WELLS FARGO & COMPANY/MN
Form 10-Q
November 06, 2012
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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 September 30, 2012

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
	October 31, 2012
Common stock, $1-2/3 par value	5,264,273,367

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PART I - FINANCIAL INFORMATION

FINANCIAL REVIEW

Summary Financial Data

		Quarter ended		% Change Sept. 30, 2012 from		Nine months ended		
($ in millions, except per share amounts)	**Sept. 30, 2012**	June 30, 2012	Sept. 30, 2011	June 30, 2012	Sept. 30, 2011	**Sept. 30, 2012**	Sept. 30, 2011	% Change
For the Period								
Wells Fargo net income	$ **4,937**	4,622	4,055	7 %	22	**13,807**	11,762	17 %
Wells Fargo net income applicable to common stock	**4,717**	4,403	3,839	7	23	**13,142**	11,137	18
Diluted earnings per common share	**0.88**	0.82	0.72	7	22	**2.45**	2.09	17
Profitability ratios (annualized):								
Wells Fargo net income to average assets (ROA)	**1.45** %	1.41	1.26	3	15	**1.39**	1.25	11
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders equity (ROE)	**13.38**	12.86	11.86	4	13	**12.81**	11.92	7
Efficiency ratio (1)	**57.1**	58.2	59.5	(2)	(4)	**58.5**	61.1	(4)
Total revenue	$ **21,213**	21,289	19,628	-	8	**64,138**	60,343	6
Pre-tax pre-provision profit (PTPP) (2)	**9,101**	8,892	7,951	2	14	**26,636**	23,458	14
Dividends declared per common share	**0.22**	0.22	0.12	-	83	**0.66**	0.36	83
Average common shares outstanding	**5,288.1**	5,306.9	5,275.5	-	-	**5,292.7**	5,280.2	-
Diluted average common shares outstanding	**5,355.6**	5,369.9	5,319.2	-	1	**5,355.7**	5,325.6	1
Average loans	$ **776,734**	768,223	754,544	1	3	**771,200**	753,293	2
Average assets	**1,354,340**	1,321,584	1,281,369	2	6	**1,326,384**	1,257,977	5
Average core deposits (3)	**895,374**	880,636	836,845	2	7	**882,224**	813,865	8
Average retail core deposits (4)	**630,053**	624,329	599,227	1	5	**623,671**	592,156	5
Net interest margin	**3.66** %	3.91	3.84	(6)	(5)	**3.82**	3.96	(4)
At Period End								
Securities available for sale	$ **229,350**	226,846	207,176	1	11	**229,350**	207,176	11
Loans	**782,630**	775,199	760,106	1	3	**782,630**	760,106	3
Allowance for loan losses	**17,385**	18,320	20,039	(5)	(13)	**17,385**	20,039	(13)
Goodwill	**25,637**	25,406	25,038	1	2	**25,637**	25,038	2
Assets	**1,374,715**	1,336,204	1,304,945	3	5	**1,374,715**	1,304,945	5
Core deposits (3)	**901,075**	882,137	849,632	2	6	**901,075**	849,632	6
Wells Fargo stockholders equity	**154,679**	148,070	137,768	4	12	**154,679**	137,768	12
Total equity	**156,059**	149,437	139,244	4	12	**156,059**	139,244	12
Tier 1 capital (5)	**122,741**	117,856	110,749	4	11	**122,741**	110,749	11
Total capital (5)	**154,888**	149,813	146,147	3	6	**154,888**	146,147	6
Capital ratios:								
Total equity to assets	**11.35** %	11.18	10.67	2	6	**11.35**	10.67	6
Risk-based capital (5):								
Tier 1 capital	**11.50**	11.69	11.26	(2)	2	**11.50**	11.26	2
Total capital	**14.51**	14.85	14.86	(2)	(2)	**14.51**	14.86	(2)
Tier 1 leverage (5)	**9.40**	9.25	8.97	2	5	**9.40**	8.97	5
Tier 1 common equity (6)	**9.92**	10.08	9.34	(2)	6	**9.92**	9.34	6
Common shares outstanding	**5,289.6**	5,275.7	5,272.2	-	-	**5,289.6**	5,272.2	-
Book value per common share	$ **27.10**	26.06	24.13	4	12	**27.10**	24.13	12
Common stock price:								
High	**36.60**	34.59	29.63	6	24	**36.60**	34.25	7
Low	**32.62**	29.80	22.58	9	44	**27.94**	22.58	24

Period end	**34.53**	33.44	24.12	3	43	**34.53**	24.12	43
Team members (active, full-time equivalent)	**267,000**	264,400	263,800	1	1	**267,000**	263,800	1

(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, 2011 (2011 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 approximately 265,000 active, full-time equivalent team members, we serve one in three households in the United States and ranked No. 26 on *Fortune* s 2012 rankings of America s largest corporations. We ranked fourth in assets and first in the market value of our common stock among all U.S. banks at September 30, 2012.

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.

Our pursuit of growth and earnings performance is influenced by our belief that it is important to maintain a well controlled operating environment. We manage our credit risk by establishing what we believe are sound credit policies for underwriting new business, while monitoring and reviewing the performance of our loan portfolio. We manage the interest rate and market risks inherent in our asset and liability balances within established ranges, while ensuring adequate liquidity and funding. We maintain strong capital levels to facilitate future growth.

Financial Performance

We reported strong financial results in third quarter 2012 including year over year increased net income and revenue,

continued loan and deposit growth, an improved efficiency ratio and continued improvement in underlying credit quality. Our return on assets of 1.45% was up 19 basis points from a year ago, the highest it has been in five years, and our return on equity increased to 13.38%, up 152 basis points from a year ago.

Wells Fargo net income was $4.9 billion and diluted earnings per common share were $0.88 in third quarter 2012, each up 22% from the prior year. Third quarter 2012 was our eleventh consecutive quarter of earnings per share growth. Our increase in net income from third quarter 2011 was driven by higher total revenue resulting primarily from increased noninterest income.

Our total revenue was $21.2 billion in third quarter 2012, up $1.6 billion, or 8%, from the prior year. The 8% year-over-year increase predominantly reflected $974 million in increased mortgage banking income and $971 million in increased net gains from trading activities. The increased mortgage banking income was due to higher net gains on higher mortgage loan origination/sales activities reflecting a lower interest rate environment compared with a year ago. Our unclosed mortgage loan pipeline at September 30, 2012, was a strong $97 billion, up 15% from

$84 billion a year ago and down slightly from $102 billion at June 30, 2012, which was the second largest in our history.

Noninterest expense of $12.1 billion in third quarter 2012 increased from $11.7 billion in third quarter 2011. The increase in noninterest expense was primarily driven by increased mortgage banking volume. As announced in second quarter 2011, we have a current company-wide expense management initiative, which is focused on removing unnecessary complexity and eliminating duplication as a way to improve our customers experience and the work process of our team members. Our expenses, however, are driven in part by our revenue opportunities. Accordingly, we believe our efficiency ratio, which measures our noninterest expense as a percentage of total revenue, is an appropriate measure of our expense management efforts. Our efficiency ratio of 57.1% in third quarter 2012 improved by 240 basis points from a year ago as a result of higher mortgage banking noninterest income and our continued focus on expenses. We have targeted an efficiency ratio of 55 to 59%, and our efficiency ratio of 57.1% in third quarter 2012 was

within this target range and was at its lowest level in 10 quarters. We expect to remain in our targeted range in fourth quarter 2012.

We had strong balance sheet growth in third quarter 2012 with growth in short-term investments, securities available for sale, total loans and average core deposits. Short-term investment balances increased $25.8 billion from second quarter 2012, driven by strong deposit growth, and securities available for sale increased $2.5 billion primarily due to an increase in their fair value as new investments were largely offset by the continued run-off of higher yielding securities. Our non-strategic/liquidating loan portfolios decreased $4.5 billion during the quarter and, excluding the planned runoff of these loans, our core loan portfolios increased $11.9 billion from the prior quarter, driven primarily by retention of $9.8 billion of 1-4 family conforming first mortgage production on the balance sheet. We also plan to retain some of our fourth quarter 2012 production of 1-4 family conforming first mortgage loans. In addition there was growth during the quarter in auto, credit card, private student lending, and commercial and industrial loan balances. Our average core deposits were up $14.7 billion from second quarter 2012 and up $58.5 billion, or 7%, from a year ago. We have grown deposits while reducing our deposit costs for eight consecutive quarters. Our costs on average deposits in third quarter 2012 were 18 basis points, down 7 basis points from the same quarter a year ago. Our average core deposits were 115% of average loans in third quarter 2012, up from 111% a year ago.

Credit Quality

Our credit quality continued to improve during third quarter 2012, as the overall financial condition of businesses and consumers strengthened and the housing market in many areas of the nation improved. Our reported credit metrics in third quarter 2012 were affected by implementation of the guidance in the Office of the Comptroller of the Currency (OCC) update to the Bank Accounting Advisory Series (OCC guidance) issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be written down to net realizable collateral value and classified as nonaccrual troubled debt restructurings (TDRs), regardless of their delinquency status. As of September 30, 2012, only 8% of the performing loans placed on nonaccrual status as a result of the OCC guidance were 30 days or more past due. Implementation of the OCC guidance in third quarter 2012 resulted in the following:

- $1.4 billion reclassification of performing consumer loans to nonaccrual status;
- $567 million increase in loan charge-offs; and
- $4.3 billion of loans classified as TDRs.

Net charge-offs of $2.4 billion during third quarter 2012 were 1.21% (annualized) of average loans, down 16 basis points from 1.37% a year ago. Excluding $567 million in charge-offs resulting from implementation of the OCC guidance, net charge-offs were $1.8 billion or 0.92% (annualized) of average loans.

Nonperforming assets, including the $1.4 billion increase resulting from implementation of the OCC guidance, were $25.3 billion at September 30, 2012. These assets totaled

$26.0 billion at December 31, 2011. The year-to-date decrease in nonperforming assets also included the offsetting impact of our $1.7 billion reclassification of real estate 1-4 family junior lien mortgages to nonaccrual status in first quarter 2012 in accordance with junior lien mortgage industry guidance issued by bank regulators during that quarter.

Loans 90 days or more past due and still accruing (excluding government insured/guaranteed loans) totaled $1.5 billion at September 30, 2012, compared with $2.0 billion at December 31, 2011.

The improvement in our credit portfolio was due in part to the continued decline in balances in our non-strategic/liquidating loan portfolios, which decreased $4.5 billion during the quarter, and $92.1 billion in total since the beginning of 2009, to $98.7 billion at September 30, 2012.

Our $1.6 billion provision for credit losses in third quarter 2012 was $220 million less than a year ago, reflecting continued credit performance improvement in our portfolios. The provision for third quarter 2012 was $767 million lower than net loan charge-offs due to two factors:

- $567 million increase in net loan charge offs charged directly against the allowance for loan losses from implementation of the OCC guidance; and
- $200 million allowance for loan losses release due to continued strong underlying credit performance, compared with $400 million in the prior quarter and $800 million a year ago.

See the Risk Management Credit Risk Management section in this Report for more information regarding implementation of the OCC guidance and its effect on our third quarter 2012 credit metrics.

During the last week of October 2012, Hurricane Sandy and related storms caused destruction along the East Coast, including in Connecticut, New Jersey, New York, Pennsylvania, Delaware, Maryland, Virginia and Washington D.C., and resulted in, among other things, property

damage for our customers and the closing of many businesses and financial markets. We are currently assessing the impact to our customers and our business as a result of Hurricane Sandy. The financial impact to us is expected to primarily relate to our consumer and commercial real estate loan portfolios and will depend on a number of factors, including, as to our consumer and commercial loan portfolios, the types of loans most affected by the storms, the extent of damage to our collateral, the extent of available insurance coverage, the availability of government assistance for our borrowers, and whether our borrowers ability to repay their loans has been diminished. We are actively reviewing our exposure but are currently unable to reasonably estimate the extent of losses we may incur as a result of these storms. Absent significant deterioration in the economy or significant impact of Hurricane Sandy on our loan portfolios, we continue to expect future allowance releases.

Capital

Our capital position remained strong in third quarter 2012, as total equity increased $6.6 billion from second quarter 2012 to $156.1 billion and our Tier I common equity totaled

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$105.8 billion under Basel I, or 9.92% of risk-weighted assets. Our other capital ratios also remained strong with a Tier 1 capital ratio of 11.50%, total capital ratio of 14.51% and Tier 1 leverage ratio of 9.40% at September 30, 2012, compared with 11.69%, 14.85% and 9.25%, respectively, at June 30, 2012. The third quarter 2012 Tier 1 and total risk-based capital ratios, and Tier 1 common equity ratio reflected refinements to the risk weighting of certain unused lending commitments that provide for the ability to issue standby letters of credit and commitments to issue standby letters of credit under syndication arrangements where we have an obligation to issue in a lead agent or similar capacity beyond our contractual

participation level. While these refinements reduced our Tier 1 common equity ratio under Basel I, they did not affect our estimated Tier 1 common equity ratio under current Basel III capital proposals, which rose to 8.02% at September 30, 2012.

See the Capital Management section in this Report for more information regarding our capital, including Tier 1 common equity.

In third quarter 2012 we repurchased approximately 17 million shares of common stock and entered into a forward repurchase contract to repurchase approximately 9 million shares that settled in October 2012. We also paid a quarterly common stock dividend of $0.22 per share.

Earnings Performance

Wells Fargo net income for third quarter 2012 was $4.9 billion ($0.88 diluted earnings per common share) compared with $4.1 billion ($0.72 diluted earnings per common share) for third quarter 2011. Net income for the first nine months of 2012 was $13.8 billion, compared with $11.8 billion for the same period a year ago. Our September 30, 2012, quarterly and nine-month earnings reflected strong execution of our business strategy and growth in many of our businesses. The key drivers of our financial performance in third quarter 2012 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 $21.2 billion in third quarter 2012, compared with $19.6 billion in third quarter 2011. Revenue for the first nine months of 2012 was $64.1 billion, up 6% from a year ago. The increase in revenue for the third quarter and first nine months of 2012 was due to strong growth in noninterest income, predominantly from mortgage banking, and modest growth in net interest income. Mortgage banking revenue in third quarter 2012 increased 53% from a year ago due to higher net gains on higher mortgage loan origination/sales activities reflecting a lower interest rate environment. Mortgage originations were $139 billion in third quarter 2012, a 56% increase from a year ago. The unclosed mortgage pipeline at September 30, 2012, was strong at $97 billion, up from $84 billion a year ago. In addition to mortgage banking, businesses generating double-digit year-over-year revenue growth in third quarter 2012 included capital markets, commercial real estate, corporate trust, asset backed finance, merchant services, mortgage and retail sales finance. Net interest income was $10.7 billion in third quarter 2012, representing 50% of revenue, compared with $10.5 billion (54%) in third quarter 2011. 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 third quarter 2012, representing 50% of revenue, compared with $9.1 billion (46%) in third quarter 2011. Noninterest income was $31.6 billion for the first nine months of 2012 compared with $28.5 billion for the same period a year ago. The increase in noninterest income for the third quarter and first nine months of 2012 was driven primarily by an increase in net gains on higher mortgage loan origination/sales activities.

Noninterest expense was $12.1 billion in third quarter 2012, compared with $11.7 billion in third quarter 2011. Noninterest expense was $37.5 billion for the first nine months of 2012, compared with $36.9 billion for the same period a year ago. The increase in noninterest expense in third quarter 2012 from third quarter 2011 was predominantly due to higher revenue-based commissions and incentive compensation. Our efficiency ratio was 57.1% in third quarter 2012 compared with 59.5% in third quarter 2011, reflecting our expense management efforts and revenue growth.

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 $10.8 billion and $33.1 billion in the third quarter and first nine months of 2012, up from $10.7 billion and $32.4 billion for the same periods a year ago. The net interest margin was 3.66% and 3.82% for the third quarter and first nine months of 2012, down from 3.84% and 3.96% for the same periods a year ago. The increase in net interest income for both the third quarter and first nine months of 2012, compared with the same periods a year ago, was largely driven by growth in loans and available-for-sale securities, disciplined deposit pricing, debt maturities and redemptions of higher yielding trust preferred securities, which partially offset the impact of higher yielding loan and investment

securities runoff. The decline in net interest margin in the third quarter and first nine months of 2012, compared with the same periods a year ago, was largely driven by continued runoff of higher yielding assets. In addition, our third quarter and first nine months of 2012 net interest margin experienced pressure as short-term investment balances remained elevated because of robust deposit growth. We expect continued pressure on our net interest margin as the balance sheet continues to reprice in the current low interest rate environment.

Average earning assets increased $66.2 billion and $64.1 billion in the third quarter and first nine months of 2012 from a year ago, as average securities available for sale increased $32.8 billion and $48.6 billion, and average mortgages held for sale increased $17.5 billion and $14.9 billion for the same periods, respectively. In addition, the increase in commercial and industrial loans contributed to $22.2 billion and $17.9 billion higher average loans in the third quarter and first nine months of 2012, respectively, compared with a year ago. These increases in average securities available for sale, mortgages held for sale and average loans were predominantly offset by a $7.3 billion and $20.7 billion decline in average short-term investments from the third quarter and first nine months of 2011.

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 $895.4 billion in third quarter 2012 ($882.2 billion in the first nine months of 2012) compared with $836.8 billion in third quarter 2011 ($813.9 billion in the first nine months of 2011) and funded 115% of average loans in third quarter 2012 (114% in the first nine months of 2012) compared with 111% a year ago (108% for the first nine months of 2011). Average core deposits increased to 76% of average earning assets in both the third quarter and first nine months of 2012, compared with 75% for the same periods 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)

							Quarter ended September 30,	
				2012				2011
(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	$	**91,561**	**0.44 %**	**$ 101**	98,909	0.42 %	$	105
Trading assets		**39,441**	**3.08**	**304**	37,939	3.67		348
Securities available for sale (3):								
Securities of U.S. Treasury and federal agencies		**1,390**	**1.05**	**4**	9,578	1.02		24
Securities of U.S. states and political subdivisions		**35,925**	**4.36**	**392**	25,593	4.93		315
Mortgage-backed securities:								
Federal agencies		**94,324**	**2.88**	**679**	72,887	4.41		804
Residential and commercial		**33,124**	**6.67**	**553**	32,625	7.46		609
Total mortgage-backed securities		**127,448**	**3.87**	**1,232**	105,512	5.36		1,413
Other debt and equity securities		**47,647**	**4.07**	**486**	38,888	4.69		457
Total securities available for sale		**212,410**	**3.98**	**2,114**	179,571	4.92		2,209
Mortgages held for sale (4)		**52,128**	**3.65**	**476**	34,634	4.49		389
Loans held for sale (4)		**932**	**7.38**	**17**	968	5.21		13
Loans:								
Commercial:								
Commercial and industrial		**177,500**	**3.84**	**1,711**	159,625	4.22		1,697
Real estate mortgage		**105,148**	**4.05**	**1,070**	102,428	3.93		1,015
Real estate construction		**17,687**	**5.21**	**232**	20,537	6.12		317
Lease financing		**12,608**	**6.60**	**208**	12,964	7.21		234
Foreign		**39,663**	**2.46**	**245**	38,175	2.42		233
Total commercial		**352,606**	**3.91**	**3,466**	333,729	4.16		3,496
Consumer:								
Real estate 1-4 family first mortgage		**234,020**	**4.51**	**2,638**	223,765	4.83		2,704
Real estate 1-4 family junior lien mortgage		**79,718**	**4.26**	**854**	89,065	4.37		980
Credit card		**23,040**	**12.64**	**732**	21,452	12.96		695
Other revolving credit and installment		**87,350**	**6.08**	**1,334**	86,533	6.25		1,364
Total consumer		**424,128**	**5.23**	**5,558**	420,815	5.44		5,743
Total loans (4)		**776,734**	**4.63**	**9,024**	754,544	4.87		9,239
Other		**4,386**	**4.62**	**50**	4,831	4.18		50
Total earning assets	$	**1,177,592**	**4.09 %**	**$ 12,086**	1,111,396	4.43 %	$	12,353
Funding sources								
Deposits:								
Interest-bearing checking	$	**28,815**	**0.06 %**	**$ 4**	43,986	0.07 %	$	8

Market rate and other savings		**506,138**	**0.12**		**152**	473,409	0.17		198
Savings certificates		**58,206**	**1.29**		**188**	67,633	1.47		251
Other time deposits		**14,373**	**1.49**		**54**	12,809	2.02		65
Deposits in foreign offices		**71,791**	**0.16**		**30**	63,548	0.23		37
Total interest-bearing deposits		**679,323**	**0.25**		**428**	661,385	0.34		559
Short-term borrowings		**51,857**	**0.17**		**22**	50,373	0.18		23
Long-term debt		**127,486**	**2.37**		**756**	139,542	2.81		980
Other liabilities		**9,945**	**2.40**		**60**	11,170	2.75		77
Total interest-bearing liabilities		**868,611**	**0.58**		**1,266**	862,470	0.76		1,639
Portion of noninterest-bearing funding sources		**308,981**	**-**		**-**	248,926	-		-
Total funding sources	**$**	**1,177,592**	**0.43**		**1,266**	1,111,396	0.59		1,639
Net interest margin and net interest income on a taxable-equivalent basis (5)			**3.66 %**	**$**	**10,820**		3.84 %	$	10,714
Noninterest-earning assets									
Cash and due from banks	**$**	**15,682**				17,101			
Goodwill		**25,566**				25,008			
Other		**135,500**				127,864			
Total noninterest-earning assets	**$**	**176,748**				169,973			
Noninterest-bearing funding sources									
Deposits	**$**	**267,184**				221,182			
Other liabilities		**66,116**				57,464			
Total equity		**152,429**				140,253			
Noninterest-bearing funding sources used to fund earning assets		**(308,981)**				(248,926)			
Net noninterest-bearing funding sources	**$**	**176,748**				169,973			
Total assets	**$**	**1,354,340**				1,281,369			

(1) Our average prime rate was 3.25% for the quarters ended September 30, 2012 and 2011, and 3.25% for the first nine months of both 2012 and 2011. The average three-month London Interbank Offered Rate (LIBOR) was 0.43% and 0.30% for the quarters ended September 30, 2012 and 2011, respectively, and 0.47% and 0.29%, respectively, for the first nine months of 2012 and 2011.
(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 $158 million and $172 million for the quarters ended September 30, 2012 and 2011, respectively, and $504 million and $505 million for the first nine months of 2012 and 2011, 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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	Nine months ended September 30,					
			2012			2011
(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	**$ 73,011**	**0.47 %**	**$ 257**	93,661	0.37 %	$ 257
Trading assets	**41,931**	**3.29**	**1,035**	37,788	3.73	1,056
Securities available for sale (3):						
Securities of U.S. Treasury and federal agencies	**3,041**	**1.12**	**25**	4,423	1.43	47
Securities of U.S. states and political subdivisions	**34,366**	**4.42**	**1,139**	22,694	5.21	887
Mortgage-backed securities:						
Federal agencies	**93,555**	**3.24**	**2,277**	71,408	4.63	2,480
Residential and commercial	**33,839**	**6.82**	**1,731**	30,954	8.64	2,005
Total mortgage-backed securities	**127,394**	**4.19**	**4,008**	102,362	5.84	4,485
Other debt and equity securities	**48,983**	**4.09**	**1,501**	35,709	5.32	1,423
Total securities available for sale	**213,784**	**4.16**	**6,673**	165,188	5.52	6,842
Mortgages held for sale (4)	**49,531**	**3.80**	**1,412**	34,668	4.57	1,188
Loans held for sale (4)	**838**	**6.07**	**38**	1,100	5.05	42
Loans:						
Commercial:						
Commercial and industrial	**172,039**	**4.07**	**5,245**	154,469	4.48	5,181
Real estate mortgage	**105,548**	**4.24**	**3,350**	101,230	4.00	3,033
Real estate construction	**18,118**	**4.98**	**676**	22,255	4.96	826
Lease financing	**12,875**	**7.47**	**721**	12,961	7.59	737
Foreign	**39,915**	**2.52**	**753**	36,103	2.62	708
Total commercial	**348,495**	**4.12**	**10,745**	327,018	4.28	10,485
Consumer:						
Real estate 1-4 family first mortgage	**231,256**	**4.60**	**7,984**	226,048	4.93	8,363
Real estate 1-4 family junior lien mortgage	**82,161**	**4.28**	**2,631**	91,881	4.32	2,973
Credit card	**22,414**	**12.75**	**2,140**	21,305	13.04	2,084
Other revolving credit and installment	**86,874**	**6.12**	**3,980**	87,041	6.31	4,107
Total consumer	**422,705**	**5.28**	**16,735**	426,275	5.49	17,527
Total loans (4)	**771,200**	**4.76**	**27,480**	753,293	4.97	28,012
Other	**4,492**	**4.53**	**153**	5,017	4.06	153
Total earning assets	**$ 1,154,787**	**4.28 %**	**$ 37,048**	1,090,715	4.59 %	$ 37,550
Funding sources						
Deposits:						
Interest-bearing checking	**$ 30,465**	**0.06 %**	**$ 14**	51,891	0.09 %	$ 34
Market rate and other savings	**500,850**	**0.12**	**457**	457,483	0.19	661
Savings certificates	**60,404**	**1.33**	**601**	71,343	1.43	762
Other time deposits	**13,280**	**1.74**	**173**	13,212	2.10	208
Deposits in foreign offices	**67,424**	**0.16**	**83**	59,662	0.23	103
Total interest-bearing deposits	**672,423**	**0.26**	**1,328**	653,591	0.36	1,768
Short-term borrowings	**50,650**	**0.17**	**65**	52,805	0.19	77

Long-term debt		**127,561**	**2.48**		**2,375**	145,000	2.85		3,093
Other liabilities		**10,052**	**2.50**		**189**	10,547	2.99		236
Total interest-bearing liabilities		**860,686**	**0.61**		**3,957**	861,943	0.80		5,174
Portion of noninterest-bearing funding sources		**294,101**	**-**		**-**	228,772	-		-
Total funding sources	**$**	**1,154,787**	**0.46**		**3,957**	1,090,715	0.63		5,174
Net interest margin and net interest income on a taxable-equivalent basis (5)			**3.82 %**	**$**	**33,091**		3.96 %	$	32,376
Noninterest-earning assets									
Cash and due from banks	**$**	**16,283**				17,277			
Goodwill		**25,343**				24,853			
Other		**129,971**				125,132			
Total noninterest-earning assets	**$**	**171,597**				167,262			
Noninterest-bearing funding sources									
Deposits	**$**	**256,120**				204,643			
Other liabilities		**60,606**				55,324			
Total equity		**148,972**				136,067			
Noninterest-bearing funding sources used to fund earning assets		**(294,101)**				(228,772)			
Net noninterest-bearing funding sources	**$**	**171,597**				167,262			
Total assets	**$**	**1,326,384**				1,257,977			

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Earnings Performance *(continued)*

Noninterest Income

Table 2: Noninterest Income

(in millions)		Quarter ended Sept. 30, **2012**	2011	% Change		Nine months ended Sept. 30, **2012**	2011	% Change
Service charges on deposit accounts	$	**1,210**	1,103	10%	$	**3,433**	3,189	8%
Trust and investment fees:								
Trust, investment and IRA fees		**1,062**	1,019	4		**3,127**	3,099	1
Commissions and all other fees		**1,892**	1,767	7		**5,564**	5,547	-
Total trust and investment fees		**2,954**	2,786	6		**8,691**	8,646	1
Card fees		**744**	1,013	(27)		**2,102**	2,973	(29)
Other fees:								
Cash network fees		**121**	105	15		**359**	280	28
Charges and fees on loans		**426**	438	(3)		**1,298**	1,239	5
Processing and all other fees		**550**	542	1		**1,669**	1,578	6
Total other fees		**1,097**	1,085	1		**3,326**	3,097	7
Mortgage banking:								
Servicing income, net		**197**	1,030	(81)		**1,128**	2,773	(59)
Net gains on mortgage loan origination/sales activities		**2,610**	803	225		**7,442**	2,695	176
Total mortgage banking		**2,807**	1,833	53		**8,570**	5,468	57
Insurance		**414**	423	(2)		**1,455**	1,494	(3)
Net gains (losses) from trading activities		**529**	(442)	NM		**1,432**	584	145
Net gains (losses) on debt securities available for sale		**3**	300	(99)		**(65)**	6	NM
Net gains from equity investments		**164**	344	(52)		**770**	1,421	(46)
Operating leases		**218**	284	(23)		**397**	464	(14)
All other		**411**	357	15		**1,440**	1,130	27
Total	$	**10,551**	9,086	16	$	**31,551**	28,472	11

NM - Not meaningful

Noninterest income was $10.6 billion and $9.1 billion for third quarter 2012 and 2011, respectively, and $31.6 billion and $28.5 billion for the first nine months of 2012 and 2011, respectively. Noninterest income represented 50% of revenue in third quarter 2012 and 49% in the first nine months of 2012. The increase in total noninterest income in the third quarter and first nine months of 2012 from the same periods a year ago was primarily due to higher net gains on higher mortgage loan origination/sales activities reflecting a lower interest rate environment.

Our service charges on deposit accounts increased 10% in the third quarter and 8% in the first nine months of 2012 from the same periods a year ago. This increase was predominantly due to product and account changes including changes to service charges and fewer fee waivers, continued

customer adoption of overdraft services and customer account growth.

We earn trust, investment and IRA (Individual Retirement Account) fees from managing and administering assets, including mutual funds, corporate trust, personal trust, employee benefit trust and agency assets. At September 30, 2012, these assets totaled $2.2 trillion, up 6% from a year ago. Trust, investment and IRA fees are largely based on a tiered scale relative to the market value of the assets under management or administration. These fees increased to $1.1 billion in third quarter 2012 compared with $1.0 billion a year ago, and were essentially flat at $3.1 billion in the first nine months of 2012 compared with the same period a year ago.

We receive commissions and other fees for providing services to full-service and discount brokerage customers as well as from investment banking activities including equity and bond underwriting. These fees were $1.9 billion in the third quarter of 2012, up 7% from the same period a year ago, and essentially flat at $5.6 billion for the first nine months of 2012 compared with the same period a year ago. 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. Brokerage client assets totaled $1.2 trillion at September 30, 2012, an 11% increase from a year ago.

Card fees decreased to $744 million in third quarter 2012, from $1.0 billion in third quarter 2011. For the first nine months of 2012, card fees decreased to $2.1 billion from $3.0 billion a year ago. Card fees decreased because of lower debit card interchange rates resulting from the final FRB rules implementing the Durbin Amendment to the Dodd-Frank Act, which became effective in fourth quarter 2011. The reduction in debit card interchange income was partially offset by growth in purchase volume and new accounts.

Mortgage banking noninterest income, consisting of net servicing income and net gains on loan origination/sales activities, totaled $2.8 billion in third quarter 2012, compared with $1.8 billion a year ago, and totaled $8.6 billion for the first nine months of 2012 compared with $5.5 billion for the same period a year ago. The year over year increase in mortgage

banking noninterest income for both time periods was driven by an increase in net gains on higher mortgage loan origination/sales activities, partially offset by a decrease in servicing income.

Net mortgage loan servicing income includes amortization of commercial mortgage servicing rights (MSRs), changes in the fair value of residential MSRs during the period, and changes in the value of derivatives (economic hedges) used to hedge the residential MSRs. Net servicing income for third quarter 2012 included a $142 million net MSR valuation gain ($1.43 billion decrease in the fair value of the MSRs offset by a $1.57 billion hedge gain) and for third quarter 2011 included a $607 million net MSR valuation gain ($2.64 billion decrease in the fair value of MSRs offset by a $3.25 billion hedge gain). For the first nine months of 2012, net servicing income included a $461 million net MSR valuation gain ($3.22 billion decrease in the fair value of MSRs offset by a $3.68 billion hedge gain) and for the same period of 2011, included a $1.36 billion net MSR valuation gain ($3.22 billion decrease in the fair value of MSRs offset by a $4.58 billion hedge gain). The $465 million decline in net MSR valuation gain results for third quarter 2012 compared with the same period last year was primarily due to a reduction in the fair value of our residential MSRs to reflect servicing and foreclosure cost updates. The third quarter 2012 MSRs valuation included a $350 million reduction reflecting the additional costs associated with implementation of the servicing standards developed in connection with our settlement with the Department of Justice (DOJ) and other state and federal agencies relating to our mortgage servicing and foreclosure practices, as well as higher foreclosure costs. The $899 million decline in net MSR valuation gain results for the first nine months of 2012 compared with the same period last year also included a $344 million reduction in the fair value of our residential MSRs, reflecting a discount rate increase driven by increased capital return requirements from market participants. The valuation of our MSRs at the end of third quarter 2012 and 2011 reflected our assessment of expected future amounts of servicing and foreclosure costs. Our portfolio of loans serviced for others was $1.91 trillion at September 30, 2012, and $1.85 trillion at December 31, 2011. At September 30, 2012, the ratio of MSRs to related loans serviced for others was 0.63%, compared with 0.76% at December 31, 2011. 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 and the Risk Management Credit Risk Management Risks Relating to Servicing Activities section in this Report for information on the DOJ settlement and the regulatory consent orders that we entered into relating to our mortgages servicing and foreclosure practices.

Net gains on loan origination/sale activities were $2.6 billion and $7.4 billion in the third quarter and nine months ended September 30, 2012, respectively, up from $803 million and $2.7 billion for the same periods a year ago. The year over year increases were driven by higher loan origination volume and margins. Residential real estate originations were $139 billion and $399 billion in third quarter and nine months ended September 30, 2012 compared with $89 billion and $237 billion for the same periods a year ago, respectively. During third

quarter 2012 we retained for investment 1-4 family conforming first mortgage loans, forgoing approximately $200 million of fee revenue that could have been generated had the loans been originated for sale along with other agency loan originations. While retaining these mortgage loans on our balance sheet reduced mortgage revenue this quarter, we expect to generate spread income in future quarters from mortgage loans with higher yields than mortgage backed securities we could have purchased in the market. We have a large enough mortgage business and strong capital to make these choices that should benefit long-term results. We currently expect to retain additional conforming mortgages in fourth quarter 2012. Mortgage applications were $188 billion and $584 billion in the third quarter and nine months ended September 30, 2012, compared with $169 billion and $380 billion for the same periods a year ago, respectively. The 1-4 family first mortgage unclosed pipeline was $97 billion at September 30, 2012, and $84 billion a year ago. 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 third quarter 2012 totaled $462 million (compared with $390 million for third quarter 2011), of which $387 million ($371 million for third quarter 2011) was for subsequent increases in estimated losses on prior period loan sales. Additions to the mortgage repurchase liability for the nine months ended September 30, 2012, and 2011 were $1.6 billion and $881 million, respectively, of which $1.4 billion and $807 million, respectively, were for subsequent increases in estimated losses on prior period loan sales. For additional information about mortgage loan repurchases, see the Risk Management Credit Risk Management Liability for Mortgage Loan Repurchase Losses section and Note 8 (Mortgage Banking Activities) to Financial Statements in this Report.

Net gains (losses) from trading activities, which reflect unrealized changes in fair value of our trading positions and realized gains and losses, were $529 million and $1.4 billion in the third quarter and first nine months of 2012, respectively, compared with $(442) million and $584 million for the same periods a year ago. The year-over-year increase for the third quarter and first nine months of 2012 was driven by gains on customer accommodation trading activities and economic hedging gains, which included higher gains on deferred compensation plan investments. Net gains (losses) from trading activities do not include interest income and other fees earned from related activities. Those amounts are reported within interest income from trading assets and other noninterest income, respectively. Net gains (losses) from trading activities are primarily from trading conducted on behalf of or driven by the needs of our customers (customer accommodation trading)

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Earnings Performance ***(continued)***

and also include the results of certain economic hedging and proprietary trading activity. Proprietary trading had $2 million and $16 million of net gains in the third quarter and first nine months of 2012, compared with net losses of $9 million and $18 million, respectively, for the same periods a year ago. Proprietary trading results also included interest and fees reported in their corresponding income statement line items. Proprietary trading activities are not significant to our client-focused business model. Our trading activities, customer accommodation, economic hedging and proprietary trading are further discussed in the Asset/Liability Management Market Risk Trading Activities section in this Report.

Net gains on debt and equity securities totaled $167 million for third quarter 2012 and $644 million for third quarter 2011 ($705 million and $1.4 billion for the first nine months of 2012 and 2011, respectively), after other-than-temporary impairment (OTTI) write-downs of $72 million and $144 million in third quarter 2012 and 2011, respectively, and $257 million and $470 million for the first nine months of 2012 and 2011, respectively.

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Noninterest Expense

Table 3: Noninterest Expense

(in millions)	Quarter ended Sept. 30, 2012	2011	% Change	Nine months ended Sept. 30, 2012	2011	% Change
Salaries	$ **3,648**	3,718	(2)%	$ **10,954**	10,756	2%
Commission and incentive compensation	**2,368**	2,088	13	**7,139**	6,606	8
Employee benefits	**1,063**	780	36	**3,720**	3,336	12
Equipment	**510**	516	(1)	**1,526**	1,676	(9)
Net occupancy	**727**	751	(3)	**2,129**	2,252	(5)
Core deposit and other intangibles	**419**	466	(10)	**1,256**	1,413	(11)
FDIC and other deposit assessments	**359**	332	8	**1,049**	952	10
Outside professional services	**733**	640	15	**1,985**	1,879	6
Contract services	**237**	341	(30)	**776**	1,051	(26)
Foreclosed assets	**247**	271	(9)	**840**	984	(15)
Operating losses	**281**	198	42	**1,282**	1,098	17
Postage, stationery and supplies	**196**	240	(18)	**607**	711	(15)
Outside data processing	**234**	226	4	**683**	678	1
Travel and entertainment	**208**	198	5	**628**	609	3
Advertising and promotion	**170**	159	7	**436**	441	(1)
Telecommunications	**127**	128	(1)	**378**	394	(4)
Insurance	**51**	94	(46)	**391**	428	(9)
Operating leases	**27**	29	(7)	**82**	84	(2)
All other	**507**	502	1	**1,641**	1,537	7
Total	$ **12,112**	11,677	4	$ **37,502**	36,885	2

Noninterest expense was $12.1 billion in third quarter 2012, up 4% from $11.7 billion a year ago, predominantly due to higher personnel expenses ($7.1 billion, up from $6.6 billion a year ago), partially offset by lower merger costs resulting from the completion of Wachovia merger integration activities in first quarter 2012 ($376 million in third quarter 2011). For the first nine months of 2012, noninterest expense was up 2% from the same period a year ago.

Personnel expenses were up $493 million, or 7%, in third quarter 2012 compared with the same quarter last year, due to higher revenues generated by businesses with revenue-based compensation, such as capital markets and mortgage, and a $283 million increase in employee benefits due primarily to higher deferred compensation expense which was offset in trading income. Personnel expenses were up $1.1 billion, or 5%, for the first nine months of 2012 compared with the same period in 2011, mostly due to higher revenue-related compensation, higher deferred compensation expense which was offset in trading income, and annual salary increases and related salary taxes.

Outside professional services were up $93 million, or 15%, in third quarter 2012 compared with the same quarter last year and up $106 million, or 6%, in the first nine months of 2012 compared with the same period a year ago. Substantially all of the increase for both periods was due to expenses associated with our mortgage servicing regulatory consent orders.

Operating losses were up $83 million, or 42%, in third quarter 2012 and up $184 million, or 17%, in the first nine months of 2012, compared with the same periods in 2011, predominantly due to higher litigation charges.

The completion of Wachovia integration activities in the first quarter 2012 significantly contributed to year-over-year

reductions, for both the third quarter and first nine months of 2012, in equipment, occupancy, contract services, postage, stationery and supplies, and advertising and promotion expenses.

We remain focused on expense management and improving our expense efficiency ratio. In turn, we will not forgo attractive revenue opportunities in order to meet specific noninterest expense targets.

Income Tax Expense

Our effective tax rate was 33.4% in third quarter 2012, up from 33.0% in third quarter 2011. Our effective tax rate was 34.2% in the first nine months of 2012, up from 32.1% in the first nine months of 2011. The lower tax rate in 2011 reflected a tax benefit from the realization for tax purposes of a previously written down investment as well as tax benefits related to charitable donations of appreciated securities.

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Earnings Performance *(continued)*

Operating Segment Results

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

(GAAP). In first quarter 2012, we modified internal funds transfer rates and the allocation of funding. The prior periods have been revised to reflect these changes. 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	
(in billions)		**2012**	2011	**2012**	2011	**2012**	2011
Quarter ended September 30,							
Revenue	$	**13.1**	12.5	**5.9**	5.1	**3.0**	2.9
Net income		**2.7**	2.3	**2.0**	1.8	**0.3**	0.3
Average loans		**485.3**	489.7	**277.1**	253.4	**42.5**	43.1
Average core deposits		**594.5**	556.4	**225.4**	209.3	**136.7**	133.3
Nine months ended September 30,							
Revenue	$	**39.6**	37.8	**18.1**	16.2	**9.1**	9.1
Net income		**7.6**	6.6	**5.7**	5.4	**1.0**	1.0
Average loans		**485.1**	498.3	**272.0**	243.7	**42.5**	43.1
Average core deposits		**585.3**	552.3	**222.4**	195.0	**135.5**	128.2

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 has increased each quarter since the beginning of 2011, and in August 2012 our cross-sell was 6.04 products per household, up from 5.90 a year ago. We believe there is more opportunity for cross-sell as we continue to earn more business from our customers. Our goal is eight products per customer, which is approximately half of our estimate of potential demand for an average U.S. household. As of August 2012, one of every four of our retail banking households had eight or more of our products.

Community Banking had net income of $2.7 billion, up $416 million, or 18%, from third quarter 2011, and $7.6 billion for the first nine months of 2012, up $999 million, or 15%, compared with the same period a year ago. Revenue of $13.1 billion increased $600 million, or 5%, from third quarter 2011 and was $39.6 billion for the first nine months of 2012, an increase of $1.9 billion, or 5%, compared with the same period a year ago. Revenue increased in both periods as a result of higher volume-related mortgage banking income and growth in deposit service

charges, partially offset by higher equity gains in the prior year, planned runoff of non-strategic loan balances and lower debit card revenue due to regulatory changes enacted in October 2011. Noninterest income increased $2.2 billion, or 14%, for the first nine months of 2012 compared with the same period a year ago, mostly due to higher volume-related mortgage banking income. Average core deposits increased $38.1 billion,

or 7%, from third quarter 2011 and $33 billion, or 6%, from the first nine months of 2011. Noninterest expense increased 7% from third quarter 2011, and 4% from the first nine months of 2011, largely due to higher mortgage volume-related expenses and increased severance expense associated with our efficiency and cost save initiatives. The provision for credit losses was $347 million, or 18%, lower than third quarter 2011 and $873 million, or 15%, lower than the first nine months of 2011, due to improved portfolio performance.

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 record net income of $2.0 billion in third quarter 2012, up $190 million, or 11%, from third quarter 2011. Net income increased to $5.7 billion for the first nine months of 2012 from $5.4 billion a year ago. Results for the first nine months of 2012 benefited from strong revenue growth partially offset by increased noninterest expense and a higher provision for loan losses. Revenue in third quarter 2012 increased $814 million, or 16%, from third quarter 2011 and revenue in the first nine months of 2012 increased $1.9 billion, or 12%, from the first nine months of 2011 driven by broad-based business growth as well as growth from acquisitions. Average loans of $277.1 billion in third quarter 2012 increased 9% from third quarter 2011 driven by acquisitions and strong

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borrowing demand with many lending areas experiencing double digit growth including asset backed finance, capital finance, commercial banking, commercial real estate, corporate banking, and real estate capital markets. Average core deposits of $225.4 billion in third quarter 2012 increased 8% from third quarter 2011, reflecting continued strong customer liquidity. Noninterest expense in third quarter and for the first nine months of 2012 increased 8% and 10%, respectively, from the comparable periods last year, on higher personnel expenses related to revenue growth and higher non-personnel expenses related to growth initiatives and compliance and regulatory requirements as well as increased operating losses. The provision for credit losses increased $121 million from third quarter 2011, and included a $110 million loan loss allowance release, compared with a $350 million release a year ago. The provision for credit losses increased $367 million for the first nine months of 2012, compared with the same period a year ago, primarily due to a lower allowance release.

Wealth, Brokerage and Retirement provides a full range of financial advisory services to clients using a planning approach to meet each client s needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions, including financial planning, private banking, credit, investment management and trust. Abbot Downing, a Wells Fargo business, provides 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 had net income of $338 million in third quarter 2012, up $48 million, or 17%, from third quarter 2011. Net income for the first nine months of 2012 was $977 million, up $7 million, or 1%, compared with the same period a year ago. The prior year results include the H.D. Vest Financial Services business that was divested in fourth quarter 2011. Revenue was $3.0 billion in third quarter 2012, up $145 million, or 5%, from third quarter 2011, due to $45 million in gains on deferred compensation plan investments (offset in expense), compared with $128 million in losses in third quarter 2011. Excluding deferred compensation, revenue was down 1% primarily due to lower net interest income and reduced securities gains in the brokerage business, partially offset by growth in managed account fee revenue. Revenue was down 1% from the first nine months of 2011 due to lower brokerage transaction revenue and reduced securities gains in the brokerage business, partially offset by an increase in gains on deferred compensation. Total provision for credit losses decreased $18 million from third quarter 2011 and $40 million compared with the first nine months of 2011. Noninterest expense was up 4% from third quarter 2011, driven by higher deferred compensation plan expense. Noninterest expense was flat for the first nine months of 2012 compared to the same period of 2011.

Balance Sheet Analysis

At September 30, 2012, our total assets, core deposits and total loans were up from December 31, 2011. Core deposits totaled 115% of the loan portfolio at September 30, 2012, and we have the capacity to add higher yielding earning assets to generate future revenue and earnings growth. The strength of our business model produced record earnings and continued internal capital generation as reflected in our capital ratios, substantially all of which improved from December 31, 2011. Tier 1 capital as a percentage of total risk-weighted assets increased to 11.50%, total capital decreased to 14.51%, Tier 1 leverage

increased to 9.40%, and Tier 1 common equity increased to 9.92% at September 30, 2012, compared with 11.33%, 14.76%, 9.03%, and 9.46%, respectively, at December 31, 2011.

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

Securities Available for Sale

Table 5: Securities Available for Sale Summary

		September 30, 2012			December 31, 2011	
		Net			Net	
		unrealized	Fair		unrealized	Fair
(in millions)	Cost	gain	value	Cost	gain	value
Debt securities available for sale	$ 214,674	11,924	226,598	212,642	6,554	219,196
Marketable equity securities	2,327	425	2,752	2,929	488	3,417
Total securities available for sale	$ 217,001	12,349	229,350	215,571	7,042	222,613

Table 5 presents a summary of our securities available-for-sale portfolio, which consists of both debt and marketable equity securities. We hold debt securities available

for sale primarily for liquidity, interest rate risk management and long-term yield

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Balance Sheet Analysis *(continued)*

enhancement. Accordingly, this portfolio consists primarily of liquid, high quality federal agency debt and privately issued mortgage-backed securities (MBS). The total net unrealized gains on securities available for sale were $12.3 billion at September 30, 2012, up from net unrealized gains of $7.0 billion at December 31, 2011, due to a decline in long-term yields and tightening of credit spreads.

We analyze securities for OTTI quarterly or more often if a potential loss-triggering event occurs. Of the $257 million OTTI write-downs recognized in the first nine months of 2012, $163 million related to debt securities. There was $9 million in OTTI write-downs for marketable equity securities and $85 million in OTTI write-downs related to nonmarketable equity securities. For a discussion of our OTTI accounting policies and underlying considerations and analysis see Note 1 (Summary of Significant Accounting Policies Securities) in our 2011 Form 10-K and Note 4 (Securities Available for Sale) to Financial Statements in this Report.

At September 30, 2012, debt securities available for sale included $37.9 billion of municipal bonds, of which 81% were rated A- or better based 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 5.0 years at September 30, 2012. Because 61% of this portfolio is MBS, the expected remaining maturity may differ from contractual maturity because borrowers generally have the right to prepay obligations before the underlying mortgages mature. The estimated effect 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 September 30, 2012			
Actual	$ 138.8	8.5	3.2
Assuming a 200 basis point:			
Increase in interest rates	130.3	-	4.6
Decrease in interest rates	141.1	10.8	2.7

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

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Loan Portfolio

Total loans were $782.6 billion at September 30, 2012, up $13.0 billion from December 31, 2011. Table 7 provides a summary of total outstanding loans for our commercial and consumer loan portfolios. Excluding the runoff in the non-strategic/liquidating portfolios of $13.7 billion, loans in the core portfolio grew $26.7 billion in the first nine months of 2012. Our core loan growth in 2012 included:

- an $8.9 billion increase in commercial loans, which included:
  - $6.9 billion acquired during our second quarter 2012 acquisitions of BNP Paribas North American energy lending business and WestLB s subscription finance loan portfolio; and
  - $858 million of commercial asset-based loans acquired with the acquisition of Burdale Financial Holdings Limited (Burdale) and the portfolio of Burdale Capital Finance Inc. in first quarter 2012; and
- a $17.7 billion increase in consumer loans with growth in first mortgage (including the retention of $9.8 billion of 1-4 family conforming first mortgages), auto, credit card and private student lending.

Additional information on the non-strategic and liquidating loan portfolios is included in Table 11 in the Credit Risk Management section of this Report.

Table 7: Loan Portfolios Summary

	September 30, 2012			December 31, 2011		
(in millions)	**Core**	**Liquidating**	**Total**	Core	Liquidating	Total
Commercial	**$ 348,696**	**3,836**	**352,532**	339,755	5,695	345,450
Consumer	**335,278**	**94,820**	**430,098**	317,550	106,631	424,181
Total loans	**$ 683,974**	**98,656**	**782,630**	657,305	112,326	769,631

A discussion of the impact on net interest income and a comparative detail of average loan balances is included in Earnings Performance Net Interest Income and Table 1 in this Report. Additional information on total loans outstanding by portfolio segment and class of financing receivable is included in the 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.

Deposits

Deposits totaled $952.2 billion at September 30, 2012, compared with $920.1 billion at December 31, 2011. Table 8 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 $901.1 billion at September 30, 2012, up $28.5 billion from $872.6 billion at December 31, 2011.

Table 8: Deposits

($ in millions)

	Sept. 30, 2012	% of total deposits	Dec. 31, 2011	% of total deposits	% Change
Noninterest-bearing	**$ 268,969**	**28 %**	$ 243,961	26 %	10
Interest-bearing checking	**29,427**	**3**	37,027	4	(21)
Market rate and other savings	**502,482**	**53**	485,534	53	3
Savings certificates	**57,547**	**6**	63,617	7	(10)
Foreign deposits (1)	**42,650**	**5**	42,490	5	-
Core deposits	**901,075**	**95**	872,629	95	3
Other time and savings deposits	**21,636**	**2**	20,745	2	4
Other foreign deposits	**29,528**	**3**	26,696	3	11
Total deposits	**$ 952,239**	**100 %**	$ 920,070	100 %	3

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

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

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 2011 Form 10-K for a description of our critical accounting policy related to fair valuation of financial instruments.

We may use independent pricing services and brokers (collectively, pricing vendors) to obtain fair values (vendor prices) which are used to either record the price of an instrument or to corroborate internally developed prices. For certain securities, we may use internal traders to price instruments. Where vendor prices are used for recording the price of an instrument, we determine the most appropriate and relevant pricing vendor for each security class and obtain a price from that particular pricing vendor for each security.

Determination of the fair value of financial instruments using either vendor prices or internally developed prices are both subject to our internal price validation procedures, which include, but are not limited to, one or a combination of the following procedures:

- comparison to pricing vendors (for internally developed prices) or to other pricing vendors (for vendor developed prices);
- variance analysis of prices;
- corroboration of pricing by reference to other independent market data such as secondary broker quotes and relevant benchmark indices;
- review of pricing by Company personnel familiar with market liquidity and other market-related conditions; and
- investigation of prices on a specific instrument-by-instrument basis.

For instruments where we use vendor prices to record the price of an instrument, we perform additional procedures. We evaluate pricing vendors by comparing prices from one vendor to prices of other vendors for identical or similar instruments and evaluate the consistency of prices to known market

transactions when determining the level of reliance to be placed on a particular pricing vendor. Methodologies employed and inputs used by third party pricing vendors are subject to additional review when such services are provided. This review may consist of, in part, obtaining and evaluating control reports issued and pricing methodology materials distributed.

Table 9 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 9: Fair Value Level 3 Summary

	September 30, 2012		December 31, 2011	
($ in billions)	**Total balance**	**Level 3** (1)	Total balance	Level 3 (1)
Assets carried at fair value	**$ 364.0**	**49.8**	373.0	53.3
As a percentage of total assets	**26 %**	**4**	28	4
Liabilities carried at fair value	**$ 27.3**	**4.1**	26.4	4.6
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.

Off-Balance Sheet Arrangements

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

Off-Balance Sheet Transactions with Unconsolidated Entities

We routinely enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Historically, the majority of SPEs were 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.

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Risk Management

All financial institutions must manage and control a variety of business risks that can significantly affect their financial performance. Key among those are credit, asset/liability and market risk. Effective management of operational risks, which include risks relating to management information systems, security systems, and information security, also is an important focus for financial institutions such as Wells Fargo. Recently, Wells Fargo and reportedly other financial institutions have been the target of various denial-of-service or other cyber attacks as part of what appears to be a coordinated effort to disrupt the operations of financial institutions. Although to date Wells Fargo has not experienced any material losses relating to these or other cyber attacks, cyber security 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 2011 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.

For more information about how we manage credit, asset/liability and market risk, see the Risk Management section in our 2011 Form 10-K. The discussion that follows provides an update regarding these risks.

Credit Risk Management

Loans represent the largest component of assets on our balance sheet and their related credit risk is among the most significant risks 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 10 presents our total loans outstanding by portfolio segment and class of financing receivable.

Table 10: Total Loans Outstanding by Portfolio Segment and Class of Financing Receivable

(in millions)		Sept. 30, 2012	Dec. 31, 2011
Commercial:			
Commercial and industrial	$	**178,191**	167,216
Real estate mortgage		**104,611**	105,975
Real estate construction		**17,710**	19,382
Lease financing		**12,279**	13,117
Foreign (1)		**39,741**	39,760
Total commercial		**352,532**	345,450
Consumer:			
Real estate 1-4 family first mortgage		**240,554**	228,894
Real estate 1-4 family junior lien mortgage		**78,091**	85,991
Credit card		**23,692**	22,836
Other revolving credit and installment		**87,761**	86,460
Total consumer		**430,098**	424,181
Total loans	$	**782,630**	769,631

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

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Risk Management Credit Risk Management *(continued)*

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

Table 11 identifies our non-strategic and liquidating loan portfolios. They consist primarily of the Pick-a-Pay mortgage portfolio and PCI loans acquired from Wachovia, some portfolios from legacy Wells Fargo Home Equity and Wells

Fargo Financial, and our education finance government guaranteed loan portfolio. The total of outstanding balances of our non-strategic and liquidating loan portfolios has decreased 48% since the merger with Wachovia at December 31, 2008, and decreased 12% from the end of 2011.

The home equity portfolio of loans generated through third party channels was designated as liquidating in fourth quarter 2007. 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 11: Non-Strategic and Liquidating Loan Portfolios

					Outstanding balance
(in millions)	**Sept. 30, 2012**	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Commercial:					
Legacy Wachovia commercial and industrial, CRE and foreign PCI loans (1)	$ **3,836**	5,695	7,935	12,988	18,704
Total commercial	**3,836**	5,695	7,935	12,988	18,704
Consumer:					
Pick-a-Pay mortgage (1)	**60,080**	65,652	74,815	85,238	95,315
Liquidating home equity	**4,951**	5,710	6,904	8,429	10,309
Legacy Wells Fargo Financial indirect auto	**1,104**	2,455	6,002	11,253	18,221
Legacy Wells Fargo Financial debt consolidation	**15,002**	16,542	19,020	22,364	25,299
Education Finance - government guaranteed	**12,951**	15,376	17,510	21,150	20,465
Legacy Wachovia other PCI loans (1)	**732**	896	1,118	1,688	2,478
Total consumer	**94,820**	106,631	125,369	150,122	172,087
Total non-strategic and liquidating loan portfolios	$ **98,656**	112,326	133,304	163,110	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 accounted for using the measurement provisions for PCI loans. PCI loans are recorded at fair value at the date of acquisition, and the historical allowance for credit losses related to these loans is not carried over. Such loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments. Substantially all of our PCI loans were acquired in the Wachovia acquisition on December 31, 2008. For

additional information on PCI loans, see the Risk Management Credit Risk Management Purchased Credit-Impaired Loans section in our 2011 Form 10-K.

During the first nine months of 2012, we recognized as income $80 million released from the nonaccretable difference related to commercial PCI loans due to payoffs and other resolutions. We also transferred $1.0 billion from the nonaccretable difference to the accretable yield for PCI loans with improving credit-related cash flows and absorbed $2.0 billion of losses in the nonaccretable difference from loan resolutions and write-downs. Our cash flows expected to be collected have been favorably affected by lower expected defaults and losses as a result of observed strengthening in housing prices and loan modifications that are expected to keep borrowers in their homes longer. These factors led to the reduction in expected losses on PCI loans, primarily Pick-a-Pay, which resulted in a reclassification from nonaccretable difference to accretable yield. Table 12 provides an analysis of changes in the nonaccretable difference.

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Table 12: Changes in Nonaccretable Difference for PCI Loans

(in millions)		Commercial	Pick-a-Pay	Other consumer	Total
Balance, December 31, 2008	$	10,410	26,485	4,069	40,964
Addition of nonaccretable difference due to acquisitions		188	-	-	188
Release of nonaccretable difference due to:					
Loans resolved by settlement with borrower (1)		(1,345)	-	-	(1,345)
Loans resolved by sales to third parties (2)		(299)	-	(85)	(384)
Reclassification to accretable yield for loans with improving credit-related cash flows (3)		(1,216)	(2,383)	(614)	(4,213)
Use of nonaccretable difference due to:					
Losses from loan resolutions and write-downs (4)		(6,809)	(14,976)	(2,718)	(24,503)
Balance, December 31, 2011		**929**	**9,126**	**652**	**10,707**
Addition of nonaccretable difference due to acquisitions		**-**	**-**	**-**	**-**
Release of nonaccretable difference due to:					
Loans resolved by settlement with borrower (1)		**(76)**	**-**	**-**	**(76)**
Loans resolved by sales to third parties (2)		**(4)**	**-**	**-**	**(4)**
Reclassification to accretable yield for loans with improving credit-related cash flows (3)		**(188)**	**(648)**	**(170)**	**(1,006)**
Use of nonaccretable difference due to:					
Losses from loan resolutions and write-downs (4)(5)		**(104)**	**(1,799)**	**(112)**	**(2,015)**
Balance, September 30, 2012	**$**	**557**	**6,679**	**370**	**7,606**
Balance, June 30, 2012	**$**	**658**	**8,128**	**440**	**9,226**
Addition of nonaccretable difference due to acquisitions		**-**	**-**	**-**	**-**
Release of nonaccretable difference due to:					
Loans resolved by settlement with borrower (1)		**(24)**	**-**	**-**	**(24)**
Loans resolved by sales to third parties (2)		**(4)**	**-**	**-**	**(4)**
Reclassification to accretable yield for loans with improving credit-related cash flows (3)		**(41)**	**(603)**	**(43)**	**(687)**
Use of nonaccretable difference due to:					
Losses from loan resolutions and write-downs (4)(5)		**(32)**	**(846)**	**(27)**	**(905)**
Balance, September 30, 2012	**$**	**557**	**6,679**	**370**	**7,606**

(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.
(5) Quarter and nine months ended September 30, 2012, include $376 million resulting from the implementation of 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.

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Risk Management Credit Risk Management *(continued)*

Since December 31, 2008, we have released $7.0 billion in nonaccretable difference, including $5.2 billion transferred from the nonaccretable difference to the accretable yield and $1.8 billion released to income through loan resolutions. Also, we have provided $1.8 billion for losses on certain PCI loans or pools of PCI loans that have had credit-related decreases to cash flows expected to be collected. The net result is a $5.2 billion reduction from December 31, 2008, through September 30, 2012, in our initial projected losses on all PCI loans.

At September 30, 2012, the allowance for credit losses on certain PCI loans was $160 million. The allowance is necessary to absorb credit-related decreases in cash flows expected to be collected and primarily relates to individual PCI loans. Table 13 analyzes the actual and projected loss results on PCI loans since acquisition through September 30, 2012.

For additional information on PCI loans, see Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 13: 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)	$ 1,421	-	-	1,421
Loans resolved by sales to third parties (2)	303	-	85	388
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	1,404	3,031	784	5,219
Total releases of nonaccretable difference due to better than expected losses	3,128	3,031	869	7,028
Provision for losses due to credit deterioration (4)	(1,679)	-	(125)	(1,804)
Actual and projected losses on PCI loans less than originally expected	$ 1,449	3,031	744	5,224

(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 14 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 pass and criticized categories with our criticized categories aligned to special mention, substandard and doubtful categories as defined by bank regulatory agencies.

Across our non-PCI commercial loans and leases, the commercial and industrial loans and lease financing portfolio generally experienced credit improvement in third quarter 2012. Of the total commercial and industrial loans and lease financing non-PCI portfolio, 0.03% was 90 days or more past due and still accruing at September 30, 2012, compared with 0.09% at

December 31, 2011, 0.76% (1.22% at December 31, 2011) was nonaccruing and 11.04% (12.5% at December 31, 2011) was criticized. The net charge-off rate for this portfolio declined to 0.28% in third quarter 2012 from 0.54% in second quarter 2012 and 0.70% for the full year of 2011.

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.

During second quarter 2012, we acquired $6.9 billion of commercial loans in connection with our acquisitions of BNP Paribas North American energy lending business and WestLB s subscription finance loan portfolio, of which an aggregate of $5.4 billion was added to the commercial and industrial loan portfolio. In first quarter 2012, we also added $858 million to this portfolio when we acquired commercial asset-based loans from the Bank of Ireland in the Burdale acquisition.

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Table 14: Commercial and Industrial Loans and Lease Financing by Industry

	September 30, 2012		
(in millions)	Nonaccrual loans	Total portfolio (1)	% of total loans
PCI loans (1):			
Healthcare	$ -	41	* %
Technology	-	39	*
Aerospace and defense	-	34	*
Steel and metal products	-	22	*
Home furnishings	-	22	*
Cyclical retailers	-	22	*
Other	-	66 (2)	*
Total PCI loans	$ -	246	* %
All other loans:			
Oil and gas	$ 49	13,991	2 %
Investors	2	13,216	2
Cyclical retailers	30	11,339	1
Food and beverage	49	10,702	1
Financial institutions	95	10,080	1
Industrial equipment	34	9,492	1
Healthcare	41	8,906	1
Real estate lessor	34	7,064	*
Technology	20	6,795	*
Transportation	9	6,471	*
Business services	29	5,816	*
Securities firms	23	5,248	*
Other	1,038	81,104 (3)	10
Total all other loans	$ 1,453	190,224	24 %
Total	$ 1,453	190,470	24 %

* Less than 1%.
(1) For PCI loans, amounts represent carrying value. PCI loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.
(2) No other single category had loans in excess of $14 million.
(3) No other single category had loans in excess of $4.4 billion.

COMMERCIAL REAL ESTATE (CRE) The CRE portfolio, consisting of both CRE mortgage loans and CRE construction loans, totaled $122.3 billion, or 16%, of total loans at September 30, 2012. CRE construction loans totaled $17.7 billion at September 30, 2012, and CRE mortgage loans totaled $104.6 billion at September 30, 2012. Table 15 summarizes CRE loans by state and property type with the related nonaccrual totals. CRE nonaccrual loans totaled 4% of the non-PCI CRE outstanding balance at September 30, 2012. The portfolio is diversified both geographically and by property type. At September 30, 2012, we had $18.3 billion of criticized non-PCI CRE mortgage loans, a decrease of

18% from December 31, 2011, and $4.5 billion of criticized non-PCI CRE construction loans, a decrease of 34% from December 31, 2011. See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for additional information on criticized loans. The largest geographic concentrations of combined CRE loans are in California and Florida, which represented 26% and 9% of the total CRE portfolio, respectively. By property type, the largest concentrations are office buildings at 26% and industrial/warehouse at 10% of the portfolio.

At September 30, 2012, the recorded investment in PCI CRE loans totaled $3.5 billion, down from $12.3 billion when they were acquired at December 31, 2008, reflecting the reduction resulting from principal payments, loan resolutions and write-downs.

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

Table 15: CRE Loans by State and Property Type

	September 30, 2012						
	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:							
PCI loans (1):							
New York	$ -	518	-	148	-	666	*%
Florida	-	325	-	168	-	493	*
California	-	384	-	63	-	447	*
Pennsylvania	-	116	-	116	-	232	*
Texas	-	129	-	83	-	212	*
Other	-	878	-	586	-	1,464 (2)	*
Total PCI loans	$ -	2,350	-	1,164	-	3,514	*%
All other loans:							
California	$ 903	27,909	231	3,286	1,134	31,195	4 %
Florida	401	8,941	150	1,418	551	10,359	1
Texas	308	7,647	33	1,393	341	9,040	1
New York	35	5,887	4	1,049	39	6,936	*
North Carolina	246	4,040	155	978	401	5,018	*
Arizona	153	4,253	31	431	184	4,684	*
Virginia	85	2,874	20	1,174	105	4,048	*
Georgia	226	3,264	122	466	348	3,730	*
Washington	31	3,080	19	477	50	3,557	*
Colorado	111	2,927	17	401	128	3,328	*
Other	1,100	31,439	471	5,473	1,571	36,912 (3)	5
Total all other loans	$ 3,599	102,261	1,253	16,546	4,852	118,807	15 %
Total	$ 3,599	104,611	1,253	17,710	4,852	122,321	16 %
By property:							
PCI loans (1):							
Office buildings	$ -	848	-	121	-	969	*%
Apartments	-	463	-	162	-	625	*
Retail (excluding shopping center)	-	382	-	6	-	388	*
Shopping center	-	254	-	110	-	364	*
1-4 family land	-	-	-	313	-	313	*
Other	-	403	-	452	-	855	*
Total PCI loans	$ -	2,350	-	1,164	-	3,514	*%

All other loans:							
Office buildings	$ 821	29,135	86	1,545	907	30,680	4 %
Industrial/warehouse	515	12,373	22	412	537	12,785	2
Apartments	197	9,664	25	1,799	222	11,463	1
Retail (excluding shopping center)	487	10,609	43	301	530	10,910	1
Real estate - other	354	10,082	55	344	409	10,426	1
Shopping center	357	9,631	38	741	395	10,372	1
Hotel/motel	184	8,361	31	708	215	9,069	1
Land (excluding 1-4 family)	6	69	362	6,972	368	7,041	*
Institutional	103	2,783	-	312	103	3,095	*
Agriculture	162	2,518	-	15	162	2,533	*
Other	413	7,036	591	3,397	1,004	10,433	1
Total all other loans	$ 3,599	102,261	1,253	16,546	4,852	118,807	15 %
Total	$ 3,599	104,611	1,253	17,710	4,852	122,321	16 %

* Less than 1%.

(1) For PCI loans, amounts represent carrying value. PCI loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

(2) Includes 32 states; no state had loans in excess of $196 million.

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

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FOREIGN LOANS AND EUROPEAN EXPOSURE We classify loans as foreign if the borrower s primary address is outside of the United States. At September 30, 2012, foreign loans represented approximately 5% of our total consolidated loans outstanding and approximately 3% of our total assets.

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

We evaluate our individual country risk exposure on an ultimate risk basis which is normally based on the country of residence of the guarantor or collateral location. Our largest foreign country exposure on an ultimate risk basis was the United Kingdom, which amounted to approximately $14.5 billion, or 1% of our total assets, and included $2.1 billion of sovereign claims. Our United Kingdom sovereign claims arise primarily from deposits we have placed with the Bank of England pursuant to regulatory requirements in support of our London branch.

At September 30, 2012, our Eurozone exposure, including cross-border claims on an ultimate risk basis, and foreign exchange and derivative products, aggregated approximately $10.9 billion, including $214 million of sovereign claims, compared with approximately $11.4 billion at December 31, 2011, which included $364 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 indirect impact of a European downturn on the U.S. economy. We mitigate these potential impacts through our normal risk management processes which include active monitoring and, if necessary, the application of aggressive loss mitigation strategies.

Table 16 provides information regarding our exposures to European sovereign entities and institutions located within such countries, including cross-border claims on an ultimate risk basis, and foreign exchange and derivative products.

Table 16: European Exposure

	Lending (1)(2)		Securities (3)		Derivatives and other (4)		Total exposure		
(in millions)	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign (5)	Total
September 30, 2012									
Eurozone									
Netherlands	$ -	2,363	-	394	-	528	-	3,285	3,285
Germany	60	1,582	-	414	-	55	60	2,051	2,111
Luxembourg	-	835	-	161	-	5	-	1,001	1,001
Ireland	-	767	-	197	-	38	-	1,002	1,002
France	52	1,029	-	391	-	56	52	1,476	1,528
Spain	-	717	-	57	-	3	-	777	777
Italy	-	264	-	105	-	1	-	370	370
Austria	102	251	-	3	-	-	102	254	356
Belgium	-	175	-	40	-	62	-	277	277
Other (6)	-	113	-	35	-	1	-	149	149
Total Eurozone exposure	214	8,096	-	1,797	-	749	214	10,642	10,856
United Kingdom	2,098	5,395	-	6,525	-	484	2,098	12,404	14,502
Other European countries	-	3,939	4	365	-	523	4	4,827	4,831
Total European exposure	$ 2,312	17,430	4	8,687	-	1,756	2,316	27,873	30,189

(1) Lending exposure includes funded loans and unfunded commitments, leveraged leases, and money market placements presented on a gross basis prior to the deduction of impairment allowance and collateral received under the terms of the credit agreements.
(2) Includes $1.3 billion in PCI loans, largely to customers in Germany and United Kingdom territories, and $2.4 billion in defeased leases secured predominantly by U.S. Treasury and government agency securities, or government guaranteed.
(3) Represents issuer exposure on cross-border debt and equity securities, held in trading or available-for-sale portfolio, at fair value.
(4) Represents counterparty exposure on foreign exchange and derivative contracts, and securities resale and lending agreements. This exposure is presented net of counterparty netting adjustments and reduced by the amount of cash collateral. It includes credit default swaps (CDS) predominantly used to manage our U.S. and London-based cash credit trading businesses, which sometimes results in selling and purchasing protection on the identical reference entity. Generally, we do not use market instruments such as CDS to hedge the credit risk of our investment or loan positions, although we do use them to manage risk in our trading businesses. At September 30, 2012, the gross notional amount of our CDS sold that reference assets domiciled in Europe was $7.6 billion, which was offset by the notional amount of CDS purchased of $7.7 billion. We did not have any CDS purchased or sold where the reference asset was solely the sovereign debt of a European country. Certain CDS purchased or sold reference pools of assets that contain sovereign debt, however the amount of referenced sovereign European debt was insignificant at September 30, 2012.
(5) Total non-sovereign exposure comprises $11.9 billion exposure to financial institutions and $16.0 billion to non-financial corporations at September 30, 2012.
(6) Includes non-sovereign exposure to Greece and Portugal in the amount of $7 million and $27 million, respectively. We had no sovereign debt exposure to these countries at September 30, 2012.

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

REAL ESTATE 1-4 FAMILY FIRST AND JUNIOR LIEN MORTGAGE LOANS Our real estate 1-4 family first and junior lien mortgage loans primarily include loans we have made to customers and retained as part of our asset liability management strategy. These loans also include the Pick-a-Pay portfolio acquired from Wachovia and the home equity portfolio, which are discussed later in this Report. In addition, these loans 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). 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 2011 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 19% of total loans at September 30, 2012, compared with 21% at December 31, 2011.

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.

We continue to modify real estate 1-4 family mortgage loans to assist homeowners and other borrowers in the current difficult economic cycle. As announced in February 2012, we reached a settlement regarding our mortgage servicing and foreclosure practices with the DOJ and other federal and state government entities, which became effective on April 5, 2012, where we committed to provide relief to borrowers with real estate 1-4 family first and junior lien mortgage loans. See the Risk Management Credit Risk Management Risks Relating to Servicing Activities section in this report and in our 2011 Form 10-K for more details. In addition, as announced in October 2010, we entered into agreements with certain state attorneys general whereby we agreed to offer loan modifications to eligible Pick-a-Pay customers through June 2013. These Pick-a-Pay specific agreements cover the majority of our option payment loan portfolio and require that we offer modifications (both HAMP and proprietary) to eligible customers with the option payment loan product.

For more information on our modification programs, see the Risk Management Credit Risk Management Real Estate 1-4 Family Mortgage Loans section in our 2011 Form 10-K.

Real estate 1-4 family first and junior lien mortgage loans by state are presented in Table 17. Our real estate 1-4 family mortgage loans to borrowers in California represented approximately 13% of total loans (2% of this amount were PCI loans from Wachovia) at September 30, 2012, 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.

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 continued to improve in third quarter 2012 on the non-PCI mortgage portfolio. Loans 30 days or more delinquent at September 30, 2012, totaled $15.9 billion, or 5%, of total non-PCI mortgages, compared with $18.4 billion, or 6%, at December 31, 2011. Loans with FICO scores lower than 640 totaled $38.7 billion at September 30, 2012, or 13% of total non-PCI mortgages, compared with $44.1 billion, or 15%, at December 31, 2011. Mortgages with a LTV/CLTV greater than 100% totaled $63.2 billion at September 30, 2012, or 22% of total non-PCI mortgages, compared with $74.2 billion, or 26%, at December 31, 2011. Information regarding credit risk indicators can be found in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

We monitor the credit performance of our junior lien mortgage portfolio for trends and factors that influence the frequency and severity of loss. In first quarter 2012, in accordance with *Interagency Supervisory Guidance on Allowance for Loan and Lease Losses Estimation Practices for Loans and Lines of Credit Secured by Junior Liens on 1-4 Family Residential Properties* issued by bank regulators on January 31, 2012 (Interagency Guidance), we aligned our nonaccrual reporting so that a junior lien is reported as a nonaccrual loan if the related first lien is 120 days past due or is in the process of foreclosure regardless of the junior lien delinquency status. This action increased our nonperforming assets by $1.7 billion, but otherwise had minimal financial impact as the expected loss content of these loans was already considered in the allowance

for loan losses.

Credit metrics for third quarter 2012 real estate 1-4 family mortgage loans were affected by the implementation of 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. Loans impacted were predominantly real estate 1-4 family mortgage loans. As of September 30, 2012, only 8% of the performing loans placed on nonaccrual status as a result of the OCC guidance were 30 days or more past due. Implementation of the OCC guidance in third quarter 2012 resulted in the following:

- $1.4 billion reclassification of performing loans to nonaccrual status;
- $567 million increase in loan charge-offs; and
- $4.3 billion of loans classified as TDRs.

See the Risk Management Credit Risk Management Nonperforming Assets section in this Report for more information.

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Table 17: Real Estate 1-4 Family First and Junior Lien Mortgage Loans by State

			September 30, 2012	
(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	$ 17,872	36	17,908	2 %
Florida	2,457	33	2,490	*
New Jersey	1,259	22	1,281	*
Other (1)	5,947	90	6,037	*
Total PCI loans	$ 27,535	181	27,716	4 %
All other loans:				
California	$ 61,166	21,776	82,942	11 %
Florida	15,601	6,974	22,575	3
New Jersey	9,325	5,790	15,115	2
New York	10,724	3,303	14,027	2
Virginia	6,301	4,076	10,377	1
Pennsylvania	5,822	3,626	9,448	1
North Carolina	5,779	3,292	9,071	1
Texas	7,106	1,168	8,274	1
Georgia	4,756	3,068	7,824	1
Other (2)	57,899	24,837	82,736	10
Government insured/guaranteed loans (3)	28,540	-	28,540	4
Total all other loans	$ 213,019	77,910	290,929	37 %
Total	$ 240,554	78,091	318,645	41 %

* Less than 1%.
(1) Consists of 45 states; no state had loans in excess of $711 million.
(2) Consists of 41 states; no state had loans in excess of $6.7 billion.
(3) Represents loans whose repayments are insured by the FHA or guaranteed by the VA.

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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 18 provides balances by types of loans as of September 30, 2012, as a result of modification efforts, compared to the types of loans included in the portfolio at December 31, 2011, and at acquisition.

Table 18: Pick-a-Pay Portfolio - Comparison to Acquisition Date

			December 31,			
	September 30, 2012 (1)		2011		2008	
(in millions)	**Adjusted unpaid principal balance (2)**	**% of total**	Adjusted unpaid principal balance (2)	% of total	Adjusted unpaid principal balance (2)	% of total
Option payment loans	**$ 33,364**	**50 %**	$ 39,164	53 %	$ 99,937	86 %
Non-option payment adjustable-rate and fixed-rate loans (3)	**8,974**	**14**	9,986	14	15,763	14
Full-term loan modifications	**23,736**	**36**	24,207	33	-	-
Total adjusted unpaid principal balance (3)	**$ 66,074**	**100 %**	$ 73,357	100 %	$ 115,700	100 %
Total carrying value	**$ 60,080**		65,652		95,315	

(1) Reflects $413 million in write-downs resulting from the implementation of 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.

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

Pick-a-Pay loans may have fixed or adjustable rates with payment options that include a minimum payment, an interest-only payment or fully amortizing payment (both 15 and 30 year options). Total interest deferred due to negative amortization on Pick-a-Pay loans was $1.5 billion at September 30, 2012, and $2.0 billion at December 31, 2011. Approximately 88% of the Pick-a-Pay customers making a minimum payment in September 2012 did not defer interest, compared with 83% in December 2011.

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

Due to the terms of the Pick-a-Pay portfolio, there is little recast risk in the near term. Based on assumptions of a flat rate environment, if all eligible customers elect the minimum payment option 100% of the time and no balances prepay, we would expect the following balances of loans to recast based on reaching the principal cap: $5 million for the remainder of 2012, $18 million in 2013, and $59 million in 2014. 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: $9 million for the remainder of 2012, $99 million in 2013, and $333 million in 2014. In third quarter 2012, $1 million was recast based on these events.

Table 19 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 19: Pick-a-Pay Portfolio (1)

			September 30, 2012			
			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	$ 22,401	116 %	$ 17,833	92 %	$ 16,162	84 %
Florida	2,941	114	2,322	86	3,376	95
New Jersey	1,243	91	1,205	86	2,118	79
New York	710	91	679	84	941	80
Texas	310	79	288	73	1,336	64
Other states	5,502	105	4,657	87	9,163	85
Total Pick-a-Pay loans	$ 33,107		$ 26,984		$ 33,096	

(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 2012.

(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 third quarter 2012, we completed more than 3,100 proprietary and HAMP Pick-a-Pay loan modifications and have completed more than 109,000 modifications since the Wachovia acquisition, resulting in $4.6 billion of principal forgiveness to our Pick-a-Pay customers as well as an additional $401 million of conditional forgiveness that can be earned by borrowers through performance over the next three years.

Due to better than expected performance observed on the Pick-a-Pay PCI portfolio compared with the original acquisition estimates, we have reclassified $3.0 billion from the nonaccretable difference to the accretable yield since acquisition including $603 million in third quarter 2012. This better than originally expected performance is primarily attributable to significant loan modification efforts, the portfolio s delinquency stabilization, an improved housing market forecast and credit outlook, and observed strengthening in housing prices. These factors are expected to reduce the frequency and severity of defaults and keep these loans performing for a longer period, thus increasing future principal and interest cash flows. The resulting increase in the accretable yield will be realized over the remaining life of the portfolio, which is estimated to have a

weighted-average remaining life of approximately 12.7 years at September 30, 2012. The weighted-average remaining life increased 1.3 years during third quarter 2012 due to estimated lower loan defaults, which extended the average life of the portfolio. The accretable yield percentage at September 30, 2012, was 4.21%, down from 4.45% at the end of 2011. 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 percentage and the estimated weighted-average life of the portfolio.

The Pick-a-Pay portfolio is a significant portion of our PCI loans. For further information on the judgment involved in estimating expected cash flows for PCI loans, please see Critical Accounting Policies Purchased Credit-Impaired Loans in our 2011 Form 10-K.

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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 lines of credit secured by real estate. Our first lien lines of credit represent 20% of our home equity portfolio and are included in real estate 1-4 family first mortgages. The majority of our junior lien loan products are amortizing payment loans with fixed interest rates and repayment periods between 5 to 30 years. Junior lien loans with balloon payments at the end of the repayment term represent a small portion of our junior lien loans.

Our first and junior lien lines of credit products generally have a draw period of 10 years with variable interest rates and payment options during the draw period of (1) interest only or (2) 1.5% of total outstanding balance. During the draw period, the borrower has the option of converting all or a portion of the line from a variable interest rate to a fixed rate with terms

including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment loan with repayment terms of up to 30 years based on the balance at time of conversion. Substantially all of our lines of credit will remain in their draw period through 2014 and a majority through 2017.

Table 20 summarizes delinquency and loss rates by the holder of the lien. For additional information regarding current junior liens behind delinquent first lien loans, see the Risk Management Credit Risk Management Home Equity Portfolios section in our 2011 Form 10-K and the Risk Management Credit Risk Management Real Estate 1-4 Family First and Junior Lien Mortgage Loans section in this Report.

Table 20: Home Equity Portfolios Performance by Holder of 1st Lien (1)(2)

	Outstanding balance		% of loans two payments or more past due		Loss rate (annualized) quarter ended				
(in millions)	**Sept. 30, 2012**	Dec. 31, 2011	**Sept. 30, 2012**	Dec. 31, 2011	**Sept. 30, 2012 (3)**	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
First lien lines	$ **20,002**	20,786	**3.25** %	3.10	**0.95**	0.88	1.35	0.95	0.91
Junior lien mortgages and lines behind:									
Wells Fargo owned or serviced first lien	**39,331**	42,810	**2.77**	2.91	**4.96**	3.34	3.54	3.48	3.43
Third party first lien	**38,597**	42,996	**2.99**	3.59	**5.40**	3.44	3.72	3.83	4.11
Total	$ **97,930**	106,592	**2.95**	3.22	**4.32**	2.89	3.18	3.13	3.22

(1) Excludes PCI loans and real estate 1-4 family first lien line reverse mortgages added to the consumer portfolio in fourth quarter 2011 as a result of consolidating reverse mortgage loans previously sold. These reverse mortgage loans are insured by the FHA.

(2) Includes $1.4 billion and $1.5 billion at September 30, 2012, and December 31, 2011, respectively, associated with the Pick-a-Pay portfolio.

(3) Reflects the implementation of 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.

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We monitor the number of borrowers paying the minimum amount due on a monthly basis. In September 2012, approximately 45% 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 September 30, 2012, and contains some of the highest risk in our home equity portfolio, with a loss rate of 11.60% compared with 3.93% for the core (non-liquidating) home equity portfolio at September 30, 2012. Table 21 shows the credit attributes of the core and liquidating home equity portfolios and lists the top five states by

outstanding balance. California loans represent the largest state concentration in each of these portfolios. The decrease in outstanding balances primarily reflects loan paydowns and charge-offs. As of September 30, 2012, 35% 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 16% of the core home equity portfolio at September 30, 2012.

Table 21: Home Equity Portfolios (1)

	Outstanding balance		% of loans two payments or more past due		Loss rate (annualized) quarter ended				
(in millions)	**Sept. 30, 2012**	Dec. 31, 2011	**Sept. 30, 2012**	Dec. 31, 2011	**Sept. 30, 2012 (2)**	June 30, 2012	Mar. 31, 2011	Dec. 31, 2011	Sept. 30, 2011
Core portfolio (3)									
California	$ **23,665**	25,555	**2.62** %	3.03	**4.77**	3.13	3.56	3.42	3.41
Florida	**9,946**	10,870	**4.49**	4.99	**4.75**	3.76	4.79	4.30	4.42
New Jersey	**7,474**	7,973	**3.58**	3.73	**3.22**	2.02	2.46	2.22	2.17
Virginia	**4,839**	5,248	**2.06**	2.15	**2.54**	1.60	1.42	1.31	1.67
Pennsylvania	**4,738**	5,071	**2.73**	2.82	**2.15**	1.45	1.49	1.41	1.38
Other	**42,317**	46,165	**2.67**	2.79	**3.75**	2.37	2.50	2.50	2.64
Total	**92,979**	100,882	**2.90**	3.13	**3.93**	2.60	2.91	2.79	2.88
Liquidating portfolio									
California	**1,747**	2,024	**4.56**	5.50	**14.57**	10.98	10.80	11.93	12.62
Florida	**234**	265	**5.66**	7.02	**8.25**	7.92	9.84	9.71	11.06
Arizona	**101**	116	**4.12**	6.64	**13.07**	11.89	15.08	17.54	18.30
Texas	**83**	97	**1.31**	0.93	**4.95**	2.01	2.43	1.57	3.07
Minnesota	**68**	75	**2.96**	2.83	**12.24**	10.10	5.07	8.13	6.11
Other	**2,718**	3,133	**3.66**	4.13	**10.10**	6.35	6.23	7.12	6.20
Total	**4,951**	5,710	**4.03**	4.73	**11.60**	8.14	8.11	9.09	8.97
Total core and liquidating portfolios	$ **97,930**	106,592	**2.95**	3.22	**4.32**	2.89	3.18	3.13	3.22

(1) Consists predominantly of real estate 1-4 family junior lien mortgages and first and junior lines of credit secured by real estate, but excludes PCI loans because their losses are generally covered by PCI accounting adjustment 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 insured by the FHA.

(2) Reflects the implementation of 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. Excluding the impact of OCC guidance, total core and liquidating portfolio loss rate for third quarter 2012 was 2.59%. We believe that the presentation of certain information in this Report excluding the impact of the OCC guidance provides useful disclosure regarding the underlying credit quality of the Company s loan portfolio.

(3) Includes $1.4 billion and $1.5 billion at September 30, 2012, and December 31, 2011, respectively, associated with the Pick-a-Pay portfolio.

CREDIT CARDS Our credit card portfolio totaled $23.7 billion at September 30, 2012, which represented 3% of our total outstanding loans. The quarterly net charge-off rate (annualized) for our credit card loans was 3.67% for third quarter 2012, compared with 4.90% for third quarter 2011.

OTHER REVOLVING CREDIT AND INSTALLMENT Other revolving credit and installment loans totaled $87.8 billion at September 30, 2012, and predominantly include automobile, student and security-based margin loans. The quarterly loss rate (annualized) for other revolving credit and installment loans was 1.00% for third quarter 2012, compared with 1.19% for third quarter 2011. Excluding government guaranteed student loans, the loss rates were 1.14% and 1.42% for third quarter 2012 and 2011, respectively. Our automobile portfolio, predominately composed of indirect loans, totalled $46.0 billion at September 30, 2012 and had a third quarter loss rate (annualized) of 0.66% and 0.86% in 2012 and 2011, respectively.

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Risk Management Credit Risk Management *(continued)*

NONPERFORMING ASSETS (NONACCRUAL LOANS AND FORECLOSED ASSETS) Table 22 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; or
- effective first quarter 2012, for junior lien mortgages, we have evidence that the related first lien mortgage may be 120 days past due or in the process of foreclosure regardless of the junior lien delinquency status.

In first quarter 2012, the implementation of Interagency Guidance, which requires us to place junior liens on nonaccrual status if the related first lien is nonaccruing, increased our nonperforming assets by $1.7 billion.

In third quarter 2012, the implementation of OCC guidance, 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, increased our nonperforming assets by $1.4 billion. We charged off $567 million for these loans and they had the following characteristics:

- loans affected were predominantly single family residential mortgages;
- 92% of the loans were current or less than 30 days past due;
- approximately 50% had been making payments for at least two years since bankruptcy, and approximately 75% for at least one year; and
- customers had an average current FICO of 673 and an average current CLTV of 89%.

Table 22: Nonperforming Assets (Nonaccrual Loans and Foreclosed Assets)

	September 30, 2012		June 30, 2012		March 31, 2011		December 31, 2011	
($ in millions)	**Balance**	**% of total loans**	Balance	% of total loans	Balance	% of total loans	Balance	% of total loans
Nonaccrual loans:								
Commercial:								
Commercial and industrial	**$ 1,404**	**0.79 %**	$ 1,549	0.87 %	$ 1,726	1.02 %	$ 2,142	1.28 %
Real estate mortgage	**3,599**	**3.44**	3,832	3.63	4,081	3.85	4,085	3.85
Real estate construction	**1,253**	**7.08**	1,421	8.08	1,709	9.21	1,890	9.75
Lease financing	**49**	**0.40**	43	0.34	45	0.34	53	0.40
Foreign	**66**	**0.17**	79	0.20	38	0.10	47	0.12
Total commercial (1)	**6,371**	**1.81**	6,924	1.96	7,599	2.20	8,217	2.38
Consumer:								
Real estate 1-4 family first mortgage (2)	**11,195**	**4.65**	10,368	4.50	10,683	4.67	10,913	4.77
Real estate 1-4 family junior lien mortgage (3)	**3,140**	**4.02**	3,091	3.82	3,558	4.28	1,975	2.30
Other revolving credit and installment	**338**	**0.39**	195	0.22	186	0.21	199	0.23
Total consumer (4)	**14,673**	**3.41**	13,654	3.24	14,427	3.43	13,087	3.09

Total nonaccrual loans (4)(5)(6)(7)	**21,044**	**2.69**	20,578	2.65	22,026	2.87	21,304	2.77
Foreclosed assets:								
Government insured/guaranteed (8)	**1,479**		1,465		1,352		1,319	
Non-government insured/guaranteed	**2,730**		2,842		3,265		3,342	
Total foreclosed assets	**4,209**		4,307		4,617		4,661	
Total nonperforming assets	**$ 25,253**	**3.23 %**	$ 24,885	3.21 %	$ 26,643	3.48 %	$ 25,965	3.37 %
Change in NPAs from prior quarter	**$ 368**		(1,758)		678		(879)	

(1) Includes LHFS of $22 million, $17 million, $9 million and $25 million at September 30, June 30 and March 31, 2012, and December 31, 2011, respectively.

(2) Includes MHFS of $338 million, $310 million, $287 million and $301 million at September 30, June 30 and March 31, 2012, and December 31, 2011, respectively.

(3) Includes $1.7 billion at March 31, 2012, resulting from implementation of the Interagency Guidance issued on January 31, 2012. This guidance accelerated the timing of placing these loans on nonaccrual to coincide with the timing of placing the related real estate 1-4 family first mortgage loans on nonaccrual.

(4) Includes $1.4 billion of performing loans at September 30, 2012, consisting of $1.0 billion of first mortgages, $262 million of junior liens and $155 million of auto loans, 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.

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

(6) Real estate 1-4 family mortgage loans 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.

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

(8) 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 insured by the FHA or guaranteed by the VA.

Total NPAs were $25.3 billion (3.23% of total loans) at September 30, 2012, and included $21.1 billion of nonaccrual loans and $4.2 billion of foreclosed assets. Nonaccrual loans increased $466 million in third quarter 2012; however, apart

from implementing the OCC guidance, total commercial and consumer nonaccrual loans declined in the quarter by $975 million. Table 23 provides an analysis of the changes in nonaccrual loans.

Table 23: Analysis of Changes in Nonaccrual Loans

					Quarter ended
(in millions)	**Sept. 30, 2012**	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Commercial nonaccrual loans					
Balance, beginning of quarter	$ **6,924**	7,599	8,217	8,611	9,265
Inflows	**976**	952	1,138	1,329	1,148
Outflows:					
Returned to accruing	**(90)**	(242)	(188)	(185)	(275)
Foreclosures	**(151)**	(92)	(119)	(161)	(156)
Charge-offs	**(364)**	(402)	(347)	(382)	(397)
Payments, sales and other (1)	**(924)**	(891)	(1,102)	(995)	(974)
Total outflows	**(1,529)**	(1,627)	(1,756)	(1,723)	(1,802)
Balance, end of quarter	**6,371**	6,924	7,599	8,217	8,611
Consumer nonaccrual loans					
Balance, beginning of quarter	**13,654**	14,427	13,087	13,289	13,780
Inflows (2)	**4,111**	2,750	4,765	3,465	3,544
Outflows:					
Returned to accruing	**(1,039)**	(1,344)	(943)	(1,277)	(1,411)
Foreclosures	**(182)**	(186)	(226)	(209)	(286)
Charge-offs	**(987)**	(1,137)	(1,364)	(1,404)	(1,385)
Payments, sales and other (1)	**(884)**	(856)	(892)	(777)	(953)
Total outflows	**(3,092)**	(3,523)	(3,425)	(3,667)	(4,035)
Balance, end of quarter	**14,673**	13,654	14,427	13,087	13,289
Total nonaccrual loans	$ **21,044**	20,578	22,026	21,304	21,900

(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 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. The quarter ended March 31, 2012, includes $1.7 billion moved to nonaccrual status as a result of implementing Interagency Guidance issued January 31, 2012.

Typically, changes to nonaccrual loans period-over-period represent inflows for loans that are placed on nonaccrual status in accordance with our policy, offset by reductions for loans that are 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.

While nonaccrual loans are not free of loss content, we believe exposure to loss is significantly mitigated by four factors. First, 99% of the $14.7 billion of consumer nonaccrual loans and 96% of the $6.4 billion of commercial nonaccrual loans are secured at September 30, 2012. Of the consumer nonaccrual loans, 98% are secured by real estate and 40% have a combined LTV (CLTV) ratio of 80% or below. Second, losses of $4.6 billion and $1.9 billion have already been recognized on 51% of consumer nonaccrual loans and 40% of commercial nonaccrual loans, respectively. Generally, when a consumer real estate loan is 120 days past due, we transfer it to nonaccrual status. When the loan reaches 180 days past due 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

revalue each loan regularly and recognize additional write-downs if needed. Third, as of September 30, 2012, 61% of commercial nonaccrual loans were current on interest. Fourth, the risk of loss for all nonaccruals has been considered and we believe is appropriately covered by the allowance for loan losses.

Under both our proprietary modification programs and the MHA programs, customers may be required to provide updated documentation, and some programs require completion of trial payment periods to demonstrate sustained performance before the loan can be removed from nonaccrual status. In addition, for loans in foreclosure, many states, including California, Florida and New Jersey, have enacted legislation that significantly increases the time to complete the foreclosure process, meaning that loans will remain in nonaccrual status for longer periods.

Table 24 provides a summary of foreclosed assets and an analysis of changes in foreclosed assets.

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Risk Management Credit Risk Management *(continued)*

Table 24: Foreclosed Assets

(in millions)		**Sept. 30, 2012**	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Government insured/guaranteed (1)	$	**1,479**	1,465	1,352	1,319	1,336
PCI loans:						
Commercial		**707**	777	875	840	1,079
Consumer		**263**	321	431	465	530
Total PCI loans		**970**	1,098	1,306	1,305	1,609
All other loans:						
Commercial		**1,175**	1,147	1,289	1,379	1,322
Consumer		**585**	597	670	658	677
Total all other loans		**1,760**	1,744	1,959	2,037	1,999
Total foreclosed assets	$	**4,209**	4,307	4,617	4,661	4,944
Analysis of changes in foreclosed assets						
Balance, beginning of quarter	$	**4,307**	4,617	4,661	4,944	4,861
Net change in government insured/guaranteed (2)		**14**	113	33	(17)	16
Additions to foreclosed assets (3)		**692**	664	926	934	1,440
Reductions:						
Sales		**(750)**	(1,003)	(896)	(1,123)	(1,260)
Write-downs and loss on sales		**(54)**	(84)	(107)	(77)	(113)
Total reductions		**(804)**	(1,087)	(1,003)	(1,200)	(1,373)
Balance, end of quarter	$	**4,209**	4,307	4,617	4,661	4,944

(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 insured by the FHA or guaranteed by the VA.
(2) Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as servicer, until reimbursement is received from FHA or VA. The net change in government insured/guaranteed foreclosed assets is made up of inflows from mortgages held for investment and MHFS, and outflows when we are reimbursed by FHA/VA.
(3) Predominantly include loans moved into foreclosure from non-accrual status, PCI loans transitioned directly to foreclosed assets and repossessed automobiles.

Foreclosed assets at September 30, 2012, included $1.5 billion of foreclosed real estate that is FHA insured or VA guaranteed and expected to have little to no loss content. The remaining balance of $2.7 billion of foreclosed assets has been written down to estimated net realizable value. Foreclosed assets were down $452 million, or 10%, at September 30, 2012, compared with December 31, 2011. At September 30, 2012, 69% of our foreclosed assets of $4.2 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 we will continue to hold an elevated level of NPAs on our balance sheet.

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TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 25: Troubled Debt Restructurings (TDRs) (1)

(in millions)		**Sept. 30, 2012**	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Commercial TDRs						
Commercial and industrial	$	**1,877**	1,937	1,967	2,026	2,192
Real estate mortgage		**2,498**	2,457	2,485	2,262	1,752
Real estate construction		**949**	980	1,048	1,008	795
Lease financing		**26**	27	29	33	51
Foreign		**28**	28	19	20	9
Total commercial TDRs		**5,378**	5,429	5,548	5,349	4,799
Consumer TDRs						
Real estate 1-4 family first mortgage		**17,861**	13,919	13,870	13,799	13,512
Real estate 1-4 family junior lien mortgage		**2,437**	1,975	1,981	1,986	1,975
Other revolving credit and installment		**981**	856	873	872	875
Trial modifications (1)		**733**	745	723	651	668
Total consumer TDRs (2)		**22,012**	17,495	17,447	17,308	17,030
Total TDRs	$	**27,390**	22,924	22,995	22,657	21,829
TDRs on nonaccrual status	$	**9,990**	6,900	7,136	6,811	6,758
TDRs on accrual status		**17,400**	16,024	15,859	15,846	15,071
Total TDRs	$	**27,390**	22,924	22,995	22,657	21,829

(1) Based on clarifying guidance from the Securities and Exchange Commission (SEC) received in December 2011, we classify trial modifications as TDRs at the beginning of the trial period. For many of our consumer real estate modification programs, we may require a borrower to make trial payments generally for a period of three to four months. Prior to the SEC clarification, we classified trial modifications as TDRs once a borrower successfully completed the trial period in accordance with the terms.

(2) September 30, 2012, includes $4.3 billion of loans, consisting of $3.7 billion of first mortgages, $452 million of junior liens and $160 million of auto loans, resulting from the implementation of OCC guidance issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be classified as TDRs.

Table 25 provides information regarding the recorded investment of loans modified in TDRs. The allowance for loan losses for TDRs was $5.1 billion and $5.2 billion at September 30, 2012, and December 31, 2011, respectively. See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for additional information regarding TDRs. Those loans discharged in bankruptcy and reported as TDRs this quarter have been written down to net realizable collateral value.

In those situations where principal is forgiven, the entire amount of such principal 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.

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Risk Management Credit Risk Management *(continued)*

Table 26 provides an analysis of the changes in TDRs.

Table 26: Analysis of Changes in TDRs

	Quarter ended				
(in millions)	**Sept. 30, 2012**	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Commercial TDRs					
Balance, beginning of quarter	**$ 5,429**	5,548	5,349	4,799	4,053
Inflows	**620**	687	710	1,271	1,321
Outflows					
Charge-offs	**(84)**	(112)	(119)	(84)	(68)
Foreclosure	**(20)**	(24)	(2)	(16)	(23)
Payments, sales and other (1)	**(567)**	(670)	(390)	(621)	(484)
Balance, end of quarter	**5,378**	5,429	5,548	5,349	4,799
Consumer TDRs					
Balance, beginning of quarter	**17,495**	17,447	17,308	17,030	16,628
Inflows (2)	**5,212**	762	829	904	1,455
Outflows					
Charge-offs	**(244)**	(319)	(295)	(261)	(290)
Foreclosure	**(35)**	(25)	(33)	(33)	(39)
Payments, sales and other (1)	**(404)**	(392)	(434)	(315)	(450)
Net change in trial modifications (3)	**(12)**	22	72	(17)	(274)
Balance, end of quarter	**22,012**	17,495	17,447	17,308	17,030
Total TDRs	**$ 27,390**	22,924	22,995	22,657	21,829

(1) Other outflows include normal amortization/accretion of loan basis adjustments and loans transferred to held-for-sale.
(2) Quarter ended September 30, 2012, includes $4.3 billion of loans, resulting from the implementation of OCC guidance issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be classified as TDRs.
(3) Net change in trial modifications includes: inflows of new TDRs entering the trial payment period, net of outflows for modifications that either (i) successfully perform and enter into a permanent modification, or (ii) did not successfully perform according to the terms of the trial period plan and are subsequently charged-off, foreclosed upon or otherwise resolved. Our recent experience is that most of the mortgages that enter a trial payment period program are successful in completing the program requirements.

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LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING Loans 90 days or more past due as to interest or principal are still accruing if they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans of $6.2 billion, $6.6 billion, $7.1 billion, $8.7 billion, and $8.9 billion at September 30, June 30 and March 31, 2012, and December 31, and September 30, 2011, respectively, are not included in these past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

Excluding insured/guaranteed loans, loans 90 days or more past due and still accruing at September 30, 2012, were down $556 million, or 27%, from December 31, 2011, 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 insured by the Federal Housing Administration (FHA) or predominantly 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 $21.4 billion at September 30, 2012, up from $20.5 billion at December 31, 2011.

Table 27 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 27: Loans 90 Days or More Past Due and Still Accruing

(in millions)		**Sept. 30, 2012**	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Loans 90 days or more past due and still accruing:						
Total (excluding PCI):	$	**22,894**	22,872	22,555	22,569	19,639
Less: FHA insured/guaranteed by the VA (1)(2)		**20,320**	20,368	19,681	19,240	16,498
Less: Student loans guaranteed under the FFELP (3)		**1,082**	1,144	1,238	1,281	1,212
Total, not government insured/guaranteed	$	**1,492**	1,360	1,636	2,048	1,929
By segment and class, not government insured/guaranteed:						
Commercial:						
Commercial and industrial	$	**49**	44	104	153	108
Real estate mortgage		**206**	184	289	256	207
Real estate construction		**41**	25	25	89	57
Foreign		**2**	3	7	6	11
Total commercial		**298**	256	425	504	383
Consumer:						
Real estate 1-4 family first mortgage (2)		**627**	561	616	781	819
Real estate 1-4 family junior lien mortgage (2)(4)		**151**	159	156	279	255
Credit card		**288**	274	319	346	328
Other revolving credit and installment		**128**	110	120	138	144
Total consumer		**1,194**	1,104	1,211	1,544	1,546
Total, not government insured/guaranteed	$	**1,492**	1,360	1,636	2,048	1,929

(1) Represents loans whose repayments are insured by the FHA or guaranteed by the VA.
(2) Includes mortgages held for sale 90 days or more past due and still accruing.
(3) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP.
(4) During first quarter 2012, $43 million of 1-4 family junior lien mortgages were transferred to nonaccrual upon implementation of the Interagency Guidance issued on January 31, 2012.

Risk Management Credit Risk Management *(continued)*

NET CHARGE-OFFS

Table 28: Net Charge-offs

									Quarter ended	
	September 30, 2012		June 30, 2012		March 31, 2012		December 31, 2011		September 30, 2011	
($ 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	**$ 131**	**0.29 %**	$ 249	0.58 %	$ 256	0.62 %	$ 310	0.74 %	$ 261	0.65 %
Real estate mortgage	**54**	**0.21**	81	0.31	46	0.17	117	0.44	96	0.37
Real estate construction	**1**	**0.03**	17	0.40	67	1.43	(5)	(0.09)	55	1.06
Lease financing	**1**	**0.03**	-	-	2	0.06	4	0.13	3	0.11
Foreign	**30**	**0.29**	11	0.11	14	0.14	45	0.45	8	0.08
Total commercial	**217**	**0.24**	358	0.42	385	0.45	471	0.54	423	0.50
Consumer:										
Real estate 1-4 family first mortgage	**673**	**1.15**	743	1.30	791	1.39	844	1.46	821	1.46
Real estate 1-4 family junior lien mortgage	**1,036**	**5.17**	689	3.38	763	3.62	800	3.64	842	3.75
Credit card	**212**	**3.67**	240	4.37	242	4.40	256	4.63	266	4.90
Other revolving credit and installment	**220**	**1.00**	170	0.79	214	0.99	269	1.24	259	1.19
Total consumer (2)	**2,141**	**2.01**	1,842	1.76	2,010	1.91	2,169	2.02	2,188	2.06
Total	**$ 2,358**	**1.21 %**	$ 2,200	1.15 %	$ 2,395	1.25 %	$ 2,640	1.36 %	$ 2,611	1.37 %

(1) Quarterly net charge-offs as a percentage of average respective loans are annualized.
(2) Quarter ended September 30, 2012, includes $567 million 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. Excluding this impact, net charge offs were $1.8 billion (0.92% of average total loans outstanding). We believe that the presentation of certain information in this Report excluding the impact of the OCC guidance provides useful disclosure regarding the underlying credit quality of the Company s loan portfolios.

Table 28 presents net charge-offs for third quarter 2012 and the previous four quarters. Net charge-offs in third quarter 2012 were $2.4 billion (1.21% of average total loans outstanding) compared with $2.6 billion (1.37%) in third quarter 2011. Third quarter 2012 included $567 million of net charge-offs 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. Excluding the impact of this guidance, net charge-offs were $1.8 billion (0.92% of average total loans outstanding), and net charge-offs as a percentage of average loans declined for nearly all categories of loans in third quarter 2012, compared with third quarter 2011, as we saw signs of stabilization in the housing market although the economic recovery remained uneven.

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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. Table 29 provides a summary of our allowance for credit losses.

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 2011 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 29: Allowance for Credit Losses

(in millions)		**Sept. 30, 2012**	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Components:						
Allowance for loan losses	$	**17,385**	18,320	18,852	19,372	20,039
Allowance for unfunded credit commitments		**418**	326	277	296	333
Allowance for credit losses	$	**17,803**	18,646	19,129	19,668	20,372
Allowance for loan losses as a percentage of total loans		**2.22 %**	2.36	2.46	2.52	2.64
Allowance for loan losses as a percentage of annualized net charge-offs		**185**	207	196	185	193
Allowance for credit losses as a percentage of total loans		**2.27**	2.41	2.50	2.56	2.68
Allowance for credit losses as a percentage of total nonaccrual loans		**85**	91	87	92	93

In addition to the allowance for credit losses, there was $7.6 billion at September 30, 2012, and $10.7 billion at December 31, 2011, 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 prior periods. 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 at September 30, 2012 were home mortgages.

The decline in the allowance for loan losses in third quarter 2012 reflected continued improvement in consumer delinquency trends and improved portfolio performance. The reduction in the allowance included $567 million of net charge-offs 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. While the impact of the OCC guidance accelerated charge-offs of performing consumer loans discharged in bankruptcy in the third quarter, the allowance had full coverage for these charge-offs. The reduction also included a $200 million allowance release due to strong underlying credit. Total provision for credit losses was $1.6 billion in third quarter 2012, compared with $1.8 billion a year ago. Excluding the impact of the OCC guidance, the third

quarter 2012 provision was $200 million less than net charge-offs, compared with a provision that was $400 million, $400 million, $600 million and $800 million less than net charge-offs in the second and first quarters of 2012 and fourth and third quarters of 2011, respectively.

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

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

We believe the allowance for credit losses of $17.8 billion was appropriate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at September 30, 2012. The allowance for credit losses is subject to change and reflects existing factors at the time 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 economy 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 or significant impact of Hurricane Sandy on our loan portfolios, we continue to expect

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Risk Management Credit Risk Management *(continued)*

future allowance releases. Our process for determining the allowance for credit losses is discussed in the Critical Accounting Policies Allowance for Credit Losses section in our 2011 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to the Financial Statements in this Report.

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 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. Repurchase demands have primarily related to 2006 through 2008 vintages and to GSE-guaranteed MBS.

During third quarter 2012, we continued to experience elevated levels of repurchase activity measured by the number of investor repurchase demands. We repurchased or reimbursed investors for incurred losses on mortgage loans with original balances of $474 million in third quarter 2012, compared with $788 million a year ago. We incurred net losses on repurchased loans and investor reimbursements totalling $193 million in third quarter 2012 compared with $384 million a year ago.

Table 30 provides the number of unresolved repurchase demands and mortgage insurance rescissions. We do not typically receive repurchase requests from GNMA, FHA/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 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 the 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. Our liability for mortgage loan repurchase losses incorporates probable losses associated with such indemnification.

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Table 30: 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)
2012								
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
2011								
December 31,	7,066	1,575	470	167	1,178	268	8,714	2,010
September 30,	6,577	1,500	582	208	1,508	314	8,667	2,022
June 30,	6,876	1,565	695	230	2,019	444	9,590	2,239
March 31,	6,210	1,395	1,973	424	2,885	674	11,068	2,493

(1) Includes repurchase demands of 534 and $111 million, 526 and $103 million, 694 and $131 million, 861 and $161 million, 878 and $173 million, 892 and $179 million and 685 and $132 million for September 30, June 30 and March 31, 2012, and December 31, September 30, June 30 and March 31, 2011, 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 80% at September 30, 2012.

(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 20% of our repurchase demands from GSEs had mortgage insurance rescission as one of the reasons for the repurchase demand. Of all the mortgage insurance rescissions notices received in 2011, approximately 80% have resulted in repurchase demands through September 2012. Not all mortgage insurance rescissions received in 2011 have been completed through the appeals process with the mortgage insurer and, upon successful appeal, we work with the investor to rescind the repurchase demand.

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

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Risk Management Credit Risk Management *(continued)*

The overall level of unresolved repurchase demands and mortgage insurance rescissions outstanding at September 30, 2012, was flat 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 September 30, 2012, presented in Table 30, 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 September 30, 2012, 93% was current, less than 2% was subprime at origination, and less than 1% was home equity securitizations. Our combined delinquency and foreclosure rate on this portfolio was 7.32% at September 30, 2012, compared with 7.96% at December 31, 2011. Four percent of this portfolio are private label securitizations where we originated the loans and therefore have some repurchase risk. We believe the risk of repurchase in our private label securitizations is substantially reduced, relative to other private label securitizations, because approximately half of this portfolio of private label securitizations do not contain

representations and warranties regarding borrower or other third party misrepresentations related to the mortgage loan, general compliance with underwriting guidelines, or property valuation, which are commonly asserted bases for repurchase. For this 4% private label securitization segment of our residential mortgage loan servicing portfolio (weighted average age of 83 months), 58% are loans from 2005 vintages or earlier; 78% were prime at origination; and approximately 64% are jumbo loans. The weighted-average LTV as of September 30, 2012 for this private securitization segment was 74%. We believe the highest risk segment of these private label securitizations is the subprime loans originated in 2006 and 2007. These subprime loans have seller representations and warranties and currently have LTVs close to or exceeding 100%, and represent 9% of the private label securitization portion of the residential mortgage servicing portfolio. We had only $26 million of repurchases related to private label securitizations in the third quarter 2012.

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

Table 31 summarizes the changes in our mortgage repurchase liability.

Table 31: Changes in Mortgage Repurchase Liability

					Quarter ended
(in millions)	**Sept. 30, 2012**	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Balance, beginning of period	$ **1,764**	1,444	1,326	1,194	1,188
Provision for repurchase losses:					
Loan sales	**75**	72	62	27	19
Change in estimate (1)	**387**	597	368	377	371
Total additions	**462**	669	430	404	390

Losses		**(193)**	(349)	(312)	(272)	(384)
Balance, end of period	$	**2,033**	1,764	1,444	1,326	1,194

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

The mortgage repurchase liability of $2.0 billion at September 30, 2012 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 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.

Our liability for mortgage repurchases, included in Accrued expenses and other liabilities in our consolidated balance sheet, was $2.0 billion at September 30, 2012 and $1.3 billion at December 31, 2011. In the quarter ended September 30, 2012, we provided $462 million, which reduced net gains on mortgage loan origination/sales activities, compared with a provision of $390 million a year ago. Our provision in third quarter 2012 reflected an increase in projections of future GSE repurchase demands, net of appeals, for the 2006 through 2008 vintages to incorporate the impact of recent trends in repurchase demand activity (comprising approximately 58% of the third quarter 2012 provision), an increase in probable loss estimates for non-agency risk (approximately 26%), and new loan sales (approximately 16%). The increase in projected future GSE repurchase demands in the quarter was predominately a result of an increase in the expected demand rate on audited loans based on our most recent experience with the GSEs.

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 $2.5 billion at September 30, 2012, and was determined based upon modifying the assumptions 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 2011 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 improve 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, and have not experienced, a similar rate of repurchase requests from the 2009 and later vintages, absent unanticipated 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/VA-guaranteed mortgages and private label mortgage securitizations, as well as for unsecuritized loans owned by institutional investors. For additional information regarding risks relating to our servicing activities, see pages 73-77 in our 2011 Form 10-K.

In April 2011, the Federal Reserve Board (FRB) and the OCC issued consent orders that require us to correct deficiencies in our residential mortgage loan servicing and foreclosure practices that were identified by federal banking regulators in their fourth quarter 2010 review. The consent orders also require that we improve our servicing and foreclosure practices. We have implemented nearly 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, the Department of Housing and Urban Development (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 became effective April 5, 2012, upon approval of a consent judgment by a federal court in Washington, DC and 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 and OCC confirmation, Wells Fargo believes the civil money obligations were satisfied through payments made under the Foreclosure Assistance Program to the federal government and participating states for their use to address the impact of foreclosure challenges as they determine and which may include direct payments to consumers.

We began conducting creditable activities towards satisfaction of the requirements of the Consumer Relief Program on March 1, 2012. We can also receive an additional 25% credit

Risk Management   Credit Risk Management *(continued)*

for first or second lien principal reduction taken within one year from March 1, 2012. Because we will not receive dollar-for-dollar credit for the relief provided in some circumstances, the actual relief we provide to borrowers will likely exceed our commitment. The terms also require that we satisfy 75% of the commitments under the Consumer Relief Program within two years from March 1, 2012. If we do not meet this two-year requirement and also do not meet the entire commitment within three years, we are required to pay an amount equal to 140% of the unmet commitment amount. If we meet the two-year commitment target, but do not meet the entire commitment amount within the three years, we are required to pay an amount equal to 125% of the unmet commitment amount. We expect that we will be able to meet our commitment (and state-level sub-commitments) on the Consumer Relief Program within the required timeframes. We expect to be able to meet our Consumer Relief Program commitment primarily through our first and second lien modification and short sale and other deficiency balance waiver programs. Given the types of relief provided, we consider these loan modifications to be TDRs. We have evaluated our commitment along with the menu of credits and believe that fulfilling our commitment under the Consumer Relief Program has been appropriately considered in our estimation for the allowance for loan losses as well as our cash flow projections to evaluate the nonaccretable difference for our PCI portfolios at September 30, 2012.

We will receive credit under the Refinance Program for activities taken on or after March 1, 2012. The Refinance Program allows for an additional 25% credit (additional credit) for all refinance credits earned in the first 12 months of the program. We expect that we will be able to complete the number of refinances necessary to satisfy the entire credit in the first 12 months of offering the Refinance Program, which will provide an additional credit of $350 million to $390 million. If successful in this regard, the estimated total earned credit for the Refinance Program will be approximately $1.7 billion to $2.0 billion.

We expect that we will refinance approximately 33,000 to 36,000 borrowers with an unpaid principal balance of approximately $6.7 billion to $7.4 billion under the Refinance Program. Based on the mix of loans we anticipate will be refinanced, we estimate their weighted average note rate will be reduced by approximately 270 basis points and that their weighted average estimated remaining life will be approximately 10 years. These estimates will be affected by the actual number of eligible borrowers that accept a refinance offer, their existing and new note rates and the remaining term of the actual loans refinanced. 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. Based on our expectation that we will fulfill the credit needs for the Refinance Program within the first 12 months, we expect the future reduction in interest income to be approximately $1.8 billion to $2.0 billion or $181 million to $201 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 financial statements for this

estimated forgone interest income 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, which products are accepted by the eligible borrowers, and the pace of the execution of the program. The Refinance Program will also affect our fair value for these loans. The estimated reduction of the fair value of our loans for the Refinance Program is approximately $1.4 billion to $1.6 billion and will be affected by our actual execution of the program and borrower acceptance rates.

The expectations discussed above about the volume of loans that we may refinance, the resulting reduction in our lifetime and annual interest income, and the reductions in fair value of loans for the Refinance Program exceed the amounts that would result from just meeting our minimum commitments under the Program due to the significantly higher than expected response we have received from our customers through the third quarter 2012, which is partially driven by product changes and our decision to hold interest rates consistent with the prevailing market environment.

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

We expect that we will be able to meet the obligations of our commitment for the Refinance Program (and any state-level sub-commitments) and will not be required to pay for not meeting our commitment.

We are in the process of successfully executing activities under both the Consumer Relief and the Refinance Programs and have successfully implemented the settlement s servicing standards in accordance with the terms of our commitments. We will be providing a report of progress against our commitments to the Monitor of the National Mortgage Settlement on November 14, 2012. As announced on August 20, 2012, we are making good progress towards our commitments.

Other Mortgage Matters On July 12, 2012, we entered into a settlement agreement with the DOJ resolving the DOJ s claims that some of our mortgages may have had a disparate impact on some African-American and Hispanic borrowers. The DOJ claims were based on a statistical survey of Wells Fargo Home Mortgage (WFHM) loans between 2004 and 2009, and the claims primarily related to mortgages priced and sold to consumers by independent mortgage brokers. In the settlement, we denied the claims, but agreed to pay $125 million to

borrowers that the DOJ believes were adversely affected by mortgages priced and sold by independent mortgage brokers through the wholesale division of WFHM. The settlement also resolved pending litigation filed in 2009 by the State of Illinois and an investigative complaint filed by the Pennsylvania Human Relations Commission. As part of the settlement, we also agreed to pay $50 million to fund a community support program in approximately eight cities or metropolitan statistical areas, as to be agreed upon between the DOJ and Wells Fargo, and agreed to undertake an internal lending compliance review of a small percentage of subprime mortgages delivered through our retail channel during the period of 2004 to 2008 and will rebate borrowers as appropriate. The $175 million was paid during third quarter 2012. While not part of the settlement, Wells Fargo also announced that as of July 13, 2012, it voluntarily discontinued the funding of mortgages that are originated, priced and sold by independent mortgage brokers through the WFHM wholesale division. Mortgages sold by independent mortgage brokers in this manner represented approximately 6% of Wells Fargo s home mortgage funded volume in third quarter 2012. For additional information on this and other legal matters related to our mortgage origination and servicing activities, see pages 73-77 in our 2011 Form 10-K and Note 11 (Legal Actions) to Financial Statements in this Report.

Asset/Liability Management

Asset/liability management involves evaluating, monitoring and managing of interest rate risk, market risk, liquidity and funding. The Corporate Asset/Liability Management Committee (Corporate ALCO), which oversees these risks and reports periodically to the Finance Committee of the Board of Directors, consists of senior financial and business executives. Each of our principal business groups has its own asset/liability management committee and process linked to the Corporate ALCO process.

INTEREST RATE RISK Interest rate risk, which potentially can have a significant earnings impact, is an integral part of being a financial intermediary. We assess interest rate risk by comparing our most likely earnings plan with 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. For example, as of September 30, 2012, our most recent simulation indicated estimated earnings at risk of less than 1% of our most likely earnings plan over the next 12 months under a range of both lower and higher interest rates, including a scenario in which the federal funds rate remains unchanged and the 10-year Constant Maturity Treasury bond yield averages below 1.20%, and a scenario in which the federal funds rate rises to 3.75% and the 10-year Constant Maturity Treasury bond yield increases to 5.10%. Simulation estimates depend on, and will change with, the size and mix of our actual and projected balance sheet at the time of each simulation. Due to timing differences between the quarterly valuation of MSRs and the eventual impact of interest rates on mortgage banking volumes, earnings at risk in any particular quarter could be higher than the average earnings at risk over the 12-month simulation period, depending on the path of interest rates and on our hedging strategies for MSRs. See the Risk Management Mortgage Banking Interest Rate and Market Risk below for more information.

We use exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. The notional or contractual amount, credit risk amount and estimated net fair value of these derivatives as of September 30, 2012, and December 31, 2011, are presented in Note 12 (Derivatives) to Financial Statements in this Report.

For additional information regarding interest rate risk, see page 78 of our 2011 Form 10-K.

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 78-80 of our 2011 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 $12.1 billion at September 30, 2012, and $14.0 billion at December 31, 2011. The weighted-average note rate on our portfolio of loans serviced for others was 4.87% at September 30, 2012, and 5.14% at December 31, 2011. The carrying value of our total MSRs represented 0.63% of mortgage loans serviced for others at September 30, 2012, and 0.76% at December 31, 2011.

MARKET RISK TRADING ACTIVITIES From a market risk perspective, our net income is exposed to changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices and their implied volatilities. The primary purpose of our trading businesses is to accommodate customers in the management of their market price risks. Also, we take positions based on market expectations or to benefit from price differences between financial instruments and markets, subject to risk limits established and monitored by our Corporate ALCO. All securities, foreign exchange transactions, commodity transactions and derivatives used in our trading businesses are carried at fair value. Our Market and Institutional Risk Committee, which provides governance and oversight over market risk-taking activities across the Company, establishes and monitors counterparty risk limits. The credit risk amount and estimated net fair value of all customer accommodation derivatives at September 30, 2012, and December 31, 2011, are included in Note 12 (Derivatives) to Financial Statements in this Report. Open at risk positions for all trading businesses are monitored by Corporate ALCO. Table 32 presents net gains (losses) from trading activities attributable to the following types of activity:

Table 32: Trading Activities

(in millions)	Quarter ended Sept. 30, **2012**	2011	Nine months ended Sept. 30, **2012**	2011
Customer accommodation	**$ 393**	82	**1,083**	769
Economic hedging	**134**	(515)	**333**	(167)
Proprietary	**2**	(9)	**16**	(18)
Total net trading gains (losses)	**$ 529**	(442)	**1,432**	584

The amounts reflected in the table above capture only gains (losses) due to changes in fair value of our trading positions and are reported within net gains (losses) on trading activities within the noninterest income line item of the income statement. These amounts do not include interest income and other fees earned from related activities, which are reported within interest income from trading assets and other fees within noninterest income line items of the income statement. Categorization of net gains (losses) from trading activities in the previous table is based on our own definition of those categories because uniform industry definitions do not currently exist.

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Customer accommodation trading consists of security or derivative transactions conducted in an effort to help customers manage their market price risks and is done on their behalf or driven by their investment needs. For the majority of our customer accommodation trading, we serve as intermediary between buyer and seller. For example, we may enter into financial instruments with customers who use the instruments for risk management purposes and offset our exposure on such contracts by entering into separate instruments. Customer accommodation trading also includes net gains related to market-making activities in which we take positions to facilitate expected customer order flow.

Economic hedges consist primarily of cash or derivative positions used to facilitate certain of our balance sheet risk management activities that did not qualify for hedge accounting or were not designated in a hedge accounting relationship. Economic hedges may also include securities 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 consists of security or derivative positions executed for our own account based on market expectations or to benefit from price differences between financial instruments and markets. Proprietary trading activity is expected to be restricted by the Dodd-Frank Act prohibitions known as the Volcker Rule, which has not yet been finalized. On October 11, 2011, federal banking agencies and the SEC issued proposed regulations to implement the Volcker Rule. We believe our definition of proprietary trading is consistent with the proposed regulations. However, given that final rule-making is required by various governmental regulatory agencies to define proprietary trading within the context of the final Volcker Rule, our definition of proprietary trading may change. We have reduced or exited certain business activities in anticipation of the final Volcker Rule. As discussed within the noninterest income section of our financial results, proprietary trading activity is not significant to our financial results. See the Regulatory Reform sections in our 2011 Form 10-K and in our 2012 First Quarter Form 10-Q for additional information on the Volcker Rule.

The fair value of our trading derivatives is reported in Notes 12 (Derivatives) and 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report. The fair value of our trading securities is reported in Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

The standardized approach for monitoring and reporting market risk for the trading activities consists of value-at-risk (VaR) metrics complemented with sensitivity analysis and stress testing. VaR measures the worst expected loss over a given time interval and within a given confidence interval. We measure and report daily VaR at a 99% confidence interval based on actual changes in rates and prices over the previous 250 trading days. The analysis captures all financial instruments that are considered trading positions. The average one-day VaR throughout third quarter 2012 was $19 million, with a lower bound of $12 million and an upper bound of $32 million.

MARKET RISK EQUITY MARKETS We are directly and indirectly affected by changes in the equity markets. For

additional information regarding market risk related to equity markets, see page 81 of our 2011 Form 10-K.

Table 33 provides information regarding our marketable and nonmarketable equity investments.

Table 33: Nonmarketable and Marketable Equity Investments

(in millions)		Sept. 30, 2012	Dec. 31, 2011
Nonmarketable equity investments:			
Cost method:			
Private equity investments	$	**3,718**	3,444
Federal bank stock		**4,343**	4,617
Total cost method		**8,061**	8,061

Equity method:			
LIHTC investments (1)		**4,464**	4,077
Private equity and other		**4,983**	4,670
Total equity method		**9,447**	8,747
Total nonmarketable equity investments (2)	**$**	**17,508**	16,808
Marketable equity securities:			
Cost	**$**	**2,327**	2,929
Net unrealized gains		**425**	488
Total marketable equity securities (3)	**$**	**2,752**	3,417

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

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 September 30, 2012, core deposits were 115% of total loans, compared with 112% a year ago. Additional funding is provided by long-term debt, other foreign deposits, and short-term borrowings.

Table 34 shows selected information for short-term borrowings, which generally mature in less than 30 days.

Table 34: Short-Term Borrowings

					Quarter ended
(in millions)	**Sept. 30, 2012**	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Balance, period end					
Commercial paper and other short-term borrowings	**$ 20,474**	19,695	17,759	18,053	17,444
Federal funds purchased and securities sold under agreements to repurchase	**31,483**	36,328	33,205	31,038	33,331
Total	**$ 51,957**	56,023	50,964	49,091	50,775
Average daily balance for period					
Commercial paper and other short-term borrowings	**$ 19,675**	18,072	18,038	17,301	17,040
Federal funds purchased and securities sold under agreements to repurchase	**32,182**	33,626	30,344	31,441	33,333
Total	**$ 51,857**	51,698	48,382	48,742	50,373
Maximum month-end balance for period					
Commercial paper and other short-term borrowings (1)	**$ 20,474**	19,695	18,323	18,053	17,569
Federal funds purchased and securities sold under agreements to repurchase (2)	**32,766**	36,328	33,205	32,354	33,331

(1) Highest month-end balance in each of the last five quarters was in September, June and January 2012, and December and July 2011.
(2) Highest month-end balance in each of the last five quarters was in July, June and March 2012, and October and September 2011.

We access domestic and international capital markets for long-term funding through issuances of registered debt securities, private placements and asset-backed secured funding. Investors in the long-term capital markets, as well as other market participants, generally will consider, among other factors, a company s debt rating in making investment decisions. Rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, the level and quality of earnings, and rating agency assumptions regarding the probability and extent of Federal financial assistance or support for certain large financial institutions. Adverse changes in these factors could result in a reduction of our credit rating; however, a reduction in credit rating would not cause us to violate any of our debt covenants. Generally, rating agencies review a firm s ratings at least annually. During third quarter 2012, our ratings were reviewed and affirmed by both Standard & Poor s and Fitch Ratings. Dominion Bond Rating Service reviewed and affirmed our ratings in second quarter 2012. There were no changes to our credit ratings in third quarter 2012. See the Risk Management Asset/Liability Management and Risk Factors sections in our 2011 Form 10-K for additional information regarding our credit ratings as of December 31, 2011, 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. The proposed rules would require modifications to our existing liquidity risk management processes. This includes increased frequency of liquidity reporting and stress testing along with additional corporate governance. We will continue to analyze the proposed rules and other regulatory proposals that may affect liquidity risk management, including Basel III, to determine the level of operational or compliance impact to Wells Fargo. For additional information see the Capital Management and Regulatory Reform sections in this Report and in our 2011 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 nine months of 2012, the Parent issued $15.3 billion of senior notes, of which $10.6 billion were registered with the SEC.

The Parent s proceeds from securities issued in the first nine months of 2012 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 35 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 35: Medium-Term Note (MTN) Programs

			September 30, 2012	
(in billions)	Date established		Debt issuance authority	Available for issuance
MTN program:				
Series L & M (1)	May 2012		$ 25.0	22.3
Series K (1) (3)	April 2010		25.0	23.4
European (2) (3)	December 2009		25.0	20.9
Australian (2) (4)	June 2005	AUD	10.0	6.7

(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 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 September 30, 2012, Wells Fargo Bank, N.A. had available $100 billion in short-term debt issuance authority and $102.2 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 nine months of 2012, Wells Fargo Bank, N.A. issued $4.6 billion of senior notes. At September 30, 2012, Wells Fargo Bank, N.A. had remaining issuance capacity under the bank note program of $50 billion in short-term senior notes and $45.4 billion in long-term senior or subordinated notes.

Wells Fargo Canada Corporation In January 2012, Wells Fargo Canada Corporation (WFCC, formerly known as Wells Fargo Financial Canada Corporation), an indirect wholly owned Canadian subsidiary of the Parent, qualified with the Canadian provincial securities commissions a base shelf prospectus for the distribution from time to time in Canada of up to CAD $7.0 billion in medium-term notes. During the first nine months of 2012, WFCC issued CAD $3.0 billion in medium-term notes. At September 30, 2012, CAD $4.0 billion remained available for future issuance.

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 $9.6 billion from December 31, 2011, predominantly from Wells Fargo net income of $13.8 billion, less common and preferred stock dividends of $4.2 billion. During third quarter 2012, we issued approximately 31 million shares of common stock (approximately 105 million for the first nine months of 2012), substantially all of which related to employee benefit plans. We also issued 30 million Depositary Shares, each representing a 1/1,000th interest in a share of the Company s newly issued Non-Cumulative Perpetual Class A Preferred Stock, Series N, for an aggregate public offering price of $750 million. During third quarter 2012, we repurchased approximately 6 million shares of common stock in open market transactions and from employee benefit plans, at a net cost of $195 million, and approximately 11 million shares through the settlement in September 2012 of a $350 million forward purchase contract entered into in June 2012. In addition, the Company entered into a forward purchase contract in September 2012 at a net cost of $300 million and settled in October 2012 for approximately 9 million shares. For additional information about our forward repurchase agreements see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report. During the first nine months of 2012 we repurchased a total of approximately 50 million shares of common stock at a net cost of $1.6 billion in open market transactions and from employee plans, as well as approximately 27 million shares of common stock at a net cost of $850 million from the settlement of forward purchase contracts.

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 September 30, 2012, the Company and each of our subsidiary banks were well-capitalized under applicable regulatory capital adequacy guidelines. See Note 19 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

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

In 2007, U.S. bank 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 Basel Committee on Bank Supervision (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 address many of the weaknesses identified in the banking sector as contributing to the crisis including excessive leverage, inadequate and low quality capital and insufficient liquidity buffers. The guidelines, among other things, increase minimum capital requirements and when fully phased in require bank holding companies to maintain a minimum ratio of Tier 1 common equity to risk-weighted assets of at least 7.0% consisting of a minimum ratio of 4.5% plus a 2.5% capital conservation buffer.

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

surcharges prior to implementation based on additional or future data.

U.S. regulatory authorities have been considering the BCBS capital guidelines and proposals, and in June 2012, the U.S. banking regulators jointly issued three notices of proposed rulemaking that are essentially intended to implement the BCBS capital guidelines for U.S. banks. Together these notices of proposed rulemaking would, among other things:

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

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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.

The U.S. banking regulators also approved a final rule to implement changes to the market risk capital rule, which requires banking organizations with significant trading activities to adjust their capital requirements to better account for the market risks of those activities. The notices of proposed rulemaking did not address the BCBS capital surcharge proposals for G-SIBs or the proposed Basel III liquidity standards. U.S. regulatory authorities have indicated that these proposals will be addressed at a later date.

Although uncertainty exists regarding final capital rules, we evaluate the impact of Basel III on our capital ratios based on our interpretation of the proposed capital requirements and we estimate that our Tier 1 common equity ratio under the Basel III capital proposals exceeded the fully phased-in minimum of 7.0% by 102 basis points at September 30, 2012. The proposed Basel III capital rules and interpretations and assumptions used in estimating our Basel III calculations are subject to change depending on final promulgation of Basel III capital rulemaking.

In October 2012, the FRB and OCC issued final rules regarding stress testing as required under the Dodd-Frank Act provision imposing enhanced prudential standards on large bank holding companies (BHCs) such as Wells Fargo. The final stress test rules, which become effective on November 15, 2012, set forth the timing and type of stress test activities as well as rules governing controls, oversight and disclosure.

Table 36 and Table 37, which appear at the end of this Capital Management section, provide information regarding our Tier 1 common equity calculations under Basel I and as estimated under Basel III, respectively.

Capital Planning

In late 2011, the FRB finalized rules to require large BHCs to submit capital plans annually and to obtain regulatory approval before making capital distributions. The rule requires updates to capital plans in the event of material changes in a BHC s risk profile, including as a result of any significant acquisitions.

Under the FRB s new capital plan rule, our 2012 Comprehensive Capital Analysis and Review (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 2011. As part of the 2012 CCAR, the FRB also generated a supervisory stress test driven by a sharp decline in the economy and significant decline in asset pricing using the information provided by the Company to estimate performance.

On March 13, 2012, the FRB notified us that it did not object to our 2012 capital plan included in the 2012 CCAR. Since the FRB notification, the Company took several capital actions,

including increasing its quarterly common stock dividend rate to $0.22 a share, redeeming a total of $2.7 billion of trust preferred securities that will no longer count as Tier 1 capital under the Dodd-Frank Act and the proposed Basel III capital standards, and purchasing an aggregate of $2.2 billion of our subordinated debt with an effective yield of 2.02% in tender offers for such securities.

Securities Repurchases

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

In first quarter 2011, the Board authorized the repurchase of 200 million shares of our common stock. At September 30, 2012, we had remaining authority under this authorization to purchase approximately 40 million shares. In October 2012, the Board authorized the repurchase of an

additional 200 million shares. For more information about share repurchases during 2012, 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 951,426 warrants since the U.S. Treasury auction. At September 30, 2012, there were 39,144,299 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.

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Capital Management *(continued)*

Table 36: Tier 1 Common Equity Under Basel I (1)

(in billions)			**Sept. 30, 2012**	Dec. 31, 2011
Total equity		$	**156.1**	141.7
Noncontrolling interests			**(1.4)**	(1.5)
Total Wells Fargo stockholders equity			**154.7**	140.2
Adjustments:				
Preferred equity			**(11.3)**	(10.6)
Goodwill and intangible assets (other than MSRs)			**(33.4)**	(34.0)
Applicable deferred taxes			**3.3**	3.8
MSRs over specified limitations			**(0.7)**	(0.8)
Cumulative other comprehensive income			**(6.4)**	(3.1)
Other			**(0.4)**	(0.4)
Tier 1 common equity	(A)	$	**105.8**	95.1
Total risk-weighted assets (2)	(B)	$	**1,067.1**	1,005.6
Tier 1 common equity to total risk-weighted assets (2)	(A)/(B)		**9.92%**	9.46

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

(2) 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. The September 30, 2012, risk-weighted assets and resulting Tier 1 common equity to total risk-weighted assets reflect the Company s refinement to its determination of risk weighting of certain unused lending commitments that provide for the ability to issue standby letters of credit and commitments to issue standby letters of credit under syndication arrangements where we have an obligation to issue in a lead agent or similar capacity beyond our contractual participation level.

Table 37: Tier 1 Common Equity Under Basel III (Estimated) (1)(2)

(in billions)		September 30, 2012
Tier 1 common equity under Basel I	$	105.8
Adjustments from Basel I to Basel III (3) (5):		
Cumulative other comprehensive income related to AFS securities and defined benefit pension plans		6.0
Other		0.3

Total adjustments from Basel I to Basel III			6.3
Threshold deductions, as defined under Basel III (4) (5)			(0.7)
Tier 1 common equity anticipated under Basel III	(C)	$	111.4
Total risk-weighted assets anticipated under Basel III (6)	(D)	$	1,388.3
Tier 1 common equity to total risk-weighted assets anticipated under Basel III	(C)/(D)		8.02%

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

(2) The Basel III Tier 1 common equity and risk-weighted assets are calculated based on management s current interpretation of the Basel III capital rules proposed by federal banking agencies in notices of proposed rulemaking announced in June 2012. The proposed rules and interpretations and assumptions used in estimating Basel III calculations are subject to change depending on final promulgations of Basel III capital rules.

(3) Adjustments from Basel I to Basel III represent reconciling adjustments, primarily certain components of cumulative other comprehensive income deducted for Basel I purposes, to derive Tier 1 common equity under Basel III.

(4) Threshold deductions, as defined under Basel III, include individual and aggregate limitations, as a percentage of Tier 1 common equity, with respect to MSRs, deferred tax assets and investments in unconsolidated financial companies.

(5) Volatility in interest rates can have a significant impact on the valuation of cumulative other comprehensive income and MSRs and therefore, may impact adjustments from Basel I to Basel III, and MSRs subject to threshold deductions, as defined under Basel III, in future reporting periods.

(6) Under current Basel proposals, risk-weighted assets incorporate different classifications of assets, with certain risk weights based on a borrower s credit rating or Wells Fargo s own risk models, along with adjustments to address a combination of credit/counterparty, operational and market risks, and other Basel III elements. The amount of risk-weighted assets anticipated under Basel III is preliminary and subject to change depending on final promulgation of Basel III capital rulemaking and interpretations thereof by regulatory authorities.

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Regulatory Reform

The past two years have witnessed 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 2011 Form 10-K and the Regulatory Reform section of our 2012 First and Second Quarter Reports on Form 10-Q.

STRESS TESTING REQUIREMENTS In October 2012, the FRB and OCC issued final rules regarding stress testing as required under the Dodd-Frank Act provision, imposing enhanced prudential standards on large BHCs such as Wells Fargo. The final stress test rules will become effective on November 15, 2012. For additional information, see the Capital Management section of this Report.

REGULATION OF CONSUMER FINANCIAL PRODUCTS BY THE CONSUMER FINANCIAL PROTECTION BUREAU (CFPB) The CFPB, which has now been in operation for over a year, has indicated that it expects to concentrate much of its rulemaking efforts in upcoming months on a variety of mortgage-related topics required under the Dodd-Frank Act, including mortgage origination disclosures, minimum underwriting standards and ability to repay, high-cost mortgage lending, and servicing practices. In addition, the CFPB has also gathered data concerning other consumer products, including private student lending, prepaid cards and overdraft practices.

REGULATION OF SWAPS AND OTHER DERIVATIVES ACTIVITIES In July 2012, the Commodity Futures Trading Commission and the SEC finalized definitions for terms such as swap and security-based swap and delineated the jurisdiction of mixed swaps between the Commissions. Finalization of these terms established the compliance dates for many of the Commissions rules implementing the new regulatory framework for swaps, including registration requirements for swap dealers. Wells Fargo Bank, N.A. must provisionally register as a swap dealer with the National Futures Association on December 31, 2012.

Critical Accounting Policies

Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2011 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 2011 Form 10-K.

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Current Accounting Developments

The following accounting pronouncement has been issued by the FASB but is not yet effective:

Accounting Standards Update (ASU or Update) 2011-11, *Disclosures about Offsetting Assets and Liabilities*.
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. These changes are effective for us in first quarter 2013 with retrospective application. This Update will not affect our consolidated financial results since it amends only the disclosure requirements for offsetting financial instruments.

Forward-Looking Statements

This Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as anticipates, intends, plans, seeks, believes, estimates, expects, target, projects, ou will, may, could, should, can and similar references to future periods. Examples of forward-looking statements in this Report include, but ar limited to, statements we make about: (i) future results of the Company; (ii) our noninterest expense, including our expectations regarding operating within our targeted efficiency ratio range of 55 to 59% in fourth quarter 2012, as part of our expense management initiatives; (iii) future credit quality and expectations regarding future loan losses in our loan portfolios; our foreign loan exposure; the level and loss content of NPAs and nonaccrual loans; the appropriateness of the allowance for credit losses, including our current expectation of future allowance releases; the recast risk in our Pick-a-Pay portfolio; and the reduction or mitigation of risk in our loan portfolios and the effects of loan modification programs; (iv) our net interest income and net interest margin, including our expectation that we expect continued pressure on our net interest margin; (v) our plans to retain on our balance sheet some of our 1-4 family conforming first mortgage loans and the expected benefits associated with the retention of such mortgage loans; (vi) future capital levels and our estimate regarding our Tier 1 common equity ratio as of September 30, 2012 under the latest Basel III capital proposals contained in the notices of proposed rulemaking announced by federal banking agencies in June 2012; (vii) the quality of our residential mortgage loan servicing portfolio, our mortgage repurchase exposure and exposure relating to our mortgage foreclosure practices; (viii) our expectations regarding the satisfaction of our obligations under our settlement with the DOJ and other federal and state government entities related to our mortgage servicing and foreclosure practices, including our estimates of the impact of the settlement on our future financial results; (ix) the expected outcome and impact of legal, regulatory and legislative developments, including the Dodd-Frank Act; and (x) the Company s plans, objectives and strategies, including our belief that we have more opportunity to increase cross-sell of our products.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future,

they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that

any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

current and future economic and market conditions, including the effects of further declines in housing prices and 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;
losses relating to Hurricane Sandy and related storms, including as a result of, among other things, the loss of business due to the extensive damage to communities and the closing of some of our retail stores and facilities in the affected areas and, as to our consumer and commercial loan portfolios, the extent of damage or loss to our collateral for loans in our portfolios or the unavailability of adequate insurance coverage or government assistance for our borrowers;

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

financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and legislation and regulation relating to overdraft fees (and changes to our overdraft practices as a result thereof), debit card interchange fees, credit cards, and other bank services, as well as the extent of our ability to mitigate the loss of revenue and income from financial services reform and other legislation and regulation;

the extent of our success in our loan modification efforts, as well as the effects of regulatory requirements or guidance

regarding loan modifications or changes in such requirements or guidance;

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

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

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

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

hedging gains or losses;

a recurrence of significant turbulence or disruption in the capital or financial markets, which could result in, among other things, reduced investor demand for mortgage loans, a reduction in the availability of funding or increased funding costs, and declines in asset values and/or recognition of OTTI on securities held in our available-for-sale portfolio due to volatility or changes in interest rates, foreign exchange rates and/or debt, equity and commodity prices;

our ability to sell more products to our existing customers through our cross-selling efforts;
the effect of a fall in stock market prices on our investment banking business and our fee income from our brokerage, asset and wealth management businesses;

changes in the value of our venture capital investments;
changes in our accounting policies or in accounting standards or in how accounting standards are to be applied or interpreted;

mergers, acquisitions and divestitures;

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

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

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

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

fiscal and monetary policies of the FRB; and

the other risk factors and uncertainties described under Risk Factors in our 2011 Form 10-K.

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

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

Risk Factors

An investment in the Company involves risk, including the possibility that the value of the investment could fall substantially and that dividends or other distributions on the investment could be reduced or eliminated. We discuss previously under Forward-Looking Statements and elsewhere in this Report, as well as in other documents we file with the SEC, risk factors that could adversely affect our financial results and condition and the value of, and return on, an investment in the Company. For a discussion of risk factors, we refer you to the Risk Factors section of our 2011 Form 10-K, as well as to the Financial Review section and Financial Statements (and related Notes) in this Report for more information about credit, interest rate, market, and litigation risks and to the Regulation and Supervision section in our 2011 Form 10-K for more information about legislative and regulatory risks. Any factor described in this Report or in our 2011 Form 10-K could by itself, or together with other factors, adversely affect our financial results and condition, or the value of an investment in the Company. There are factors not discussed in this Report or in our 2011 Form 10-K that could adversely affect our financial results and condition.

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Controls and Procedures

Disclosure Controls and Procedures

As required by SEC rules, the Company s management evaluated the effectiveness, as of September 30, 2012, 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 September 30, 2012.

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 third quarter 2012 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 Sept. 30, **2012**	2011	Nine months ended Sept. 30, **2012**	2011
Interest income					
Trading assets	$	**299**	343	**1,019**	1,040
Securities available for sale		**1,966**	2,053	**6,201**	6,383
Mortgages held for sale		**476**	389	**1,412**	1,188
Loans held for sale		**17**	13	**38**	42
Loans		**9,016**	9,224	**27,455**	27,972
Other interest income		**151**	156	**409**	409
Total interest income		**11,925**	12,178	**36,534**	37,034
Interest expense					
Deposits		**428**	559	**1,328**	1,768
Short-term borrowings		**19**	20	**55**	66
Long-term debt		**756**	980	**2,375**	3,093
Other interest expense		**60**	77	**189**	236
Total interest expense		**1,263**	1,636	**3,947**	5,163
Net interest income		**10,662**	10,542	**32,587**	31,871
Provision for credit losses		**1,591**	1,811	**5,386**	5,859
Net interest income after provision for credit losses		**9,071**	8,731	**27,201**	26,012
Noninterest income					
Service charges on deposit accounts		**1,210**	1,103	**3,433**	3,189
Trust and investment fees		**2,954**	2,786	**8,691**	8,646
Card fees		**744**	1,013	**2,102**	2,973
Other fees		**1,097**	1,085	**3,326**	3,097
Mortgage banking		**2,807**	1,833	**8,570**	5,468
Insurance		**414**	423	**1,455**	1,494
Net gains (losses) from trading activities		**529**	(442)	**1,432**	584
Net gains (losses) on debt securities available for sale (1)		**3**	300	**(65)**	6
Net gains from equity investments (2)		**164**	344	**770**	1,421
Operating leases		**218**	284	**397**	464
Other		**411**	357	**1,440**	1,130
Total noninterest income		**10,551**	9,086	**31,551**	28,472
Noninterest expense					
Salaries		**3,648**	3,718	**10,954**	10,756
Commission and incentive compensation		**2,368**	2,088	**7,139**	6,606
Employee benefits		**1,063**	780	**3,720**	3,336
Equipment		**510**	516	**1,526**	1,676
Net occupancy		**727**	751	**2,129**	2,252
Core deposit and other intangibles		**419**	466	**1,256**	1,413
FDIC and other deposit assessments		**359**	332	**1,049**	952
Other		**3,018**	3,026	**9,729**	9,894

Total noninterest expense		**12,112**	11,677	**37,502**	36,885
Income before income tax expense		**7,510**	6,140	**21,250**	17,599
Income tax expense		**2,480**	1,998	**7,179**	5,571
Net income before noncontrolling interests		**5,030**	4,142	**14,071**	12,028
Less: Net income from noncontrolling interests		**93**	87	**264**	266
Wells Fargo net income	**$**	**4,937**	4,055	**13,807**	11,762
Less: Preferred stock dividends and other		**220**	216	**665**	625
Wells Fargo net income applicable to common stock	**$**	**4,717**	3,839	**13,142**	11,137
Per share information					
Earnings per common share	**$**	**0.89**	0.73	**2.48**	2.11
Diluted earnings per common share		**0.88**	0.72	**2.45**	2.09
Dividends declared per common share		**0.22**	0.12	**0.66**	0.36
Average common shares outstanding		**5,288.1**	5,275.5	**5,292.7**	5,280.2
Diluted average common shares outstanding		**5,355.6**	5,319.2	**5,355.7**	5,325.6

(1) Total other-than-temporary impairment (OTTI) losses (gains) were $(101) million and $136 million for third quarter 2012 and 2011, respectively. Of total OTTI, losses of $36 million and $96 million were recognized in earnings, and losses (gains) of $(137) million and $40 million were recognized as non-credit-related OTTI in other comprehensive income for third quarter 2012 and 2011, respectively. Total other-than-temporary impairment (OTTI) losses (gains) were $(19) million and $189 million for the nine months ended September 30, 2012 and 2011, respectively. Of total OTTI, losses of $163 million and $365 million were recognized in earnings, and gains of $(182) million and $(176) million were recognized as non-credit-related OTTI in other comprehensive income for the nine months ended September 30, 2012 and 2011, respectively.

(2) Includes OTTI losses of $36 million and $48 million for third quarter 2012 and 2011, respectively, and $94 million and $105 million for the nine months ended September 30, 2012 and 2011, 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 Sept. 30, **2012**	2011	Nine months ended Sept. 30, **2012**	2011
Wells Fargo net income	$	**4,937**	4,055	**13,807**	11,762
Other comprehensive income, before tax:					
Foreign currency translation adjustments:					
Net unrealized gains (losses) arising during the period		**45**	(58)	**(1)**	(29)
Reclassification of net gains included in net income		**-**	-	**(10)**	-
Securities available for sale:					
Net unrealized gains (losses) arising during the period		**2,892**	(2,007)	**5,597**	(878)
Reclassification of net gains included in net income		**(41)**	(431)	**(290)**	(614)
Derivatives and hedging activities:					
Net unrealized gains arising during the period		**24**	68	**63**	205
Reclassification of net gains on cash flow hedges included in net income		**(89)**	(141)	**(295)**	(454)
Defined benefit plans adjustment:					
Net actuarial gains (losses) arising during the period		**(1)**	1	**(18)**	(2)
Amortization of net actuarial loss and prior service cost included in net income		**35**	23	**111**	71
Other comprehensive income (loss), before tax		**2,865**	(2,545)	**5,157**	(1,701)
Income tax (expense) benefit related to OCI		**(1,057)**	945	**(1,923)**	781
Other comprehensive income (loss), net of tax		**1,808**	(1,600)	**3,234**	(920)
Less: Other comprehensive income (loss) from noncontrolling interests		**2**	(6)	**6**	(10)
Wells Fargo other comprehensive income (loss), net of tax		**1,806**	(1,594)	**3,228**	(910)
Wells Fargo comprehensive income		**6,743**	2,461	**17,035**	10,852
Comprehensive income from noncontrolling interests		**95**	81	**270**	256
Total comprehensive income	$	**6,838**	2,542	**17,305**	11,108

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)		**Sept. 30, 2012**	Dec. 31, 2011
Assets			
Cash and due from banks	$	**16,986**	19,440
Federal funds sold, securities purchased under resale agreements and other short-term investments		**100,442**	44,367
Trading assets		**60,592**	77,814
Securities available for sale		**229,350**	222,613
Mortgages held for sale (includes $46,575 and $44,791 carried at fair value)		**50,337**	48,357
Loans held for sale (includes $172 and $1,176 carried at fair value)		**298**	1,338
Loans (includes $6,188 and $5,916 carried at fair value)		**782,630**	769,631
Allowance for loan losses		**(17,385)**	(19,372)
Net loans		**765,245**	750,259
Mortgage servicing rights:			
Measured at fair value		**10,956**	12,603
Amortized		**1,144**	1,408
Premises and equipment, net		**9,165**	9,531
Goodwill		**25,637**	25,115
Other assets		**104,563**	101,022
Total assets (1)	$	**1,374,715**	1,313,867
Liabilities			
Noninterest-bearing deposits	$	**268,991**	244,003
Interest-bearing deposits		**683,248**	676,067
Total deposits		**952,239**	920,070
Short-term borrowings		**51,957**	49,091
Accrued expenses and other liabilities		**83,659**	77,665
Long-term debt (includes $218 and $0 carried at fair value)		**130,801**	125,354
Total liabilities (2)		**1,218,656**	1,172,180
Equity			
Wells Fargo stockholders equity:			
Preferred stock		**12,283**	11,431
Common stock $1-2/3 par value, authorized 9,000,000,000 shares; issued 5,463,056,853 shares and 5,358,522,061 shares		**9,105**	8,931
Additional paid-in capital		**59,089**	55,957
Retained earnings		**73,994**	64,385
Cumulative other comprehensive income		**6,435**	3,207
Treasury stock 173,431,978 shares and 95,910,425 shares		**(5,186)**	(2,744)
Unearned ESOP shares		**(1,041)**	(926)
Total Wells Fargo stockholders equity		**154,679**	140,241
Noncontrolling interests		**1,380**	1,446
Total equity		**156,059**	141,687

Total liabilities and equity	$	**1,374,715**	1,313,867

(1) Our consolidated assets at September 30, 2012, and December 31, 2011, 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, $264 million and $321 million; Trading assets, $520 million and $293 million; Securities available for sale, $2.7 billion and $3.3 billion; Mortgages held for sale, $602 million and $444 million; Net loans, $10.8 billion and $12.0 billion; Other assets, $502 million and $1.9 billion, and Total assets, $15.5 billion and $18.2 billion, respectively.

(2) Our consolidated liabilities at September 30, 2012, and December 31, 2011, include the following VIE liabilities for which the VIE creditors do not have recourse to Wells Fargo: Short-term borrowings, $0 and $24 million; Accrued expenses and other liabilities, $128 million and $175 million; Long-term debt, $3.9 billion and $4.9 billion; and Total liabilities, $4.0 billion and $5.1 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 January 1, 2011	*10,185,303*	$ 8,689	*5,262,283,228*	$ 8,787
Net income				
Other comprehensive loss, net of tax				
Noncontrolling interests				
Common stock issued			*40,877,396*	68
Common stock repurchased			*(59,201,762)*	
Preferred stock issued to ESOP	*1,200,000*	1,200		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(824,411)*	(824)	*28,261,663*	47
Common stock warrants repurchased				
Preferred stock issued	*25,010*	2,501		
Common stock dividends				
Preferred stock dividends				
Tax benefit upon exercise of stock options				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Net change	*400,599*	2,877	*9,937,297*	115
Balance September 30, 2011	*10,585,902*	$ 11,566	*5,272,220,525*	$ 8,902
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			***80,013,209***	**133**
Common stock repurchased (1)			***(77,521,553)***	
Preferred stock issued to ESOP	***940,000***	**940**		
Preferred stock released by ESOP				
Preferred stock converted to common shares	***(837,591)***	**(838)**	***24,521,583***	**41**
Preferred stock issued	***30,000***	**750**		
Common stock dividends				
Preferred stock dividends				
Tax benefit upon exercise of stock options				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Net change	***132,409***	**852**	***27,013,239***	**174**
Balance September 30, 2012	***10,583,099***	**$ 12,283**	***5,289,624,875***	**$ 9,105**

(1) For the nine months ended September 30, 2012, includes $300 million related to a private forward repurchase transaction entered into in third quarter 2012 that settled in October 2012 for approximately 9 million shares of common stock. See Note 1 (Summary of Significant Accounting Policies) for additional information.

The accompanying notes are an integral part of these statements.

					Wells Fargo stockholders equity		
Additional paid-in capital	Retained earnings	Cumulative other comprehensive income	Treasury stock	Unearned ESOP shares	Total Wells Fargo stockholders equity	Noncontrolling interests	Total equity
53,426	51,918	4,738	(487)	(663)	126,408	1,481	127,889
	11,762				11,762	266	12,028
		(910)			(910)	(10)	(920)
(39)					(39)	(261)	(300)
946					1,014		1,014
(150)			(1,612)		(1,762)		(1,762)
102				(1,302)	-		-
(70)				894	824		824
777					-		-
(1)					(1)		(1)
					2,501		2,501
16	(1,921)				(1,905)		(1,905)
	(624)				(624)		(624)
69					69		69
454					454		454
(35)			12		(23)		(23)
2,069	9,217	(910)	(1,600)	(408)	11,360	(5)	11,355
55,495	61,135	3,828	(2,087)	(1,071)	137,768	1,476	139,244
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**
	13,807				**13,807**	**264**	**14,071**
		3,228			**3,228**	**6**	**3,234**
(6)					**(6)**	**(336)**	**(342)**
1,867					**2,000**		**2,000**
(150)			**(2,447)**		**(2,597)**		**(2,597)**
88				**(1,028)**	**-**		**-**
(75)				**913**	**838**		**838**
797					**-**		**-**
(8)					**742**		**742**
41	**(3,541)**				**(3,500)**		**(3,500)**
	(659)				**(659)**		**(659)**
198					**198**		**198**
465					**465**		**465**
(85)			**5**		**(80)**		**(80)**
3,132	**9,607**	**3,228**	**(2,442)**	**(115)**	**14,436**	**(66)**	**14,370**
59,089	**73,994**	**6,435**	**(5,186)**	**(1,041)**	**154,679**	**1,380**	**156,059**

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Wells Fargo & Company and Subsidiaries

Consolidated Statement of Cash Flows (Unaudited)

	Nine months ended Sept. 30,	
(in millions)	**2012**	2011
Cash flows from operating activities:		
Net income before noncontrolling interests	$ **14,071**	12,028
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**5,386**	5,859
Changes in fair value of MSRs, MHFS and LHFS carried at fair value	**(1,496)**	713
Depreciation and amortization	**2,083**	1,483
Other net losses	**724**	3,094
Preferred stock released by ESOP	**838**	824
Stock incentive compensation expense	**465**	454
Excess tax benefits related to stock option payments	**(193)**	(70)
Originations of MHFS	**(372,204)**	(229,382)
Proceeds from sales of and principal collected on mortgages originated for sale	**317,386**	224,464
Originations of LHFS	**(10)**	-
Proceeds from sales of and principal collected on LHFS	**8,792**	8,077
Purchases of LHFS	**(7,221)**	(7,010)
Net change in:		
Trading assets	**86,127**	16,815
Deferred income taxes	**202**	1,830
Accrued interest receivable	**(3)**	(277)
Accrued interest payable	**81**	(125)
Other assets, net	**(4,499)**	(8,603)
Other accrued expenses and liabilities, net	**(340)**	7,615
Net cash provided by operating activities	**50,189**	37,789
Cash flows from investing activities:		
Net change in:		
Federal funds sold, securities purchased under resale agreements and other short-term investments	**(56,075)**	(9,167)
Securities available for sale:		
Sales proceeds	**4,969**	21,374
Prepayments and maturities	**44,592**	34,114
Purchases	**(49,703)**	(84,157)
Loans:		
Loans originated by banking subsidiaries, net of principal collected	**(29,308)**	(25,542)
Proceeds from sales (including participations) of loans originated for investment by banking subsidiaries	**4,601**	5,310
Purchases (including participations) of loans by banking subsidiaries	**(7,431)**	(5,514)
Principal collected on nonbank entities loans	**17,719**	7,688
Loans originated by nonbank entities	**(16,122)**	(5,668)
Net cash paid for acquisitions	**(4,319)**	(245)
Proceeds from sales of foreclosed assets	**7,427**	8,089
Changes in MSRs from purchases and sales	**159**	(102)
Other, net	**(2,285)**	2,051
Net cash used by investing activities	**(85,776)**	(51,769)
Cash flows from financing activities:		
Net change in:		
Deposits	**32,166**	47,486
Short-term borrowings	**2,481**	(4,547)
Long-term debt:		
Proceeds from issuance	**24,999**	7,779
Repayment	**(22,273)**	(33,436)
Preferred stock:		
Proceeds from issuance	**742**	2,501
Cash dividends paid	**(726)**	(691)
Common stock:		
Proceeds from issuance	**2,000**	1,014

Repurchased	**(2,597)**	(1,762)
Cash dividends paid	**(3,500)**	(1,905)
Common stock warrants repurchased	**-**	(1)
Excess tax benefits related to stock option payments	**193**	70
Net change in noncontrolling interests	**(352)**	(258)
Net cash provided by financing activities	**33,133**	16,250
Net change in cash and due from banks	**(2,454)**	2,270
Cash and due from banks at beginning of period	**19,440**	16,044
Cash and due from banks at end of period	**$ 16,986**	18,314
Supplemental cash flow disclosures:		
Cash paid for interest	**$ 3,866**	5,288
Cash paid for income taxes	**4,701**	2,898

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 other countries. When we refer to Wells Fargo, the Company, we, our or us, we mean Wells Fargo & Company and Subsidiaries (consolidated). Wells Fargo & Company (the Parent) is a financial holding company and a bank holding company. We also hold a majority interest in a real estate investment trust, which has publicly traded preferred stock outstanding.

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

These unaudited interim financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q. The results of operations in the interim financial statements do not necessarily indicate the results that may be expected for the full year. The interim financial information should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2011 (2011 Form 10-K).

Accounting Standards Adopted in 2012

In third quarter 2012, we early adopted Accounting Standards Update (ASU or Update) 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*.