Fargo on November 15, 2012, set forth the timing and type of stress test activities large BHCs and banks must undertake as well as rules governing stress testing controls, oversight and disclosure requirements. As required under the FRB s stress testing rule, we completed a mid-cycle stress test based on March 31, 2013 data and scenarios developed by the Company. We submitted the results of the mid-cycle stress test to the FRB in July 2013 and expect to disclose a summary of the results in September 2013.

Securities Repurchases

From time to time the Board authorizes the Company to repurchase shares of our common stock. Although we announce when the Board authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Future stock repurchases may be

private or open-market repurchases, including block transactions, accelerated or delayed block transactions, forward transactions, and similar transactions. Additionally, we may enter into plans to purchase stock that satisfy the conditions of Rule 10b5-1 of the Securities Exchange Act of 1934. Various factors determine the amount

Capital Management ***(continued)***

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 June 30, 2013, we had remaining authority under this authorization to purchase approximately 154 million shares, subject to regulatory and legal conditions. For more information about share repurchases during 2013, see Part II, Item 2 of this Report.

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

limitation. In such cases, we intend to repurchase shares in compliance with the other conditions of the safe harbor, including the standing daily volume limitation that applies whether or not there is a pending stock merger or acquisition.

In connection with our participation in the Capital Purchase Program (CPP), a part of the Troubled Asset Relief Program (TARP), we issued to the U.S. Treasury Department warrants to purchase 110,261,688 shares of our common stock with an exercise price of $34.01 per share expiring on October 28, 2018. The Board authorized the repurchase by the Company of up to $1 billion of the warrants. On May 26, 2010, in an auction by the U.S. Treasury, we purchased 70,165,963 of the warrants at a price of $7.70 per warrant. We have purchased an additional 986,426 warrants, all on the open market, since the U.S. Treasury auction. At June 30, 2013, there were 39,109,299 warrants outstanding and exercisable and $452 million of unused warrant repurchase authority. Depending on market conditions, we may purchase from time to time additional warrants in privately negotiated or open market transactions, by tender offer or otherwise.

Table 45: Tier 1 Common Equity Under Basel I (1)

(in billions)			**June 30, 2013**	Dec. 31, 2012
Total equity		$	**163.8**	158.9
Noncontrolling interests			**(1.4)**	(1.3)
Total Wells Fargo stockholders equity			**162.4**	157.6
Adjustments:				
Preferred equity			**(12.6)**	(12.0)
Goodwill and intangible assets (other than MSRs)			**(32.2)**	(32.9)
Applicable deferred taxes			**3.0**	3.2
MSRs over specified limitations			**(0.8)**	(0.7)
Cumulative other comprehensive income			**(1.8)**	(5.6)
Other			**(0.5)**	(0.6)
Tier 1 common equity	(A)	$	**117.5**	109.0
Total risk-weighted assets (2)	(B)	$	**1,097.4**	1,077.1

Tier 1 common equity to total risk-weighted assets (2)	(A)/(B)	**10.71%**	10.12

(1) Tier 1 common equity is a non-generally accepted accounting principle (GAAP) financial measure that is used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Management reviews Tier 1 common equity along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliation to total equity, because of current interest in such information on the part of market participants.

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

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Table 46: Tier 1 Common Equity Under Basel III (Estimated) (1) (2)

(in billions)		June 30, 2013
Tier 1 common equity under Basel I		$ 117.5
Adjustments from Basel I to Basel III (3) (5):		
Cumulative other comprehensive income related to AFS securities and defined benefit pension plans		1.6
Other		1.0
Total adjustments from Basel I to Basel III		2.6
Threshold deductions, as defined under Basel III (4) (5)		-
Tier 1 common equity anticipated under Basel III	(C)	$ 120.1
Total risk-weighted assets anticipated under Basel III (6)	(D)	$ 1,393.4
Tier 1 common equity to total risk-weighted assets anticipated under Basel III	(C)/(D)	8.62%

(1) Tier 1 common equity is a non-generally accepted accounting principle (GAAP) financial measure that is used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Management reviews Tier 1 common equity along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliation to total equity, because of current interest in such information on the part of market participants.
(2) The Basel III Tier 1 common equity and risk-weighted assets are estimated based on management s interpretation of the Basel III capital rules adopted July 2, 2013, by the Federal Reserve Board. The rules establish a new comprehensive capital framework for U.S. banking organizations that implement the Basel III capital framework and certain provisions of the Dodd-Frank Act.
(3) Adjustments from Basel I to Basel III represent reconciling adjustments, primarily certain components of cumulative other comprehensive income deducted for Basel I purposes, to derive Tier 1 common equity under Basel III.
(4) Threshold deductions, as defined under Basel III, include individual and aggregate limitations, as a percentage of Tier 1 common equity, with respect to MSRs (net of related deferred tax liability, which approximates the MSR book value times the applicable statutory tax rates), deferred tax assets and investments in unconsolidated financial companies.
(5) Volatility in interest rates can have a significant impact on the valuation of cumulative other comprehensive income and MSRs and therefore, may impact adjustments from Basel I to Basel III, and MSRs subject to threshold deductions, as defined under Basel III, in future reporting periods.
(6) The estimate of RWA reflects management s interpretation of RWA determined under Basel III capital rules adopted by the Federal Reserve Board that incorporates different classifications of assets, with certain risk weights based on a borrower s credit rating or Wells Fargo s own models, along with adjustments to address a combination of credit/counterparty, operational and market risks, and other Basel III elements.

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Regulatory Reform

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

The following supplements our discussion of the significant regulations and regulatory oversight initiatives that have affected or may affect our business contained in the Regulatory Reform and Risk Factors sections of our 2012 Form 10-K.

REGULATION OF SWAPS AND OTHER DERIVATIVE ACTIVITIES The Dodd-Frank Act established a comprehensive framework for regulating over-the-counter derivatives. Included in this framework were certain push-out provisions affecting U.S. banks acting as dealers in commodity swaps, equity swaps and certain credit default swaps, which will require that these activities be conducted through an affiliate. The push-out provisions in the Dodd-Frank Act provided for an effective date in July 2013, but the provisions granted the OCC the discretion to provide a transition period of up to two years for banks to come into compliance with the requirements. On January 3, 2013, the OCC issued guidance that it would consider transition period requests and favorably act on such requests subject to the requesting bank meeting specified requirements. Wells Fargo Bank, N.A. prepared and filed a transition period request with the OCC on January 31, 2013. On June 11, 2013, the OCC granted the request and provided a twenty-four month transition period beginning on July 16, 2013.

ENHANCED REGULATION OF MONEY MARKET MUTUAL FUNDS In November 2012, the Financial Stability Oversight Council (FSOC) proposed new regulations to address the perceived risks that money market mutual funds may pose to the financial stability of the United States. These proposals included implementation of floating net asset value requirements, redemption holdback provisions, and capital buffer requirements and would be in addition to regulatory changes made by the SEC to the market in January 2010. The proposals were subject to public comment; however, the FSOC has not yet adopted final recommendations. In addition to the proposals under consideration by the FSOC, the SEC proposed rules for public comment on June 5, 2013, that would require a floating net asset value for prime institutional money market funds, allow for the use of liquidity fees and redemption gates during periods of stress, and impose diversification and disclosure requirements.

REGULATORY CAPITAL AND LEVERAGE REQUIREMENTS In July 2013, U.S. banking regulators issued final and interim final rules that substantially amend the risk-based capital rules for banking organizations. The rules implement the Basel III regulatory capital reforms in the U.S., comply with changes required by the Dodd-Frank Act, and replace the existing Basel I-based capital requirements. Wells Fargo will be required to comply with the rules beginning January 1, 2014. U.S. banking regulators are also considering proposals that would impose enhanced supplemental leverage ratio requirements on large bank holding companies like Wells Fargo and our insured depository institution subsidiaries. For more information on the revised capital rules, the proposed leverage requirements and additional capital requirements under consideration by the FRB, see the Capital Management section of this Report.

LIVING WILL REQUIREMENTS On June 29, 2013, Wells Fargo submitted its resolution plan to the FRB and FDIC. Resolution planning is mandated by the Dodd-Frank Act and requires large financial institutions, including Wells Fargo, to prepare and periodically revise plans that would facilitate their resolution in the event of material distress or failure. Resolution plans are to provide for a rapid and orderly resolution under the Bankruptcy Code and other insolvency regimes applicable to particular types of entities. Under the regulations, resolution plans must contain strategic analyses of how a distressed or failing institution could be resolved in a way that does not pose systemic risks to the U.S. financial system.

REGULATION OF INTERCHANGE TRANSACTION FEES (THE DURBIN AMENDMENT) On October 1, 2011, the FRB rule enacted to implement the Durbin Amendment to the Dodd-Frank Act that limits debit card interchange transaction fees to those reasonable and proportional to the cost of the transaction became effective. The rule generally established that the maximum allowable interchange fee that an issuer may receive or charge for an electronic debit transaction is the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction. On July 31, 2013, the U.S. District Court for the District of Columbia ruled that the approach used by the FRB in setting the maximum allowable interchange transaction fee impermissibly included costs that were specifically excluded from consideration under the Durbin Amendment. The decision, which may be appealed, keeps in place the current interchange transaction fee standards until the FRB drafts new regulations or interim standards. If the ruling results in the FRB implementing a lower maximum allowable interchange transaction fee, it will have an adverse impact on our debit interchange fee revenue.

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Critical Accounting Policies

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

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

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

Current Accounting Developments

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

- Accounting Standards Update (ASU or Update) 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*;
- ASU 2013-10, *Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes;* and

ASU 2013-08, *Financial Services Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements*.

ASU 2013-11 is expected to eliminate diversity in practice as it provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward exists. These changes are effective for us in first quarter 2014 with prospective application applied to all unrecognized tax benefits that exist at the effective date. Early adoption and retrospective application are permitted. We are evaluating the impact this Update will have on our consolidated financial statements.

ASU 2013-10 permits the Fed Funds Effective Swap Rate (Overnight Index Swap Rate) to be used as a U.S. benchmark

interest rate for hedge accounting purposes, in addition to LIBOR and U.S. Treasury. The Update also removes the restriction on using different benchmark rates for similar hedges. These changes are effective for us in third quarter 2013 with prospective application for qualifying new or redesignated hedging relationships we enter into on or after July 17, 2013. We do not expect this Update will have a material effect on our consolidated financial statements.

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

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Forward-Looking Statements

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, we may make forward-looking statements in our other documents filed or furnished with the SEC, and our management may make forward-looking statements orally to analysts, investors, representatives of the media and others. Forward-looking statements can be identified by words such as anticipates, intends, plans, seeks, believes, estimates, expects, target, projects, outlook, forecast, will, may, could, references to future periods. Forward-looking statements are not based on historical facts but instead represent our current expectations regarding future events, circumstances or results. In particular, these 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 Tier 1 common equity 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 based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

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

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

the effect of the current low interest rate environment or changes in interest rates on our net interest income, net interest margin and our mortgage originations, mortgage servicing rights and mortgages held for sale;

a recurrence of significant turbulence or disruption in the capital or financial markets, which could result in, among other things, reduced investor demand for mortgage loans, a reduction in the availability of funding or increased funding costs, and declines in asset values and/or recognition of other-than-temporary impairment on securities held in our available-for-sale portfolio;

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

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

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

the effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin;

fiscal and monetary policies of the Federal Reserve Board; and
the other risk factors and uncertainties described under Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012.

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

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

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

Risk Factors

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

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Controls and Procedures

Disclosure Controls and Procedures

The Company s management evaluated the effectiveness, as of June 30, 2013, of the Company s disclosure controls and procedures. The Company s chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company s chief executive officer and chief financial officer concluded that the Company s disclosure controls and procedures were effective as of June 30, 2013.

Internal Control Over Financial Reporting

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

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

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

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Wells Fargo & Company and Subsidiaries

Consolidated Statement of Income (Unaudited)

(in millions, except per share amounts)	Quarter ended June 30, **2013**	2012	Six months ended June 30, **2013**	2012
Interest income				
Trading assets	$ **340**	343	**667**	720
Securities available for sale	**2,034**	2,147	**3,959**	4,235
Mortgages held for sale	**378**	477	**749**	936
Loans held for sale	**4**	12	**7**	21
Loans	**8,902**	9,242	**17,763**	18,439
Other interest income	**169**	133	**332**	258
Total interest income	**11,827**	12,354	**23,477**	24,609
Interest expense				
Deposits	**353**	443	**722**	900
Short-term borrowings	**17**	20	**37**	36
Long-term debt	**632**	789	**1,329**	1,619
Other interest expense	**75**	65	**140**	129
Total interest expense	**1,077**	1,317	**2,228**	2,684
Net interest income	**10,750**	11,037	**21,249**	21,925
Provision for credit losses	**652**	1,800	**1,871**	3,795
Net interest income after provision for credit losses	**10,098**	9,237	**19,378**	18,130
Noninterest income				
Service charges on deposit accounts	**1,248**	1,139	**2,462**	2,223
Trust and investment fees	**3,494**	2,898	**6,696**	5,737
Card fees	**813**	704	**1,551**	1,358
Other fees	**1,089**	1,134	**2,123**	2,229
Mortgage banking	**2,802**	2,893	**5,596**	5,763
Insurance	**485**	522	**948**	1,041
Net gains from trading activities	**331**	263	**901**	903
Net losses on debt securities available for sale (1)	**(54)**	(61)	**(9)**	(68)
Net gains from equity investments (2)	**203**	242	**316**	606
Lease income	**225**	120	**355**	179
Other	**(8)**	398	**449**	1,029
Total noninterest income	**10,628**	10,252	**21,388**	21,000
Noninterest expense				
Salaries	**3,768**	3,705	**7,431**	7,306
Commission and incentive compensation	**2,626**	2,354	**5,203**	4,771
Employee benefits	**1,118**	1,049	**2,701**	2,657
Equipment	**418**	459	**946**	1,016
Net occupancy	**716**	698	**1,435**	1,402
Core deposit and other intangibles	**377**	418	**754**	837
FDIC and other deposit assessments	**259**	333	**551**	690
Other	**2,973**	3,381	**5,634**	6,711

Total noninterest expense		**12,255**	12,397	**24,655**	25,390
Income before income tax expense		**8,471**	7,092	**16,111**	13,740
Income tax expense		**2,863**	2,371	**5,283**	4,699
Net income before noncontrolling interests		**5,608**	4,721	**10,828**	9,041
Less: Net income from noncontrolling interests		**89**	99	**138**	171
Wells Fargo net income	**$**	**5,519**	4,622	**10,690**	8,870
Less: Preferred stock dividends and other		**247**	219	**487**	445
Wells Fargo net income applicable to common stock	**$**	**5,272**	4,403	**10,203**	8,425
Per share information					
Earnings per common share	**$**	**1.00**	0.83	**1.93**	1.59
Diluted earnings per common share		**0.98**	0.82	**1.90**	1.57
Dividends declared per common share		**0.30**	0.22	**0.55**	0.44
Average common shares outstanding		**5,304.7**	5,306.9	**5,291.9**	5,294.9
Diluted average common shares outstanding		**5,384.6**	5,369.9	**5,369.9**	5,354.3

(1) Total other-than-temporary impairment (OTTI) losses were $64 million and $47 million for second quarter 2013 and 2012, respectively. Of total OTTI, losses of $71 million and $77 million were recognized in earnings, and gains of $(7) million and $(30) million were recognized as non-credit-related OTTI in other comprehensive income for second quarter 2013 and 2012, respectively. Total other-than-temporary impairment (OTTI) losses were $49 million and $82 million for the first half of 2013 and 2012, respectively. Of total OTTI, losses of $105 million and $127 million were recognized in earnings, and gains of $(56) million and $(45) million were recognized as non-credit-related OTTI in other comprehensive income for the first half of 2013 and 2012, respectively.

(2) Includes OTTI losses of $40 million and $43 million for second quarter 2013 and 2012, respectively, and $84 million and $58 million for the first half of 2013 and 2012, respectively.

The accompanying notes are an integral part of these statements.

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Wells Fargo & Company and Subsidiaries

Consolidated Statement of Comprehensive Income (Unaudited)

(in millions)		Quarter ended June 30, **2013**	2012	Six months ended June 30, **2013**	2012
Wells Fargo net income	$	**5,519**	4,622	**10,690**	8,870
Other comprehensive income, before tax:					
Foreign currency translation adjustments:					
Net unrealized losses arising during the period		**(21)**	(56)	**(39)**	(46)
Reclassification of net gains to net income		**(15)**	(10)	**(15)**	(10)
Securities available for sale:					
Net unrealized gains (losses) arising during the period		**(6,130)**	831	**(6,764)**	2,705
Reclassification of net losses (gains) to net income		**30**	(23)	**(83)**	(249)
Derivatives and hedging activities:					
Net unrealized gains (losses) arising during the period		**(10)**	(3)	**(3)**	39
Reclassification of net gains on cash flow hedges to net income		**(69)**	(99)	**(156)**	(206)
Defined benefit plans adjustments:					
Net actuarial gains (losses) arising during the period		**772**	(12)	**778**	(17)
Amortization of net actuarial loss, settlements and other costs to net income		**113**	40	**162**	76
Other comprehensive income (loss), before tax		**(5,330)**	668	**(6,120)**	2,292
Income tax (expense) benefit related to other comprehensive income		**1,979**	(255)	**2,267**	(866)
Other comprehensive income (loss), net of tax		**(3,351)**	413	**(3,853)**	1,426
Less: Other comprehensive income (loss) from noncontrolling interests		**(3)**	-	**-**	4
Wells Fargo other comprehensive income (loss), net of tax		**(3,348)**	413	**(3,853)**	1,422
Wells Fargo comprehensive income		**2,171**	5,035	**6,837**	10,292
Comprehensive income from noncontrolling interests		**86**	99	**138**	175
Total comprehensive income	$	**2,257**	5,134	**6,975**	10,467

The accompanying notes are an integral part of these statements.

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Wells Fargo & Company and Subsidiaries

Consolidated Balance Sheet (Unaudited)

(in millions, except shares)		**June 30, 2013**	Dec. 31, 2012
Assets			
Cash and due from banks	$	**17,939**	21,860
Federal funds sold, securities purchased under resale agreements and other short-term investments		**148,665**	137,313
Trading assets		**58,619**	57,482
Securities available for sale		**249,439**	235,199
Mortgages held for sale (includes $35,402 and $42,305 carried at fair value)		**38,785**	47,149
Loans held for sale (includes $2 and $6 carried at fair value)		**190**	110
Loans (includes $6,088 and $6,206 carried at fair value)		**801,974**	799,574
Allowance for loan losses		**(16,144)**	(17,060)
Net loans		**785,830**	782,514
Mortgage servicing rights:			
Measured at fair value		**14,185**	11,538
Amortized		**1,176**	1,160
Premises and equipment, net		**9,190**	9,428
Goodwill		**25,637**	25,637
Other assets (includes $595 and $0 carried at fair value)		**90,908**	93,578
Total assets (1)	$	**1,440,563**	1,422,968
Liabilities			
Noninterest-bearing deposits	$	**277,648**	288,207
Interest-bearing deposits		**743,937**	714,628
Total deposits		**1,021,585**	1,002,835
Short-term borrowings		**56,983**	57,175
Accrued expenses and other liabilities		**74,843**	76,668
Long-term debt (includes $0 and $1 carried at fair value)		**123,375**	127,379
Total liabilities (2)		**1,276,786**	1,264,057
Equity			
Wells Fargo stockholders equity:			
Preferred stock		**13,988**	12,883
Common stock $1-2/3 par value, authorized 9,000,000,000 shares; issued 5,481,811,474 shares and 5,481,811,474 shares		**9,136**	9,136
Additional paid-in capital		**59,945**	59,802
Retained earnings		**84,923**	77,679
Cumulative other comprehensive income		**1,797**	5,650
Treasury stock 179,654,752 shares and 215,497,298 shares		**(5,858)**	(6,610)
Unearned ESOP shares		**(1,510)**	(986)
Total Wells Fargo stockholders equity		**162,421**	157,554
Noncontrolling interests		**1,356**	1,357
Total equity		**163,777**	158,911

Total liabilities and equity	$	**1,440,563**	1,422,968

(1) Our consolidated assets at June 30, 2013 and December 31, 2012, include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs: Cash and due from banks, $169 million and $260 million; Trading assets, $152 million and $114 million; Securities available for sale, $1.4 billion and $2.8 billion; Mortgages held for sale, $143 million and $469 million; Net loans, $8.5 billion and $10.6 billion; Other assets, $369 million and 457 million, and Total assets, $10.7 billion and $14.6 billion, respectively.

(2) Our consolidated liabilities at June 30, 2013 and December 31, 2012, include the following VIE liabilities for which the VIE creditors do not have recourse to Wells Fargo: Short-term borrowings, $14 million and $0 million; Accrued expenses and other liabilities, $113 million and $134 million; Long-term debt, $2.7 billion and $3.5 billion; and Total liabilities, $2.8 billion and $3.6 billion, respectively.

The accompanying notes are an integral part of these statements.

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Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity (Unaudited)

	Preferred stock		Common stock	
(in millions, except shares)	*Shares*	Amount	*Shares*	Amount
Balance December 31, 2011	*10,450,690*	$ 11,431	*5,262,611,636*	$ 8,931
Cumulative effect of fair value election for certain residential mortgage servicing rights				
Balance January 1, 2012	*10,450,690*	$ 11,431	*5,262,611,636*	$ 8,931
Net income				
Other comprehensive income, net of tax				
Noncontrolling interests				
Common stock issued			*54,218,564*	90
Common stock repurchased			*(60,981,696)*	
Preferred stock issued to ESOP	*940,000*	940		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(677,459)*	(677)	*19,884,113*	33
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	*262,541*	263	*13,120,981*	123
Balance June 30, 2012	*10,713,231*	$ 11,694	*5,275,732,617*	$ 9,054
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			***60,150,600***	
Common stock repurchased (1)			***(43,293,905)***	
Preferred stock issued to ESOP	***1,200,000***	**1,200**		
Preferred stock released by ESOP				
Preferred stock converted to common shares	***(719,590)***	**(720)**	***18,985,851***	
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	***505,410***	**1,105**	***35,842,546***	**-**
Balance June 30, 2013	***11,064,275***	**$ 13,988**	***5,302,156,722***	**$ 9,136**

(1) For the six months ended June 30, 2013, includes $500 million related to a private forward repurchase transaction entered into in April 2013 that is expected to settle in third quarter 2013 for an estimated 13 million shares of common stock. See Note 1 for additional information.

The accompanying notes are an integral part of these statements.

Wells Fargo stockholders equity							
Additional paid-in capital	Retained earnings	Cumulative other comprehensive income	Treasury stock	Unearned ESOP shares	Total Wells Fargo stockholders equity	Noncontrolling interests	Total equity
55,957	64,385	3,207	(2,744)	(926)	140,241	1,446	141,687
	2				2		2
55,957	64,387	3,207	(2,744)	(926)	140,243	1,446	141,689
	8,870				8,870	171	9,041
		1,422			1,422	4	1,426
(6)					(6)	(254)	(260)
1,221					1,311		1,311
(200)			(1,901)		(2,101)		(2,101)
88				(1,028)	-		-
(61)				738	677		677
644					-		-
26	(2,362)				(2,336)		(2,336)
	(439)				(439)		(439)
130					130		130
362					362		362
(70)			7		(63)		(63)
2,134	6,069	1,422	(1,894)	(290)	7,827	(79)	7,748
58,091	70,456	4,629	(4,638)	(1,216)	148,070	1,367	149,437
59,802	77,679	5,650	(6,610)	(986)	157,554	1,357	158,911
	10,690				10,690	138	10,828
		(3,853)			(3,853)	-	(3,853)
(1)					(1)	(139)	(140)
14	(10)		1,795		1,799		1,799
(300)			(1,636)		(1,936)		(1,936)
108				(1,308)	-		-
(64)				784	720		720
136			584		-		-
(15)					610		610
39	(2,950)				(2,911)		(2,911)
	(486)				(486)		(486)
156					156		156
462					462		462
(392)			9		(383)		(383)
143	7,244	(3,853)	752	(524)	4,867	(1)	4,866
59,945	84,923	1,797	(5,858)	(1,510)	162,421	1,356	163,777

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Wells Fargo & Company and Subsidiaries

Consolidated Statement of Cash Flows (Unaudited)

	Six months ended June 30,	
(in millions)	**2013**	2012
Cash flows from operating activities:		
Net income before noncontrolling interests	**$ 10,828**	9,041
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**1,871**	3,795
Changes in fair value of MSRs, MHFS and LHFS carried at fair value	**(2,269)**	(1,196)
Depreciation and amortization	**1,643**	1,384
Other net losses (gains)	**(6,404)**	244
Stock-based compensation	**1,139**	1,039
Excess tax benefits related to stock incentive compensation	**(158)**	(125)
Originations of MHFS	**(203,840)**	(247,940)
Proceeds from sales of and principal collected on mortgages originated for sale	**191,426**	203,482
Originations of LHFS	**-**	(10)
Proceeds from sales of and principal collected on LHFS	**242**	5,786
Purchases of LHFS	**(187)**	(2,578)
Net change in:		
Trading assets	**27,924**	64,952
Deferred income taxes	**2,170**	568
Accrued interest receivable	**(186)**	40
Accrued interest payable	**198**	74
Other assets, net	**(1,156)**	1,858
Other accrued expenses and liabilities, net	**(1,126)**	(5,033)
Net cash provided by operating activities	**22,115**	35,381
Cash flows from investing activities:		
Net change in:		
Federal funds sold, securities purchased under resale agreements and other short-term investments	**(13,047)**	(30,268)
Securities available for sale:		
Sales proceeds	**2,166**	8,283
Prepayments and maturities	**27,721**	30,599
Purchases	**(52,238)**	(38,653)
Nonmarketable equity investments:		
Sales proceeds	**1,133**	863
Purchases	**(998)**	(958)
Loans:		
Loans originated by banking subsidiaries, net of principal collected	**(13,922)**	(14,426)
Proceeds from sales (including participations) of loans originated for investment	**4,692**	3,612
Purchases (including participations) of loans	**(3,729)**	(7,584)
Principal collected on nonbank entities loans	**12,012**	12,088
Loans originated by nonbank entities	**(10,410)**	(11,016)
Net cash paid for acquisitions	**-**	(4,075)
Proceeds from sales of foreclosed assets	**4,005**	4,987
Changes in MSRs from purchases and sales	**530**	201
Other, net	**1,109**	(1,372)
Net cash used by investing activities	**(40,976)**	(47,719)
Cash flows from financing activities:		
Net change in:		
Deposits	**18,750**	8,860
Short-term borrowings	**(203)**	6,547
Long-term debt:		
Proceeds from issuance	**15,712**	17,133
Repayment	**(16,076)**	(19,121)
Preferred stock:		
Proceeds from issuance	**610**	-
Cash dividends paid	**(486)**	(439)

Common stock:			
Proceeds from issuance		**1,337**	1,311
Repurchased		**(1,838)**	(2,101)
Cash dividends paid		**(2,850)**	(2,336)
Excess tax benefits related to stock incentive compensation		**158**	125
Net change in noncontrolling interests		**(174)**	(270)
Net cash provided by financing activities		**14,940**	9,709
Net change in cash and due from banks		**(3,921)**	(2,629)
Cash and due from banks at beginning of period		**21,860**	19,440
Cash and due from banks at end of period	**$**	**17,939**	16,811
Supplemental cash flow disclosures:			
Cash paid for interest	**$**	**2,030**	2,610
Cash paid for income taxes		**4,883**	2,850

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

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

Note 1: Summary of Significant Accounting Policies

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

Our accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. For discussion of our significant accounting policies, see Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2012 (2012 Form 10-K). There were no material changes to these policies in the first half of 2013. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period and the related disclosures. Although our estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Management has made significant estimates in several areas, including allowance for credit losses and purchased credit-impaired (PCI) loans (Note 5), valuations of residential mortgage servicing rights (MSRs) (Notes 7 and 8) and financial instruments (Note 13), liability for mortgage loan repurchase losses (Note 8) and income taxes. Actual results could differ from those estimates.

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

Accounting Standards Adopted in 2013

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

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

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

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

Private Share Repurchases

In April 2013 we entered into a private forward repurchase contract with an unrelated third party. We entered into this transaction to complement our open-market common stock repurchase strategies, to allow us to manage our share repurchases in a manner consistent with our capital plan submitted under the 2013 Comprehensive Capital Analysis and Review (CCAR), and to provide an economic benefit to the Company. In connection with this contract, we paid $500 million to the counterparty, which was recorded in permanent equity in the quarter paid and was not subject to re-measurement. The classification of the up-front payment as permanent equity assured that we would have appropriate repurchase timing consistent with our 2013 capital plan, which contemplated a fixed dollar amount available per quarter for

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

share repurchases pursuant to Federal Reserve Board (FRB) supervisory guidance. In return, the counterparty agreed to deliver a variable number of shares based on a per share discount to the volume-weighted average stock price over the contract period. This contract expires in third quarter 2013; however, the counterparty has the right to accelerate settlement. There were no scenarios where the contract would not either physically settle in shares or allow us to choose the settlement method.

In July 2013 we entered into a similar private forward repurchase contract and paid $500 million to an unrelated third party. In return, the counterparty agreed to deliver a variable number of shares based on a per share discount to the volume-weighted average stock price over the contract period. This contract expires in third quarter 2013; however, the counterparty has the right to accelerate settlement. The amount we paid to the counterparty meets accounting requirements to be treated as a permanent equity reduction.

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

	Six months ended June 30,	
(in millions)	**2013**	2012
Transfers from loans to securities available for sale	**$ 414**	875
Trading assets retained from securitization of MHFS	**29,074**	51,557
Capitalization of MSRs from sale of MHFS	**2,081**	2,657
Transfers from MHFS to foreclosed assets	**31**	115
Transfers from loans to MHFS	**4,855**	2,858
Transfers from loans to LHFS	**133**	49
Transfers from loans to foreclosed assets (1)	**3,072**	4,639
Changes in consolidations (deconsolidations) of variable interest entities:		
Loans	**(306)**	(515)
Long-term debt	**(343)**	(523)

(1) Includes $2.2 billion and $3.2 billion in transfers of government insured/guaranteed loans for the six months ended June 30, 2013 and 2012, respectively.

SUBSEQUENT EVENTS We have evaluated the effects of events that have occurred subsequent to period end June 30, 2013, and there have been no material events that would require recognition in our second quarter 2013 consolidated financial statements or disclosure in the Notes to the financial statements, other than a legal matter on August 5, 2013, discussed in Note 11.

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Note 2: Business Combinations

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

We did not complete any acquisitions in the first half 2013 and we had no pending business combinations as of June 30, 2013.

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

The following table provides the detail of federal funds sold, securities purchased under short-term resale agreements (generally less than one year) and other short-term investments. The majority of interest-earning deposits at June 30, 2013 and December 31, 2012, were held at the Federal Reserve.

(in millions)		Jun. 30, 2013	Dec. 31, 2012
Federal funds sold and securities purchased under resale agreements	$	**29,702**	33,884
Interest-earning deposits		**118,039**	102,408
Other short-term investments		**924**	1,021
Total	$	**148,665**	137,313

We have classified securities purchased under long-term resale agreements (generally one year or more), which totaled $10.9 billion and $9.5 billion at June 30, 2013 and December 31, 2012, respectively, in loans. For additional information on the collateral we receive from other entities under resale agreements and securities borrowings, see the Offsetting of Resale and Repurchase Agreements and Securities Borrowing and Lending Agreements section of Note 10.

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Note 4: Securities Available for Sale

The following table provides the amortized cost and fair value by major categories of securities available for sale carried at fair value. The net unrealized gains (losses) are reported on an

after-tax basis as a component of cumulative OCI. There were no securities classified as held to maturity as of the periods presented.

(in millions)	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
June 30, 2013				
Securities of U.S. Treasury and federal agencies	**$ 6,624**	**20**	**(261)**	**6,383**
Securities of U.S. states and political subdivisions	**40,524**	**1,166**	**(800)**	**40,890**
Mortgage-backed securities:				
Federal agencies	**110,522**	**2,231**	**(2,192)**	**110,561**
Residential	**12,704**	**1,478**	**(65)**	**14,117**
Commercial	**18,153**	**1,331**	**(178)**	**19,306**
Total mortgage-backed securities	**141,379**	**5,040**	**(2,435)**	**143,984**
Corporate debt securities	**20,176**	**987**	**(161)**	**21,002**
Collateralized loan and other debt obligations (1)	**16,647**	**632**	**(78)**	**17,201**
Other (2)	**16,808**	**458**	**(44)**	**17,222**
Total debt securities	**242,158**	**8,303**	**(3,779)**	**246,682**
Marketable equity securities:				
Perpetual preferred securities	**1,850**	**342**	**(32)**	**2,160**
Other marketable equity securities	**360**	**253**	**(16)**	**597**
Total marketable equity securities	**2,210**	**595**	**(48)**	**2,757**
Total	**$ 244,368**	**8,898**	**(3,827)**	**249,439**
December 31, 2012				
Securities of U.S. Treasury and federal agencies	$ 7,099	47	-	7,146
Securities of U.S. states and political subdivisions	37,120	2,000	(444)	38,676
Mortgage-backed securities:				
Federal agencies	92,855	4,434	(4)	97,285
Residential	14,178	1,802	(49)	15,931
Commercial	18,438	1,798	(268)	19,968
Total mortgage-backed securities	125,471	8,034	(321)	133,184
Corporate debt securities	20,120	1,282	(69)	21,333
Collateralized loan and other debt obligations (1)	12,726	557	(95)	13,188
Other (2)	18,410	553	(76)	18,887
Total debt securities	220,946	12,473	(1,005)	232,414
Marketable equity securities:				
Perpetual preferred securities	1,935	281	(40)	2,176
Other marketable equity securities	402	216	(9)	609
Total marketable equity securities	2,337	497	(49)	2,785
Total	$ 223,283	12,970	(1,054)	235,199

(1) Includes collateralized debt obligations with a cost basis and fair value of $551 million and $705 million, respectively, at June 30, 2013, and $556 million and $644 million, respectively, at December 31, 2012.

(2) Included in the Other category are asset-backed securities collateralized by auto leases or loans and cash reserves with a cost basis and fair value of $4.8 billion and $4.9 billion, respectively, at June 30, 2013, and $5.9 billion each at December 31, 2012. Also included in the Other category are asset-backed securities collateralized by home equity loans with a cost basis and fair value of $611 million and $857 million, respectively, at June 30, 2013, and $695 million and $918 million, respectively, at December 31, 2012. The remaining balances primarily include asset-backed securities collateralized by credit cards.

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Gross Unrealized Losses and Fair Value

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

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

	Less than 12 months		12 months or more		Total	
(in millions)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
June 30, 2013						
Securities of U.S. Treasury and federal agencies	**$ (261)**	**5,883**	**-**	**-**	**(261)**	**5,883**
Securities of U.S. states and political subdivisions	**(431)**	**9,668**	**(369)**	**3,867**	**(800)**	**13,535**
Mortgage-backed securities:						
Federal agencies	**(2,190)**	**52,866**	**(2)**	**712**	**(2,192)**	**53,578**
Residential	**(36)**	**2,229**	**(29)**	**277**	**(65)**	**2,506**
Commercial	**(40)**	**2,823**	**(138)**	**1,728**	**(178)**	**4,551**
Total mortgage-backed securities	**(2,266)**	**57,918**	**(169)**	**2,717**	**(2,435)**	**60,635**
Corporate debt securities	**(109)**	**3,196**	**(52)**	**214**	**(161)**	**3,410**
Collateralized loan and other debt obligations	**(28)**	**3,898**	**(50)**	**396**	**(78)**	**4,294**
Other	**(23)**	**3,465**	**(21)**	**1,119**	**(44)**	**4,584**
Total debt securities	**(3,118)**	**84,028**	**(661)**	**8,313**	**(3,779)**	**92,341**
Marketable equity securities:						
Perpetual preferred securities	**(13)**	**191**	**(19)**	**419**	**(32)**	**610**
Other marketable equity securities	**(16)**	**90**	**-**	**-**	**(16)**	**90**
Total marketable equity securities	**(29)**	**281**	**(19)**	**419**	**(48)**	**700**
Total	**$ (3,147)**	**84,309**	**(680)**	**8,732**	**(3,827)**	**93,041**
December 31, 2012						
Securities of U.S. Treasury and federal agencies	$ -	-	-	-	-	-
Securities of U.S. states and political subdivisions	(55)	2,709	(389)	4,662	(444)	7,371
Mortgage-backed securities:						
Federal agencies	(4)	2,247	-	-	(4)	2,247
Residential	(4)	261	(45)	1,564	(49)	1,825
Commercial	(6)	491	(262)	2,564	(268)	3,055
Total mortgage-backed securities	(14)	2,999	(307)	4,128	(321)	7,127
Corporate debt securities	(14)	1,217	(55)	305	(69)	1,522
Collateralized loan and other debt obligations	(2)	1,485	(93)	798	(95)	2,283
Other	(11)	2,153	(65)	1,010	(76)	3,163
Total debt securities	(96)	10,563	(909)	10,903	(1,005)	21,466
Marketable equity securities:						
Perpetual preferred securities	(3)	116	(37)	538	(40)	654
Other marketable equity securities	(9)	48	-	-	(9)	48
Total marketable equity securities	(12)	164	(37)	538	(49)	702

Total	$ (108)	10,727	(946)	11,441	(1,054)	22,168

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

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

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

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

investment grade, according to their lowest credit rating by Standard & Poor s Rating Services (S&P) or Moody s Investors Service (Moody s). Credit ratings express opinions about the credit quality of a security. Securities rated investment grade, that is those rated BBB- or higher by S&P or Baa3 or higher by Moody s, are generally considered by the rating agencies and market participants to be low credit risk. Conversely, securities rated below investment grade, labeled as speculative grade by the rating agencies, are considered to be distinctively higher credit risk than investment grade securities. We have also included securities not rated by S&P or Moody s in the table below based on the internal credit grade of the securities (used for credit risk management purposes) equivalent to the credit rating assigned by major credit agencies. The unrealized losses and fair value of unrated securities categorized as investment grade based on internal credit grades were $27 million and $2.9 billion, respectively, at June 30, 2013, and $19 million and $2.0 billion, respectively, at December 31, 2012. If an internal credit grade was not assigned, we categorized the security as non-investment grade.

	Investment grade		Non-investment grade	
(in millions)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
June 30, 2013				
Securities of U.S. Treasury and federal agencies	**$ (261)**	**5,883**	**-**	**-**
Securities of U.S. states and political subdivisions	**(744)**	**12,866**	**(56)**	**669**
Mortgage-backed securities:				
Federal agencies	**(2,192)**	**53,578**	**-**	**-**
Residential	**(6)**	**266**	**(59)**	**2,240**
Commercial	**(61)**	**3,732**	**(117)**	**819**
Total mortgage-backed securities	**(2,259)**	**57,576**	**(176)**	**3,059**
Corporate debt securities	**(98)**	**2,486**	**(63)**	**924**
Collateralized loan and other debt obligations	**(50)**	**4,068**	**(28)**	**226**
Other	**(39)**	**4,503**	**(5)**	**81**
Total debt securities	**(3,451)**	**87,382**	**(328)**	**4,959**

Perpetual preferred securities	**(32)**	**610**	**-**	**-**
Total	**$ (3,483)**	**87,992**	**(328)**	**4,959**
December 31, 2012				
Securities of U.S. Treasury and federal agencies	$ -	-	-	-
Securities of U.S. states and political subdivisions	(378)	6,839	(66)	532
Mortgage-backed securities:				
Federal agencies	(4)	2,247	-	-
Residential	(3)	78	(46)	1,747
Commercial	(31)	2,110	(237)	945
Total mortgage-backed securities	(38)	4,435	(283)	2,692
Corporate debt securities	(19)	1,112	(50)	410
Collateralized loan and other debt obligations	(49)	2,065	(46)	218
Other	(49)	3,034	(27)	129
Total debt securities	(533)	17,485	(472)	3,981
Perpetual preferred securities	(40)	654	-	-
Total	$ (573)	18,139	(472)	3,981

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Contractual Maturities

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

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

			Remaining contractual maturity							
	Total	Weighted-average	Within one year		After one year through five years		After five years through ten years		After ten years	
(in millions)	amount	yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
June 30, 2013										
Securities of U.S. Treasury and federal agencies	**$ 6,383**	**1.66 %**	**$ 91**	**0.38 %**	**$ 561**	**1.48 %**	**$ 5,731**	**1.70 %**	**$ -**	**- %**
Securities of U.S. states and political subdivisions	**40,890**	**5.15**	**2,580**	**2.00**	**10,633**	**2.16**	**3,160**	**5.51**	**24,517**	**6.73**
Mortgage-backed securities:										
Federal agencies	**110,561**	**3.50**	**-**	**-**	**104**	**5.42**	**923**	**3.57**	**109,534**	**3.49**
Residential	**14,117**	**4.29**	**-**	**-**	**-**	**-**	**480**	**1.94**	**13,637**	**4.38**
Commercial	**19,306**	**5.34**	**-**	**-**	**84**	**3.80**	**100**	**2.81**	**19,122**	**5.36**
Total mortgage-backed securities	**143,984**	**3.82**	**-**	**-**	**188**	**4.70**	**1,503**	**3.00**	**142,293**	**3.83**
Corporate debt securities	**21,002**	**4.21**	**2,252**	**3.87**	**11,249**	**3.15**	**6,211**	**5.93**	**1,290**	**5.77**
Collateralized loan and other debt obligations	**17,201**	**1.49**	**59**	**0.77**	**902**	**0.66**	**7,353**	**1.08**	**8,887**	**1.91**
Other	**17,222**	**1.77**	**1,710**	**1.56**	**7,480**	**1.79**	**2,983**	**1.71**	**5,049**	**1.85**
Total debt securities at fair value	**$ 246,682**	**3.71 %**	**$ 6,692**	**2.49 %**	**$ 31,013**	**2.39 %**	**$ 26,941**	**3.03 %**	**$ 182,036**	**4.09 %**
December 31, 2012										
Securities of U.S. Treasury and federal agencies	$ 7,146	1.59 %	$ 376	0.43 %	$ 661	1.24 %	$ 6,109	1.70 %	$ -	- %
Securities of U.S. states and political subdivisions	38,676	5.29	1,861	2.61	11,620	2.18	3,380	5.51	21,815	7.15
Mortgage-backed securities:										
Federal agencies	97,285	3.82	1	5.40	106	4.87	1,144	3.41	96,034	3.83
Residential	15,931	4.38	-	-	-	-	569	2.06	15,362	4.47
Commercial	19,968	5.33	-	-	78	3.69	101	2.84	19,789	5.35
Total mortgage-backed securities	133,184	4.12	1	5.40	184	4.37	1,814	2.95	131,185	4.13
Corporate debt securities	21,333	4.26	1,037	4.29	12,792	3.19	6,099	6.14	1,405	5.88
Collateralized loan and other debt obligations	13,188	1.35	44	0.96	1,246	0.71	7,376	1.01	4,522	2.08
Other	18,887	1.85	1,715	1.14	9,589	1.75	3,274	2.11	4,309	2.14

Total debt securities at fair value	$ 232,414	3.91 %	$ 5,034	2.28 %	$ 36,092	2.37 %	$ 28,052	3.07 %	$ 163,236	4.44 %

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

Realized Gains and Losses

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

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2013**	2012	**2013**	2012
Gross realized gains	**$ 54**	136	**210**	417
Gross realized losses	**(8)**	(32)	**(13)**	(36)
OTTI write-downs	**(76)**	(82)	**(114)**	(133)
Net realized gains (losses) from securities available for sale	**(30)**	22	**83**	248
Net realized gains from private equity investments	**179**	159	**224**	290
Net realized gains from debt securities and equity investments	**$ 149**	181	**307**	538

Other-Than-Temporary Impairment

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

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2013**	2012	**2013**	2012
OTTI write-downs included in earnings				
Debt securities:				
U.S. states and political subdivisions	**$ -**	9	**-**	9
Mortgage-backed securities:				
Federal agencies	**1**	-	**1**	-
Residential	**22**	34	**37**	48
Commercial	**26**	3	**41**	33
Corporate debt securities	**-**	3	**2**	4
Collateralized loan and other debt obligations	**-**	1	**-**	1
Other debt securities	**22**	27	**24**	32
Total debt securities	**71**	77	**105**	127
Equity securities:				
Marketable equity securities:				

Perpetual preferred securities	**-**	5	**-**	6
Other marketable equity securities	**5**	-	**9**	-
Total marketable equity securities	**5**	5	**9**	6
Total securities available for sale	**76**	82	**114**	133
Nonmarketable equity investments	**35**	38	**75**	52
Total OTTI write-downs included in earnings	**$ 111**	120	**189**	185

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Other-Than-Temporarily Impaired Debt Securities

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

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2013**	2012	**2013**	2012
OTTI on debt securities				
Recorded as part of gross realized losses:				
Credit-related OTTI	**$ 33**	74	**56**	124
Intent-to-sell OTTI	**38**	3	**49**	3
Total recorded as part of gross realized losses	**71**			