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

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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 unrealized	**Fair**		Net 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.

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Off-Balance Sheet Arrangements

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

Off-Balance Sheet Transactions with Unconsolidated Entities

We routinely enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. 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		% of
(in millions)	Nonaccrual loans	Total portfolio (1)	Nonaccrual loans	Total portfolio (1)	Nonaccrual loans	Total portfolio (1)	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.

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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	
		As a		As a		As a		As a		As a
($ in millions)	**Net loan charge-offs**	**% of avg. loans(1)**	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)
Commercial:										
Commercial and industrial	**$ 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.

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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.

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.

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Risk Management Asset/Liability Management *(continued)*

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

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

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

Core customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. At 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

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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.

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.

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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*.

ASU 2012-02 provides entities with the option to perform a qualitative assessment of indefinite-lived intangible assets to test for impairment. If, based on qualitative reviews, a company concludes it is more likely than not that the fair value of an

indefinite-lived intangible asset is less than its carrying amount, then the company must complete quantitative steps to determine if the asset is impaired. If a company concludes otherwise, quantitative tests are not required. Our adoption of this Update did not affect our consolidated financial statements.

In first quarter 2012, we adopted the following new accounting guidance:

- ASU 2011-05, *Presentation of Comprehensive Income;*
- ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05;*
- ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs;* and
- ASU 2011-03, *Reconsideration of Effective Control for Repurchase Agreements.*

ASU 2011-05 eliminates the option for companies to include the components of other comprehensive income in the statement of changes in stockholders equity. This Update requires entities to present the components of comprehensive income in either a single statement or in two separate statements, with the statement of other comprehensive income (OCI) immediately following the statement of income. This Update also requires companies to present amounts reclassified out of OCI and into net income on the face of the statement of income. In December 2011, the FASB issued **ASU 2011-12**, which defers indefinitely the requirement to present reclassification adjustments on the statement of income. We

adopted the remaining provisions in first quarter 2012 with retrospective application. This Update did not affect our consolidated financial results as it amends only the presentation of comprehensive income.

ASU 2011-04 modifies accounting guidance and expands existing disclosure requirements for fair value measurements. This Update clarifies how fair values should be measured for instruments classified in stockholders equity and under what circumstances premiums and discounts should be applied in fair value measurements. This Update also permits entities to measure fair value on a net basis for financial instruments that are managed based on net exposure to market risks and/or counterparty credit risk. ASU 2011-04 requires new disclosures for financial instruments classified as Level 3, including: 1) quantitative information about unobservable inputs used in measuring fair value, 2) qualitative discussion of the sensitivity of fair value measurements to changes in unobservable inputs, and 3) a description of valuation processes used. This Update also requires disclosure of fair value levels for financial instruments that are not recorded at fair value but for which fair value is required to be disclosed. We adopted this guidance in first quarter 2012 with prospective application, resulting in

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

expanded fair value disclosures. The measurement clarifications of this Update did not have a material effect on our consolidated financial statements.

ASU 2011-03 amends the criteria companies use to determine if repurchase and similar agreements should be accounted for as sales or financings. Specifically, this Update removes the criterion for transferors to have the ability to meet contractual obligations through collateral maintenance provisions, even if transferees fail to return transferred assets pursuant to the agreements. We adopted this guidance in first quarter 2012 with prospective application to new transactions and existing transactions modified on or after January 1, 2012. This Update did not have a material effect on our consolidated financial statements.

Accounting Standards with Retrospective Application

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.

Significant Accounting Policy Update

In first quarter 2012, we implemented the *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* (Interagency Guidance), which was issued on January 31, 2012. As a result, we aligned our nonaccrual accounting policy with this guidance to accelerate the timing of placing junior lien loans on nonaccrual to coincide with the timing of placing the related real estate 1-4 family first mortgage loans on nonaccrual.

We implemented the guidance in the Office of the Comptroller of the Currency (OCC) update to 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.

Our updated nonaccrual policy is as follows:

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.

There have been no other material changes to our significant accounting policies, as discussed in Note 1 in our 2011 Form 10-K.

Private Share Repurchases

In June 2012, we entered into a private forward repurchase contract with an unrelated third party. This contract settled in third quarter 2012 for approximately 11 million shares of our common stock. We entered into this transaction to complement our open-market common stock repurchase strategies, to allow us to manage our share repurchases in a manner consistent with our capital plan submitted under the 2012 Comprehensive Capital Analysis and Review (CCAR), and to provide an economic benefit to the Company. In connection with this contract, we paid $350 million to the counterparty, which was recorded in permanent equity in the quarter paid and was not subject to re-measurement. The classification of the up-front payment as permanent equity assured that we would have appropriate repurchase timing consistent with our 2012 capital plan, which contemplated a fixed dollar amount available per quarter for share repurchases pursuant to Federal Reserve Board (FRB) supervisory guidance. In return, the counterparty agreed to deliver a variable number of shares based on a per share discount to the volume-weighted average stock price over the contract period. The counterparty had the right to accelerate settlement with delivery of shares prior to the contractual settlement. There were no scenarios where the contracts would not either physically settle in shares or allow us to choose the settlement method.

In September 2012, we entered into a similar private forward repurchase contract and paid $300 million to an unrelated third party. This contract settled in October 2012 for approximately 9 million shares of our common stock. The amount we paid to the counterparty meets accounting requirements to be treated as a permanent equity reduction.

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

(in millions)	Nine months ended Sept. 30, 2012	2011
Transfers from loans to securities available for sale	**$ 921**	-
Trading assets retained from securitization of MHFS	**68,905**	23,205
Capitalization of MSRs from sale of MHFS	**3,860**	2,852
Transfers from MHFS to foreclosed assets	**172**	169
Transfers from loans to MHFS	**5,523**	5,490
Transfers from loans to LHFS	**118**	170
Transfers from loans to foreclosed assets	**6,938**	7,057
Changes in consolidations (deconsolidations) of variable interest entities:		
Securities available for sale	**(40)**	6
Loans	**(295)**	(693)
Long-term debt	**(338)**	674

SUBSEQUENT EVENTS We have evaluated the effects of subsequent events that have occurred subsequent to period end September 30, 2012, and there have been no material events that would require recognition in our third quarter 2012 consolidated financial statements or disclosure in the Notes to the financial statements. 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.

Note 2: Business Combinations

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

In the first nine months of 2012, we completed four acquisitions with combined total assets of $4.8 billion consisting

of an energy lending business with total assets of $3.6 billion, an asset-based lending business with total assets of $874 million, a prime brokerage and technology provider with total assets of $281 million and a global investments business with total assets of $7 million. At September 30, 2012, we had no pending business combinations.

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

The following table provides the detail of federal funds sold, securities purchased under resale agreements and other short-term investments.

(in millions)		Sept. 30, 2012	Dec. 31, 2011
Federal funds sold and securities purchased under resale agreements	$	**30,517**	24,255
Interest-earning deposits		**68,336**	18,917
Other short-term investments		**1,589**	1,195
Total	$	**100,442**	44,367

We receive collateral from other entities under resale agreements and securities borrowings. For additional information, see the Pledged Assets and Collateral section of Note 10.

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Note 4: Securities Available for Sale

The following table provides the cost and fair value for the major categories of securities available for sale carried at fair value. The net unrealized gains (losses) are reported on an after-tax basis as a component of cumulative OCI. There were no securities classified as held to maturity as of the periods presented.

(in millions)	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
September 30, 2012				
Securities of U.S. Treasury and federal agencies	**$ 1,829**	**40**	**-**	**1,869**
Securities of U.S. states and political subdivisions	**36,417**	**1,994**	**(486)**	**37,925**
Mortgage-backed securities:				
Federal agencies	**97,342**	**5,381**	**(10)**	**102,713**
Residential	**14,754**	**1,845**	**(61)**	**16,538**
Commercial	**18,213**	**1,743**	**(396)**	**19,560**
Total mortgage-backed securities	**130,309**	**8,969**	**(467)**	**138,811**
Corporate debt securities	**19,101**	**1,254**	**(92)**	**20,263**
Collateralized debt obligations (1)	**9,890**	**475**	**(140)**	**10,225**
Other (2)	**17,128**	**491**	**(114)**	**17,505**
Total debt securities	**214,674**	**13,223**	**(1,299)**	**226,598**
Marketable equity securities:				
Perpetual preferred securities	**1,924**	**240**	**(47)**	**2,117**
Other marketable equity securities	**403**	**239**	**(7)**	**635**
Total marketable equity securities	**2,327**	**479**	**(54)**	**2,752**
Total	**$ 217,001**	**13,702**	**(1,353)**	**229,350**
December 31, 2011				
Securities of U.S. Treasury and federal agencies	$ 6,920	59	(11)	6,968
Securities of U.S. states and political subdivisions	32,307	1,169	(883)	32,593
Mortgage-backed securities:				
Federal agencies	92,279	4,485	(10)	96,754
Residential	16,997	1,253	(414)	17,836
Commercial	17,829	1,249	(928)	18,150
Total mortgage-backed securities	127,105	6,987	(1,352)	132,740
Corporate debt securities	17,921	769	(286)	18,404
Collateralized debt obligations (1)	8,650	298	(349)	8,599
Other (2)	19,739	378	(225)	19,892
Total debt securities	212,642	9,660	(3,106)	219,196
Marketable equity securities:				
Perpetual preferred securities	2,396	185	(54)	2,527
Other marketable equity securities	533	366	(9)	890
Total marketable equity securities	2,929	551	(63)	3,417
Total	$ 215,571	10,211	(3,169)	222,613

(1) Includes collateralized loan obligations with a cost basis and fair value of $9.4 billion and $9.7 billion, respectively, at September 30, 2012, and $8.1 billion for both cost basis and fair value, at December 31, 2011.
(2) Included in the Other category are asset-backed securities collateralized by auto leases or loans and cash reserves with a cost basis and fair value of $5.4 billion and $5.5 billion, respectively, at September 30, 2012, and $6.7 billion and $6.7 billion, respectively, at December 31, 2011. Also included in the Other category are asset-backed securities collateralized by home equity loans with a cost basis and fair value of $713 million and $880 million, respectively, at September 30, 2012, and $846 million and $932 million, respectively, at December 31, 2011. The remaining balances primarily include asset-backed securities collateralized by credit cards and student loans.

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Gross Unrealized Losses and Fair Value

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

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

	Less than 12 months		12 months or more		Total	
(in millions)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
September 30, 2012						
Securities of U.S. Treasury and federal agencies	**$ -**	**-**	**-**	**-**	**-**	**-**
Securities of U.S. states and political subdivisions	**(33)**	**1,623**	**(453)**	**5,129**	**(486)**	**6,752**
Mortgage-backed securities:						
Federal agencies	**(10)**	**3,619**	**-**	**-**	**(10)**	**3,619**
Residential	**(3)**	**126**	**(58)**	**2,073**	**(61)**	**2,199**
Commercial	**(6)**	**353**	**(390)**	**3,902**	**(396)**	**4,255**
Total mortgage-backed securities	**(19)**	**4,098**	**(448)**	**5,975**	**(467)**	**10,073**
Corporate debt securities	**(15)**	**417**	**(77)**	**596**	**(92)**	**1,013**
Collateralized debt obligations	**(6)**	**685**	**(134)**	**1,429**	**(140)**	**2,114**
Other	**(15)**	**2,164**	**(99)**	**888**	**(114)**	**3,052**
Total debt securities	**(88)**	**8,987**	**(1,211)**	**14,017**	**(1,299)**	**23,004**
Marketable equity securities:						
Perpetual preferred securities	**(8)**	**173**	**(39)**	**515**	**(47)**	**688**
Other marketable equity securities	**(7)**	**26**	**-**	**-**	**(7)**	**26**
Total marketable equity securities	**(15)**	**199**	**(39)**	**515**	**(54)**	**714**
Total	**$ (103)**	**9,186**	**(1,250)**	**14,532**	**(1,353)**	**23,718**
December 31, 2011						
Securities of U.S. Treasury and federal agencies	$ (11)	5,473	-	-	(11)	5,473
Securities of U.S. states and political subdivisions	(229)	8,501	(654)	4,348	(883)	12,849
Mortgage-backed securities:						
Federal agencies	(7)	2,392	(3)	627	(10)	3,019
Residential	(80)	3,780	(334)	3,440	(414)	7,220
Commercial	(157)	3,183	(771)	3,964	(928)	7,147
Total mortgage-backed securities	(244)	9,355	(1,108)	8,031	(1,352)	17,386
Corporate debt securities	(205)	8,107	(81)	167	(286)	8,274
Collateralized debt obligations	(150)	4,268	(199)	613	(349)	4,881
Other	(55)	3,002	(170)	841	(225)	3,843
Total debt securities	(894)	38,706	(2,212)	14,000	(3,106)	52,706
Marketable equity securities:						
Perpetual preferred securities	(13)	316	(41)	530	(54)	846
Other marketable equity securities	(9)	61	-	-	(9)	61
Total marketable equity securities	(22)	377	(41)	530	(63)	907

Total	$ (916)	39,083	(2,253)	14,530	(3,169)	53,613

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

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

For complete descriptions of the factors we consider when analyzing debt securities for impairment, see Note 5 in our 2011 Form 10-K. There have been no material changes to our methodologies for assessing impairment in the first nine months of 2012.

SECURITIES OF U.S. TREASURY AND FEDERAL AGENCIES AND FEDERAL AGENCY MORTGAGE-BACKED SECURITIES (MBS) The unrealized losses associated with U.S. Treasury and federal agency securities and federal agency MBS are primarily driven by changes in interest rates and not due to credit losses given the explicit or implicit guarantees provided by the U.S. government.

SECURITIES OF U.S. STATES AND POLITICAL SUBDIVISIONS The unrealized losses associated with securities of U.S. states and political subdivisions are primarily driven by changes in the relationship between municipal and term funding credit curves rather than by changes to the credit quality of the underlying securities. Substantially all of these investments are investment grade. The securities were generally underwritten in accordance with our own investment standards prior to the decision to purchase. Some of these securities are guaranteed by a bond insurer, but we did not rely on this guarantee in making our investment decision. These investments will continue to be monitored as part of our ongoing impairment analysis, but are expected to perform, even if the rating agencies reduce the credit rating of the bond insurers. As a result, we expect to recover the entire amortized cost basis of these securities.

RESIDENTIAL AND COMMERCIAL MBS The unrealized losses associated with private residential MBS and commercial MBS are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and/or prepayment rates. We estimate losses to a security by forecasting the underlying mortgage loans in each transaction. We use forecasted loan performance to project cash flows to the various tranches in the structure. We also consider cash flow forecasts and, as applicable, independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

CORPORATE DEBT SECURITIES The unrealized losses associated with corporate debt securities are primarily related to unsecured debt obligations issued by various corporations. We evaluate the financial performance of each issuer on a quarterly basis to determine that the issuer can make all contractual principal and interest payments. Based upon this assessment, we expect to recover the entire amortized cost basis of these securities.

COLLATERALIZED DEBT OBLIGATIONS (CDOs) The unrealized losses associated with CDOs relate to securities primarily backed by commercial, residential or other consumer collateral. The unrealized losses are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and prepayment rates. We also consider cash flow forecasts and, as applicable, independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

OTHER DEBT SECURITIES The unrealized losses associated with other debt securities primarily relate to other asset-backed securities. The losses are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and prepayment rates. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

MARKETABLE EQUITY SECURITIES Our marketable equity securities include investments in perpetual preferred securities, which provide attractive tax-equivalent yields. We evaluated these hybrid financial instruments with investment-grade ratings for impairment using an evaluation methodology similar to that used for debt securities. Perpetual preferred securities are not considered to be other-than-temporarily

impaired if there is no evidence of credit deterioration or investment rating downgrades of any issuers to below investment grade, and we expect to continue to receive full contractual payments. We will continue to evaluate the prospects for these securities for recovery in their market value in accordance with our policy for estimating OTTI. We have recorded impairment write-downs on perpetual preferred securities where there was evidence of credit deterioration.

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OTHER SECURITIES AVAILABLE FOR SALE MATTERS The fair values of our investment securities could decline in the future if the underlying performance of the collateral for the residential and commercial MBS or other securities deteriorate and our credit enhancement levels do not provide sufficient protection to our contractual principal and interest. As a result, there is a risk that significant OTTI may occur in the future.

The following table shows the gross unrealized losses and fair value of debt and perpetual preferred securities available for sale by those rated investment grade and those rated less than investment grade, according to their lowest credit rating by Standard & Poor s Rating Services (S&P) or Moody s Investors Service (Moody s). Credit ratings express opinions about the credit quality of a security. Securities rated investment grade, that is those rated BBB- or higher by S&P or Baa3 or higher by

Moody s, are generally considered by the rating agencies and market participants to be low credit risk. Conversely, securities rated below investment grade, labeled as speculative grade by the rating agencies, are considered to be distinctively higher credit risk than investment grade securities. We have also included securities not rated by S&P or Moody s in the table below based on the internal credit grade of the securities (used for credit risk management purposes) equivalent to the credit rating assigned by major credit agencies. The unrealized losses and fair value of unrated securities categorized as investment grade based on internal credit grades were $16 million and $1.9 billion, respectively, at September 30, 2012, and $207 million and $6.2 billion, respectively, at December 31, 2011. If an internal credit grade was not assigned, we categorized the security as non-investment grade.

	Investment grade		Non-investment grade	
(in millions)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
September 30, 2012				
Securities of U.S. Treasury and federal agencies	**$ -**	**-**	**-**	**-**
Securities of U.S. states and political subdivisions	**(414)**	**6,259**	**(72)**	**493**
Mortgage-backed securities:				
Federal agencies	**(10)**	**3,619**	**-**	**-**
Residential	**(2)**	**256**	**(59)**	**1,943**
Commercial	**(114)**	**3,343**	**(282)**	**912**
Total mortgage-backed securities	**(126)**	**7,218**	**(341)**	**2,855**
Corporate debt securities	**(15)**	**593**	**(77)**	**420**
Collateralized debt obligations	**(52)**	**1,825**	**(88)**	**289**
Other	**(100)**	**2,955**	**(14)**	**97**
Total debt securities	**(707)**	**18,850**	**(592)**	**4,154**
Perpetual preferred securities	**(47)**	**688**	**-**	**-**
Total	**$ (754)**	**19,538**	**(592)**	**4,154**
December 31, 2011				
Securities of U.S. Treasury and federal agencies	$ (11)	5,473	-	-
Securities of U.S. states and political subdivisions	(781)	12,093	(102)	756
Mortgage-backed securities:				
Federal agencies	(10)	3,019	-	-

Residential	(39)	2,503	(375)	4,717
Commercial	(429)	6,273	(499)	874
Total mortgage-backed securities	(478)	11,795	(874)	5,591
Corporate debt securities	(165)	7,156	(121)	1,118
Collateralized debt obligations	(185)	4,597	(164)	284
Other	(186)	3,458	(39)	385
Total debt securities	(1,806)	44,572	(1,300)	8,134
Perpetual preferred securities	(53)	833	(1)	13
Total	$ (1,859)	45,405	(1,301)	8,147

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

Contractual Maturities

The following table shows the remaining contractual maturities and contractual yields of debt securities available for sale. The remaining contractual principal maturities for MBS do not consider prepayments. Remaining expected maturities will differ

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

			Remaining contractual maturity							
	Total	Weighted-average	Within one year		After one year through five years		After five years through ten years		After ten years	
(in millions)	amount	yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
September 30, 2012										
Securities of U.S. Treasury and federal agencies	**$ 1,869**	**1.28 %**	**$ 215**	**0.55 %**	**$ 866**	**1.03 %**	**$ 787**	**1.75 %**	**$ 1**	**2.93 %**
Securities of U.S. states and political subdivisions	**37,925**	**4.60**	**2,184**	**2.59**	**11,861**	**2.13**	**3,326**	**4.99**	**20,554**	**6.18**
Mortgage-backed securities:										
Federal agencies	**102,713**	**3.91**	**1**	**5.05**	**153**	**4.56**	**1,142**	**3.15**	**101,417**	**3.92**
Residential	**16,538**	**4.46**	**-**	**-**	**-**	**-**	**611**	**2.12**	**15,927**	**4.55**
Commercial	**19,560**	**5.43**	**-**	**-**	**31**	**4.17**	**117**	**3.45**	**19,412**	**5.44**
Total mortgage-backed securities	**138,811**	**4.19**	**1**	**5.05**	**184**	**4.49**	**1,870**	**2.83**	**136,756**	**4.21**
Corporate debt securities	**20,263**	**4.37**	**987**	**4.13**	**12,137**	**3.27**	**5,648**	**6.36**	**1,491**	**5.94**
Collateralized debt obligations	**10,225**	**1.20**	**43**	**3.46**	**758**	**0.89**	**7,808**	**1.05**	**1,616**	**2.04**
Other	**17,505**	**1.88**	**700**	**1.01**	**10,887**	**1.67**	**2,584**	**2.24**	**3,334**	**2.47**
Total debt securities at fair value	**$ 226,598**	**3.94 %**	**$ 4,130**	**2.60 %**	**$ 36,693**	**2.33 %**	**$ 22,023**	**3.32 %**	**$ 163,752**	**4.41 %**
December 31, 2011										
Securities of U.S. Treasury and federal agencies	$ 6,968	0.91 %	$ 57	0.48 %	$ 6,659	0.84 %	$ 194	2.73 %	$ 58	3.81 %
Securities of U.S. states and political subdivisions	32,593	4.94	520	3.02	11,679	2.90	2,692	5.31	17,702	6.28
Mortgage-backed securities:										
Federal agencies	96,754	4.39	1	6.47	442	4.02	1,399	3.07	94,912	4.42
Residential	17,836	4.51	-	-	-	-	640	1.88	17,196	4.61
Commercial	18,150	5.40	-	-	-	-	87	3.33	18,063	5.41
Total mortgage-backed securities	132,740	4.55	1	6.47	442	4.02	2,126	2.72	130,171	4.58
Corporate debt securities	18,404	4.64	815	5.57	11,022	3.40	4,691	6.67	1,876	6.38
Collateralized debt obligations	8,599	1.10	-	-	540	1.61	6,813	1.00	1,246	1.42
Other	19,892	1.89	506	2.29	12,963	1.75	3,149	2.04	3,274	2.29

Total debt securities at fair value	$ 219,196	4.12 %	$ 1,899	3.85 %	$ 43,305	2.36 %	$ 19,665	3.31 %	$ 154,327	4.72 %

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Realized Gains and Losses

The following table shows the gross realized gains and losses on sales and OTTI write-downs related to the securities available-

for-sale portfolio, which includes marketable equity securities, as well as net realized gains and losses on nonmarketable equity securities (see Note 6 Other Assets).

(in millions)	Quarter ended Sept. 30, **2012**	2011	Nine months ended Sept. 30, **2012**	2011
Gross realized gains	**$ 110**	544	**527**	1,044
Gross realized losses	**(29)**	-	**(65)**	(49)
OTTI write-downs	**(39)**	(112)	**(172)**	(381)
Net realized gains from securities available for sale	**42**	432	**290**	614
Net realized gains from private equity investments	**125**	212	**415**	813
Net realized gains from debt securities and equity investments	**$ 167**	644	**705**	1,427

Other-Than-Temporary Impairment

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

(in millions)	Quarter ended Sept. 30, **2012**	2011	Nine months ended Sept. 30, **2012**	2011
OTTI write-downs included in earnings				
Debt securities:				
U.S. states and political subdivisions	**$ -**	-	**9**	2
Mortgage-backed securities:				
Residential	**17**	35	**65**	241
Commercial	**8**	52	**41**	75
Corporate debt securities	**5**	-	**9**	-
Collateralized debt obligations	**-**	1	**1**	1
Other debt securities	**6**	8	**38**	46
Total debt securities	**36**	96	**163**	365
Equity securities:				
Marketable equity securities:				
Perpetual preferred securities	**2**	-	**8**	-
Other marketable equity securities	**1**	16	**1**	16
Total marketable equity securities	**3**	16	**9**	16

Total securities available for sale	**39**	112	**172**	381
Nonmarketable equity securities	**33**	32	**85**	89
Total OTTI write-downs included in earnings	**$ 72**	144	**257**	470

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

Other-Than-Temporarily Impaired Debt Securities

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

(in millions)	Quarter ended Sept. 30, **2012**	2011	Nine months ended Sept. 30, **2012**	2011
OTTI on debt securities				
Recorded as part of gross realized losses:				
Credit-related OTTI	$ **36**	96	**160**	364
Intent-to-sell OTTI	**-**	-	**3**	1
Total recorded as part of gross realized losses	**36**	96	**163**	365
Recorded directly to OCI for non-credit-related impairment:				
U.S. states and political subdivisions	**-**	-	**(7)**	(1)
Residential mortgage-backed securities	**(85)**	(13)	**(148)**	(181)
Commercial mortgage-backed securities	**(56)**	51	**(62)**	15
Corporate debt securities	**6**	-	**5**	-
Collateralized debt obligations	**(1)**	4	**-**	4
Other debt securities	**(1)**	(2)	**30**	(13)
Total recorded directly to OCI for increase (decrease) in non-credit-related impairment (1)	**(137)**	40	**(182)**	(176)
Total OTTI losses (gains) recorded on debt securities	$ **(101)**	136	**(19)**	189

(1) Represents amounts recorded to OCI on debt securities in periods OTTI write-downs have occurred. Changes in fair value in subsequent periods on such securities, to the extent additional credit-related OTTI did not occur, are not reflected in this total. Increases represent OTTI write-downs recorded to OCI on debt securities in the periods non-credit related impairment has occurred. Decreases represent partial recoveries in the fair value of securities due to factors other than credit, where the increase in fair value was not sufficient to recover the full amount of the unrealized loss on such securities.

The following table presents a rollforward of the credit loss component recognized in earnings for debt securities we still own (referred to as credit-impaired debt securities). The credit loss component of the amortized cost represents the difference between the present value of expected future cash flows discounted using the security s current effective interest rate and the amortized cost basis of the security prior to considering credit losses. OTTI recognized in earnings for credit-impaired debt securities is presented as additions and is classified into one of two components based upon whether the current period is the first time the debt security was credit-impaired (initial credit

impairment) or if the debt security was previously credit-impaired (subsequent credit impairments). The credit loss component is reduced if we sell, intend to sell or believe we will be required to sell previously credit-impaired debt securities. Additionally, the credit loss component is

reduced if we receive or expect to receive cash flows in excess of what we previously expected to receive over the remaining life of the credit-impaired debt security, the security matures or is fully written down.

Changes in the credit loss component of credit-impaired debt securities that were recognized in earnings and related to securities that we do not intend to sell were:

(in millions)		Quarter ended Sept. 30, **2012**	2011	Nine months ended Sept. 30, **2012**	2011
Credit loss component, beginning of period	$	**1,314**	1,251	**1,272**	1,043
Additions:					
Initial credit impairments		**14**	31	**50**	73
Subsequent credit impairments		**22**	65	**110**	291
Total additions		**36**	96	**160**	364
Reductions:					
For securities sold		**(100)**	(104)	**(170)**	(142)
For securities derecognized due to changes in consolidation status of variable interest entities		**-**	(2)	**-**	(2)
For recoveries of previous credit impairments (1)		**(5)**	(5)	**(17)**	(27)
Total reductions		**(105)**	(111)	**(187)**	(171)
Credit loss component, end of period	$	**1,245**	1,236	**1,245**	1,236

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

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To determine credit impairment losses for asset-backed securities (e.g., residential MBS), we estimate expected future cash flows of the security by estimating the expected future cash flows of the underlying collateral and applying those collateral cash flows, together with any credit enhancements such as subordinated interests owned by third parties, to the security. The expected future cash flows of the underlying collateral are determined using the remaining contractual cash flows adjusted for future expected credit losses (which consider current delinquencies and nonperforming assets (NPAs), future

expected default rates and collateral value by vintage and geographic region) and prepayments. The expected cash flows of the security are then discounted at the security s current effective interest rate to arrive at a present value amount. Total credit impairment losses on residential MBS that we do not intend to sell are shown in the table below. The table also presents a summary of the significant inputs considered in determining the measurement of the credit loss component recognized in earnings for residential MBS.

	Quarter ended Sept. 30,		Nine months ended Sept. 30,	
($ in millions)	**2012**	2011	**2012**	2011
Credit impairment losses on residential MBS				
Investment grade	**$ -**	-	**-**	5
Non-investment grade	**17**	35	**65**	236
Total credit impairment losses on residential MBS	**$ 17**	35	**65**	241
Significant inputs (non-agency non-investment grade MBS)				
Expected remaining life of loan losses (1):				
Range (2)	**3-36 %**	0-48	**1-44**	0-48
Credit impairment distribution (3):				
0 - 10% range	**95**	28	**71**	42
10 - 20% range	**5**	30	**13**	19
20 - 30% range	**-**	20	**6**	29
Greater than 30%	**-**	22	**10**	10
Weighted average (4)	**7**	14	**9**	11
Current subordination levels (5):				
Range (2)	**0-9**	0-25	**0-57**	0-25
Weighted average (4)	**3**	4	**2**	4
Prepayment speed (annual CPR (6)):				
Range (2)	**9-23**	3-19	**5-29**	3-19
Weighted average (4)	**16**	14	**15**	11

(1) Represents future expected credit losses on underlying pool of loans expressed as a percentage of total current outstanding loan balance.
(2) Represents the range of inputs/assumptions based upon the individual securities within each category.
(3) Represents distribution of credit impairment losses recognized in earnings categorized based on range of expected remaining life of loan losses. For example 95% of credit impairment losses recognized in earnings for the quarter ended September 30, 2012, had expected remaining life of loan loss assumptions of 0 to 10%.
(4) Calculated by weighting the relevant input/assumption for each individual security by current outstanding amortized cost basis of the security.
(5) Represents current level of credit protection (subordination) for the securities, expressed as a percentage of total current underlying loan balance.
(6) Constant prepayment rate.

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Note 5: Loans and Allowance for Credit Losses

The following table presents total loans outstanding by portfolio segment and class of financing receivable. Outstanding balances include a total net reduction of $8.0 billion and $9.3 billion at September 30, 2012 and December 31, 2011, respectively, for unearned income, net deferred loan fees, and unamortized

discounts and premiums. Outstanding balances also include PCI loans net of any remaining purchase accounting adjustments. Information about PCI loans is presented separately in the Purchased Credit-Impaired Loans section of this Note.

(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.

The following table summarizes the proceeds paid or received for purchases and sales of loans and transfers from loans held for investment to mortgages/loans held for sale at lower of cost or market. This loan activity primarily includes purchases or sales of commercial loan participation interests, whereby we

receive or transfer a portion of a loan after origination. The table excludes PCI loans and loans recorded at fair value, including loans originated for sale because their loan activity normally does not impact the allowance for credit losses.

(in millions)			**2012**			2011
	Commercial	**Consumer**	**Total**	Commercial	Consumer	Total
Quarter ended September 30,						
Loans - held for investment:						
Purchases (1)	**$ 1,021**	**-**	**1,021**	2,575	283	2,858
Sales	**(796)**	**(164)**	**(960)**	(1,648)	(379)	(2,027)
Transfers to MHFS/LHFS (1)	**(41)**	**(5)**	**(46)**	(35)	(19)	(54)
Nine months ended September 30,						
Loans - held for investment:						
Purchases (1)	**$ 10,196**	**167**	**10,363**	4,681	283	4,964
Sales	**(3,731)**	**(487)**	**(4,218)**	(4,114)	(693)	(4,807)
Transfers to MHFS/LHFS (1)	**(59)**	**(10)**	**(69)**	(205)	(69)	(274)

(1) The Purchases and Transfers to MHFS/LHFS categories exclude activity in government insured/guaranteed loans. As servicer, we are able to buy delinquent insured/guaranteed loans out of the Government National Mortgage Association (GNMA) pools. These loans have different risk characteristics from the rest of our consumer portfolio, whereby this activity does not impact the allowance for loan losses in the same manner because the loans are insured by the Federal Housing Administration (FHA) or are guaranteed by the Department of Veterans Affairs (VA). On a net basis, this activity was $1.5 billion and $2.7 billion for the third quarter 2012 and 2011, respectively, and $7.0 billion and $5.7 billion for the first nine months ended September 30, 2012 and September 30, 2011, respectively.

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Allowance for Credit Losses (ACL)

The ACL is management s estimate of credit losses inherent in the loan portfolio, including unfunded credit commitments, at the balance sheet date. We have an established process to determine the adequacy of the allowance for credit losses that assesses the losses inherent in our portfolio and related unfunded credit commitments. While we attribute portions of the allowance to specific portfolio segments, the entire allowance is available to absorb credit losses inherent in the total loan portfolio and unfunded credit commitments.

Our process involves procedures to appropriately consider the unique risk characteristics of our commercial and consumer loan portfolio segments. For each portfolio segment, losses are estimated collectively for groups of loans with similar characteristics, individually or pooled for impaired loans or, for PCI loans, based on the changes in cash flows expected to be collected.

Our allowance levels are influenced by loan volumes, loan grade migration or delinquency status, historic loss experience influencing loss factors, and other conditions influencing loss expectations, such as economic conditions.

COMMERCIAL PORTFOLIO SEGMENT ACL METHODOLOGY Generally, commercial loans are assessed for estimated losses by grading each loan using various risk factors as identified through periodic reviews. We apply historic grade-specific loss factors to the aggregation of each funded grade pool. These historic loss factors are also used to estimate losses for unfunded credit commitments. In the development of our statistically derived loan grade loss factors, we observe historical losses over a relevant period for each loan grade. These loss estimates are adjusted as appropriate based on additional analysis of long-term average loss experience compared to previously forecasted losses, external loss data or other risks identified from current economic conditions and credit quality trends.

The allowance also includes an amount for the estimated impairment on nonaccrual commercial loans and commercial loans modified in a TDR, whether on accrual or nonaccrual status.

CONSUMER PORTFOLIO SEGMENT ACL METHODOLOGY For consumer loans, not identified as a TDR, we determine the allowance predominantly on a collective basis utilizing forecasted losses to represent our best estimate of inherent loss. We pool loans, generally by product types with similar risk characteristics, such as residential real estate mortgages and credit cards. As appropriate and to achieve greater accuracy, we may further stratify selected portfolios by sub-product, origination channel, vintage, loss type, geographic location and other predictive characteristics. Models designed for each pool are utilized to develop the loss estimates. We use assumptions for these pools in our forecast models, such as historic delinquency and default, loss severity, home price trends, unemployment trends, and other key economic variables that may influence the frequency and severity of losses in the pool.

In determining the appropriate allowance attributable to our residential mortgage portfolio, we incorporate the default rates and high severity of loss for junior lien mortgages behind

delinquent first lien mortgages into our loss forecasting calculations. In addition, the loss rates we use in determining our allowance include the impact of our established loan modification programs. When modifications occur or are probable to occur, our allowance considers the impact of these modifications, taking into consideration the associated credit cost, including re-defaults of modified loans and projected loss severity. Accordingly, the loss content associated with the effects of existing and probable loan modifications and junior lien mortgages behind delinquent first lien mortgages has been captured in our allowance methodology.

We separately estimate impairment for consumer loans that have been modified in a TDR (including trial modifications), whether on accrual or nonaccrual status.

OTHER ACL MATTERS The allowance for credit losses for both portfolio segments includes an amount for imprecision or uncertainty that may change from period to period. This amount represents management s judgment of risks inherent in the processes and assumptions used in establishing the allowance. This imprecision considers economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends.

Impaired loans, which predominantly include nonaccrual commercial loans and any loans that have been modified in a TDR, have an estimated allowance calculated as the difference, if any, between the impaired value of the loan and the recorded investment in the loan. The impaired value of the loan is generally calculated as the present value of expected future cash flows from principal and interest which incorporates expected lifetime losses, discounted at the loan s effective interest rate. The allowance for an impaired loan that was modified in a TDR may be lower than the previously established allowance for that loan due to benefits received through modification, such as lower probability of default and/or severity of loss, and the impact of prior charge-offs or charge-offs at the time of the modification that may reduce or eliminate the need for an allowance.

Commercial and consumer PCI loans may require an allowance subsequent to their acquisition. This allowance requirement is due to decreases in expected principal and interest cash flows (other than due to decreases in interest rate indices and changes in prepayment assumptions).

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

The allowance for credit losses consists of the allowance for loan losses and the allowance for unfunded credit commitments. Changes in the allowance for credit losses were:

	Quarter ended Sept. 30,		Nine months ended Sept. 30,	
(in millions)	**2012**	2011	**2012**	2011
Balance, beginning of period	**$ 18,646**	21,262	**19,668**	23,463
Provision for credit losses	**1,591**	1,811	**5,386**	5,859
Interest income on certain impaired loans (1)	**(76)**	(84)	**(245)**	(246)
Loan charge-offs:				
Commercial:				
Commercial and industrial	**(285)**	(349)	**(1,004)**	(1,182)
Real estate mortgage	**(100)**	(119)	**(296)**	(483)
Real estate construction	**(41)**	(98)	**(181)**	(316)
Lease financing	**(5)**	(10)	**(18)**	(30)
Foreign	**(35)**	(25)	**(81)**	(121)
Total commercial	**(466)**	(601)	**(1,580)**	(2,132)
Consumer:				
Real estate 1-4 family first mortgage	**(719)**	(900)	**(2,319)**	(2,979)
Real estate 1-4 family junior lien mortgage	**(1,095)**	(893)	**(2,672)**	(2,907)
Credit card	**(255)**	(320)	**(842)**	(1,146)
Other revolving credit and installment	**(336)**	(421)	**(1,027)**	(1,312)
Total consumer (2)	**(2,405)**	(2,534)	**(6,860)**	(8,344)
Total loan charge-offs	**(2,871)**	(3,135)	**(8,440)**	(10,476)
Loan recoveries:				
Commercial:				
Commercial and industrial	**154**	88	**368**	313
Real estate mortgage	**46**	23	**115**	107
Real estate construction	**40**	43	**96**	106
Lease financing	**4**	7	**15**	20
Foreign	**5**	17	**26**	38
Total commercial	**249**	178	**620**	584
Consumer:				
Real estate 1-4 family first mortgage	**46**	79	**112**	345
Real estate 1-4 family junior lien mortgage	**59**	51	**184**	162
Credit card	**43**	54	**148**	204
Other revolving credit and installment	**116**	162	**423**	522
Total consumer	**264**	346	**867**	1,233
Total loan recoveries	**513**	524	**1,487**	1,817

Net loan charge-offs (3)	**(2,358)**	(2,611)	**(6,953)**	(8,659)
Allowances related to business combinations/other	**-**	(6)	**(53)**	(45)
Balance, end of period	**$ 17,803**	20,372	**17,803**	20,372
Components:				
Allowance for loan losses	**$ 17,385**	20,039	**17,385**	20,039
Allowance for unfunded credit commitments	**418**	333	**418**	333
Allowance for credit losses (4)	**$ 17,803**	20,372	**17,803**	20,372
Net loan charge-offs (annualized) as a percentage of average total loans (3)	**1.21 %**	1.37	**1.20**	1.54
Allowance for loan losses as a percentage of total loans (4)	**2.22**	2.64	**2.22**	2.64
Allowance for credit losses as a percentage of total loans (4)	**2.27**	2.68	**2.27**	2.68

(1) Certain impaired loans with an allowance calculated by discounting expected cash flows using the loan s effective interest rate over the remaining life of the loan recognize reductions in the allowance as interest income.
(2) Quarter and nine months ended September 30, 2012, include $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.
(3) For PCI loans, charge-offs are only recorded to the extent that losses exceed the purchase accounting estimates.
(4) The allowance for credit losses includes $160 million and $302 million at September 30, 2012 and 2011, respectively, related to PCI loans acquired from Wachovia. Loans acquired from Wachovia are included in total loans net of related purchase accounting net write-downs.

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

(in millions)	Commercial	Consumer	2012 Total	Commercial	Consumer	2011 Total
Quarter ended September 30,						
Balance, beginning of period	**$ 6,159**	**12,487**	**18,646**	7,413	13,849	21,262
Provision for credit losses	**(108)**	**1,699**	**1,591**	(242)	2,053	1,811
Interest income on certain impaired loans	**(22)**	**(54)**	**(76)**	(39)	(45)	(84)
Loan charge-offs	**(466)**	**(2,405)**	**(2,871)**	(601)	(2,534)	(3,135)
Loan recoveries	**249**	**264**	**513**	178	346	524
Net loan charge-offs	**(217)**	**(2,141)**	**(2,358)**	(423)	(2,188)	(2,611)
Allowance related to business combinations/other	**-**	**-**	**-**	(6)	-	(6)
Balance, end of period	**$ 5,812**	**11,991**	**17,803**	6,703	13,669	20,372
Nine months ended September 30,						
Balance, beginning of period	**$ 6,358**	**13,310**	**19,668**	8,169	15,294	23,463
Provision for credit losses	**490**	**4,896**	**5,386**	203	5,656	5,859
Interest income on certain impaired loans	**(76)**	**(169)**	**(245)**	(123)	(123)	(246)
Loan charge-offs	**(1,580)**	**(6,860)**	**(8,440)**	(2,132)	(8,344)	(10,476)
Loan recoveries	**620**	**867**	**1,487**	584	1,233	1,817
Net loan charge-offs	**(960)**	**(5,993)**	**(6,953)**	(1,548)	(7,111)	(8,659)
Allowance related to business combinations/other	**-**	**(53)**	**(53)**	2	(47)	(45)
Balance, end of period	**$ 5,812**	**11,991**	**17,803**	6,703	13,669	20,372

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

	Allowance for credit losses			Recorded investment in loans		
(in millions)	Commercial	Consumer	Total	Commercial	Consumer	Total
September 30, 2012						
Collectively evaluated (1)	**$ 3,984**	**7,608**	**11,592**	**338,804**	**380,171**	**718,975**
Individually evaluated (2)	**1,730**	**4,321**	**6,051**	**8,931**	**22,211**	**31,142**
PCI (3)	**98**	**62**	**160**	**4,797**	**27,716**	**32,513**
Total	**$ 5,812**	**11,991**	**17,803**	**352,532**	**430,098**	**782,630**
December 31, 2011						

Collectively evaluated (1)	$ 4,060	8,699	12,759	328,117	376,785	704,902
Individually evaluated (2)	2,133	4,545	6,678	10,566	17,444	28,010
PCI (3)	165	66	231	6,767	29,952	36,719
Total	$ 6,358	13,310	19,668	345,450	424,181	769,631

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

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

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

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

Credit Quality

We monitor credit quality as indicated by evaluating various attributes and utilize such information in our evaluation of the adequacy of the allowance for credit losses. The following sections provide the credit quality indicators we most closely monitor. See the Purchased Credit-Impaired Loans section of this Note for credit quality information on our PCI portfolio.

The majority of credit quality indicators are based on September 30, 2012 information, with the exception of updated FICO and updated loan-to-value (LTV)/combined LTV (CLTV), which are obtained at least quarterly. Generally, these indicators are updated in the second month of each quarter, with updates no older than June 30, 2012.

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

The following table provides a breakdown of outstanding commercial loans by risk category. Of the $22.8 billion in criticized commercial real estate (CRE) loans, $4.9 billion has been placed on nonaccrual status and written down to net realizable collateral value. CRE loans have a high level of monitoring in place to manage these assets and mitigate any loss exposure.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Foreign	Total
September 30, 2012						
By risk category:						
Pass	**$ 157,586**	**83,912**	**12,056**	**11,629**	**36,476**	**301,659**
Criticized	**20,359**	**18,349**	**4,490**	**650**	**2,228**	**46,076**
Total commercial loans (excluding PCI)	**177,945**	**102,261**	**16,546**	**12,279**	**38,704**	**347,735**
Total commercial PCI loans (carrying value)	**246**	**2,350**	**1,164**	**-**	**1,037**	**4,797**
Total commercial loans	**$ 178,191**	**104,611**	**17,710**	**12,279**	**39,741**	**352,532**
December 31, 2011						
By risk category:						
Pass	$ 144,980	80,215	10,865	12,455	36,567	285,082
Criticized	21,837	22,490	6,772	662	1,840	53,601
Total commercial loans (excluding PCI)	166,817	102,705	17,637	13,117	38,407	338,683
Total commercial PCI loans (carrying value)	399	3,270	1,745	-	1,353	6,767
Total commercial loans	$ 167,216	105,975	19,382	13,117	39,760	345,450

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

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Foreign	Total
September 30, 2012						
By delinquency status:						
Current-29 DPD and still accruing	**$ 175,900**	**97,293**	**15,153**	**12,180**	**38,600**	**339,126**
30-89 DPD and still accruing	**592**	**1,163**	**99**	**50**	**36**	**1,940**
90+ DPD and still accruing	**49**	**206**	**41**	**-**	**2**	**298**
Nonaccrual loans	**1,404**	**3,599**	**1,253**	**49**	**66**	**6,371**
Total commercial loans (excluding PCI)	**177,945**	**102,261**	**16,546**	**12,279**	**38,704**	**347,735**
Total commercial PCI loans (carrying value)	**246**	**2,350**	**1,164**	**-**	**1,037**	**4,797**
Total commercial loans	**$ 178,191**	**104,611**	**17,710**	**12,279**	**39,741**	**352,532**
December 31, 2011						
By delinquency status:						
Current-29 DPD and still accruing	$ 163,583	97,410	15,471	12,934	38,122	327,520
30-89 DPD and still accruing	939	954	187	130	232	2,442
90+ DPD and still accruing	153	256	89	-	6	504
Nonaccrual loans	2,142	4,085	1,890	53	47	8,217
Total commercial loans (excluding PCI)	166,817	102,705	17,637	13,117	38,407	338,683
Total commercial PCI loans (carrying value)	399	3,270	1,745	-	1,353	6,767
Total commercial loans	$ 167,216	105,975	19,382	13,117	39,760	345,450

CONSUMER CREDIT QUALITY INDICATORS We have various classes of consumer loans that present respective unique risks. Loan delinquency, FICO credit scores and LTV for loan types are common credit quality indicators that we monitor and utilize in our evaluation of the adequacy of the allowance for credit losses for the consumer portfolio segment.

The majority of our loss estimation techniques used for the allowance for credit losses rely on delinquency matrix models or delinquency roll rate models. Therefore, delinquency is an important indicator of credit quality and the establishment of our allowance for credit losses.

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

The following table provides the outstanding balances of our consumer portfolio by delinquency status.

(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Other revolving credit and installment	Total
September 30, 2012					
By delinquency status:					
Current-29 DPD	**$ 170,799**	**75,694**	**23,082**	**73,594**	**343,169**
30-59 DPD	**3,621**	**666**	**191**	**814**	**5,292**
60-89 DPD	**1,636**	**375**	**131**	**264**	**2,406**
90-119 DPD	**904**	**284**	**113**	**128**	**1,429**
120-179 DPD	**1,173**	**378**	**175**	**27**	**1,753**
180+ DPD	**6,346**	**513**	**-**	**3**	**6,862**
Government insured/guaranteed loans (1)	**28,540**	**-**	**-**	**12,931**	**41,471**
Total consumer loans (excluding PCI)	**213,019**	**77,910**	**23,692**	**87,761**	**402,382**
Total consumer PCI loans (carrying value)	**27,535**	**181**	**-**	**-**	**27,716**
Total consumer loans	**$ 240,554**	**78,091**	**23,692**	**87,761**	**430,098**
December 31, 2011					
By delinquency status:					
Current-29 DPD	$ 156,985	83,033	22,125	69,712	331,855
30-59 DPD	4,075	786	211	963	6,035
60-89 DPD	2,012	501	154	275	2,942
90-119 DPD	1,152	382	135	127	1,796
120-179 DPD	1,704	537	211	33	2,485
180+ DPD	6,665	546	-	4	7,215
Government insured/guaranteed loans (1)	26,555	-	-	15,346	41,901
Total consumer loans (excluding PCI)	199,148	85,785	22,836	86,460	394,229
Total consumer PCI loans (carrying value)	29,746	206	-	-	29,952
Total consumer loans	$ 228,894	85,991	22,836	86,460	424,181

(1) Represents loans whose repayments are insured by the FHA or guaranteed by the VA and student loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the Federal Family Education Loan Program (FFELP). Loans insured/guaranteed by the FHA/VA and 90+ DPD totaled $20.3 billion at September 30, 2012, compared with $19.2 billion at December 31, 2011. Student loans 90+ DPD totaled $1.1 billion at September 30, 2012, compared with $1.3 billion at December 31, 2011.

Of the $10.0 billion of loans not government insured/guaranteed that are 90 days or more past due at September 30, 2012, $1.2 billion was accruing, compared with $11.5 billion past due and $1.5 billion accruing at December 31, 2011.

Real estate 1-4 family first mortgage loans 180 days or more past due totaled $6.3 billion, or 3.0% of total first mortgages (excluding PCI), at September 30, 2012, compared with $6.7 billion, or 3.3%, at December 31, 2011.

The following table provides a breakdown of our consumer portfolio by updated FICO. We obtain FICO scores at loan origination and the scores are updated at least quarterly. The majority of our portfolio is underwritten with a FICO score of 680 and above. FICO is not available for certain loan types and may not be obtained if we deem it unnecessary due to strong collateral and other borrower attributes, primarily securities-based margin loans of $4.7 billion at September 30, 2012, and $5.0 billion at December 31, 2011.

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(in millions)		Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Other revolving credit and installment	Total
September 30, 2012						
By updated FICO:						
< 600	**$**	**18,114**	**6,303**	**2,321**	**8,980**	**35,718**
600-639		**10,488**	**3,747**	**1,899**	**6,388**	**22,522**
640-679		**15,796**	**6,785**	**3,595**	**10,088**	**36,264**
680-719		**24,102**	**11,635**	**4,766**	**11,586**	**52,089**
720-759		**30,248**	**16,557**	**4,837**	**10,697**	**62,339**
760-799		**58,494**	**22,779**	**3,841**	**12,253**	**97,367**
800+		**23,770**	**8,763**	**1,935**	**6,344**	**40,812**
No FICO available		**3,467**	**1,341**	**498**	**3,752**	**9,058**
FICO not required		**-**	**-**	**-**	**4,742**	**4,742**
Government insured/guaranteed loans (1)		**28,540**	**-**	**-**	**12,931**	**41,471**
Total consumer loans (excluding PCI)		**213,019**	**77,910**	**23,692**	**87,761**	**402,382**
Total consumer PCI loans (carrying value)		**27,535**	**181**	**-**	**-**	**27,716**
Total consumer loans	**$**	**240,554**	**78,091**	**23,692**	**87,761**	**430,098**
December 31, 2011						
By updated FICO:						
< 600	$	21,604	7,428	2,323	8,921	40,276
600-639		10,978	4,086	1,787	6,222	23,073
640-679		15,563	7,187	3,383	9,350	35,483
680-719		23,622	12,497	4,697	10,465	51,281
720-759		27,417	17,574	4,760	9,936	59,687
760-799		47,337	24,979	3,517	11,163	86,996
800+		21,381	10,247	1,969	5,674	39,271
No FICO available		4,691	1,787	400	4,393	11,271
FICO not required		-	-	-	4,990	4,990
Government insured/guaranteed loans (1)		26,555	-	-	15,346	41,901
Total consumer loans (excluding PCI)		199,148	85,785	22,836	86,460	394,229
Total consumer PCI loans (carrying value)		29,746	206	-	-	29,952
Total consumer loans	$	228,894	85,991	22,836	86,460	424,181

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

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

The following table shows the most updated LTV and CLTV distribution of the real estate 1-4 family first and junior lien mortgage loan portfolios. In recent years, the residential real estate markets have experienced significant declines in property values and several markets, particularly California and Florida have experienced more significant declines than the national decline. These trends are considered in the way that we monitor credit risk and establish our allowance for credit losses. LTV

does not necessarily reflect the likelihood of performance of a given loan, but does provide an indication of collateral value. In the event of a default, any loss should be limited to the portion of the loan amount in excess of the net realizable value of the underlying real estate collateral value. Certain loans do not have an LTV or CLTV primarily due to industry data availability and portfolios acquired from or serviced by other institutions.

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

(in millions)		**September 30, 2012**			December 31, 2011	
	Real estate 1-4 family first mortgage by LTV	**Real estate 1-4 family junior lien mortgage by CLTV**	**Total**	Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	$ **51,929**	**12,298**	**64,227**	46,476	12,694	59,170
60.01-80%	**60,534**	**15,414**	**75,948**	46,831	15,722	62,553
80.01-100%	**36,474**	**18,677**	**55,151**	36,764	20,290	57,054
100.01-120% (1)	**18,389**	**14,063**	**32,452**	21,116	15,829	36,945
> 120% (1)	**14,975**	**15,722**	**30,697**	18,608	18,626	37,234
No LTV/CLTV available	**2,178**	**1,736**	**3,914**	2,798	2,624	5,422
Government insured/guaranteed loans (2)	**28,540**	**-**	**28,540**	26,555	-	26,555
Total consumer loans (excluding PCI)	**213,019**	**77,910**	**290,929**	199,148	85,785	284,933
Total consumer PCI loans (carrying value)	**27,535**	**181**	**27,716**	29,746	206	29,952
Total consumer loans	$ **240,554**	**78,091**	**318,645**	228,894	85,991	314,885

(1) Reflects total loan balances with LTV/CLTV amounts in excess of 100%. In the event of default, the loss content would generally be limited to only the amount in excess of 100% LTV/CLTV.
(2) Represents loans whose repayments are insured by the FHA or guaranteed by the VA.

NONACCRUAL LOANS The following table provides loans on nonaccrual status. PCI loans are excluded from this table due to the existence of the accretable yield.

(in millions)	**Sept. 30, 2012**	Dec. 31, 2011
Commercial:		
Commercial and industrial	$ **1,404**	2,142
Real estate mortgage	**3,599**	4,085
Real estate construction	**1,253**	1,890
Lease financing	**49**	53
Foreign	**66**	47
Total commercial (1)	**6,371**	8,217
Consumer:		
Real estate 1-4 family first mortgage (2)	**11,195**	10,913
Real estate 1-4 family junior lien mortgage (3)	**3,140**	1,975
Other revolving credit and installment	**338**	199
Total consumer (4)	**14,673**	13,087
Total nonaccrual loans (excluding PCI)	$ **21,044**	21,304

(1) Includes LHFS of $22 million at September 30, 2012, and $25 million at December 31, 2011.
(2) Includes MHFS of $338 million at September 30, 2012, and $301 million at December 31, 2011.
(3) The balance at September 30, 2012 includes the impact from the transfer of 1-4 family junior lien mortgages to nonaccrual loans in accordance with the Interagency Guidance issued on January 31, 2012.
(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.

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LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING Certain loans 90 days or more past due as to interest or principal are still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans of $6.2 billion at September 30, 2012, and $8.7 billion at December 31, 2011, 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. Loans 90 days or more past due and still accruing whose repayments are insured by the FHA or predominantly guaranteed by the VA for mortgages and the U.S. Department of Education for student loans under the FFELP were $21.4 billion at September 30, 2012, up from $20.5 billion at December 31, 2011.

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

(in millions)		Sept. 30, 2012	Dec. 31, 2011
Loan 90 days or more past due and still accruing:			
Total (excluding PCI):	$	**22,894**	22,569
Less: FHA insured/guaranteed by the VA (1)(2)		**20,320**	19,240
Less: Student loans guaranteed under the FFELP (3)		**1,082**	1,281
Total, not government insured/guaranteed	$	**1,492**	2,048
By segment and class, not government insured/guaranteed:			
Commercial:			
Commercial and industrial	$	**49**	153
Real estate mortgage		**206**	256
Real estate construction		**41**	89
Foreign		**2**	6
Total commercial		**298**	504
Consumer:			
Real estate 1-4 family first mortgage (2)		**627**	781
Real estate 1-4 family junior lien mortgage (2)(4)		**151**	279
Credit card		**288**	346
Other revolving credit and installment		**128**	138
Total consumer		**1,194**	1,544
Total, not government insured/guaranteed	$	**1,492**	2,048

(1) Represents loans whose repayments are insured by the FHA or guaranteed by the VA.
(2) Includes mortgage loans held for sale 90 days or more past due and still accruing.
(3) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP.
(4) The balance at September 30, 2012, includes the impact from the transfer of 1-4 family junior lien mortgages to nonaccrual loans in accordance with the Interagency Guidance issued on January 31, 2012.

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

IMPAIRED LOANS The table below summarizes key information for impaired loans. Our impaired loans predominately include loans on nonaccrual status in the commercial portfolio segment and loans modified in a TDR, whether on accrual or nonaccrual status. These impaired loans generally have estimated losses which are included in the allowance for credit losses. Impaired

loans exclude PCI loans. Based on clarifying guidance from the Securities and Exchange Commission (SEC) received in December 2011, we now classify trial modifications as TDRs at the beginning of the trial period. The table below includes trial modifications that totaled $733 million at September 30, 2012, and $651 million at December 31, 2011.

			Recorded investment	
(in millions)	Unpaid principal balance	Impaired loans (2)	Impaired loans with related allowance for credit losses	Related allowance for credit losses
September 30, 2012				
Commercial:				
Commercial and industrial	**$ 3,624**	**2,339**	**2,169**	**355**
Real estate mortgage	**6,000**	**4,774**	**4,774**	**1,051**
Real estate construction	**2,252**	**1,602**	**1,602**	**295**
Lease financing	**78**	**64**	**61**	**17**
Foreign	**128**	**57**	**52**	**12**
Total commercial (1)	**12,082**	**8,836**	**8,658**	**1,730**
Consumer:				
Real estate 1-4 family first mortgage	**21,333**	**18,559**	**15,151**	**3,144**
Real estate 1-4 family junior lien mortgage	**3,258**	**2,531**	**1,992**	**889**
Credit card	**557**	**557**	**557**	**255**
Other revolving credit and installment	**432**	**431**	**206**	**33**
Total consumer	**25,580**	**22,078**	**17,906**	**4,321**
Total impaired loans (excluding PCI)	**$ 37,662**	**30,914**	**26,564**	**6,051**
December 31, 2011				
Commercial:				
Commercial and industrial	$ 7,191	3,072	3,018	501
Real estate mortgage	7,490	5,114	4,637	1,133
Real estate construction	4,733	2,281	2,281	470
Lease financing	127	68	68	21
Foreign	185	31	31	8
Total commercial (1)	19,726	10,566	10,035	2,133
Consumer:				
Real estate 1-4 family first mortgage	16,494	14,486	13,909	3,380
Real estate 1-4 family junior lien mortgage	2,232	2,079	2,079	784
Credit card	593	593	593	339
Other revolving credit and installment	287	286	274	42

Total consumer	19,606	17,444	16,855	4,545
Total impaired loans (excluding PCI)	$ 39,332	28,010	26,890	6,678

(1) The unpaid principal balance for commercial loans at December 31, 2011 includes $5.6 billion ($2.5 billion commercial and industrial, $1.1 billion real estate mortgage, $1.8 billion real estate construction and $157 million lease financing and foreign) for commercial loans that have been fully charged off and therefore have no recorded investment. The unpaid principal balance for loans with no recorded investment has been excluded from the amounts disclosed at September 30, 2012.

(2) The recorded investment of impaired loans balance at September 30, 2012, includes $4.3 billion of consumer 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 written down to net realizable collateral value and classified as TDRs.

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Commitments to lend additional funds on loans whose terms have been modified in a TDR amounted to $592 million at September 30, 2012, and $3.8 billion at December 31, 2011.

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

	Quarter ended September 30,				Nine months ended September 30,			
	2012		2011		**2012**		2011	
(in millions)	**Average recorded investment**	**Recognized interest income**	Average recorded investment	Recognized interest income	**Average recorded investment**	**Recognized interest income**	Average recorded investment	Recognized interest income
Commercial:								
Commercial and industrial	$ **2,488**	**19**	3,379	35	**2,493**	**91**	3,668	80
Real estate mortgage	**5,147**	**37**	5,093	24	**4,826**	**87**	5,429	54
Real estate construction	**1,831**	**15**	2,331	11	**1,897**	**42**	2,523	36
Lease financing	**61**	**1**	150	-	**62**	**1**	169	-
Foreign	**63**	**1**	21	-	**34**	**1**	19	-
Total commercial	**9,590**	**73**	10,974	70	**9,312**	**222**	11,808	170
Consumer:								
Real estate 1-4 family first mortgage	**14,768**	**183**	13,241	179	**14,631**	**562**	12,548	484
Real estate 1-4 family junior lien mortgage	**2,102**	**20**	1,928	17	**2,078**	**64**	1,831	51
Credit card	**566**	**17**	602	3	**580**	**48**	593	15
Other revolving credit and installment	**316**	**8**	272	6	**315**	**34**	257	19
Total consumer	**17,752**	**228**	16,043	205	**17,604**	**708**	15,229	569
Total impaired loans (excluding PCI)	$ **27,342**	**301**	27,017	275	**26,916**	**930**	27,037	739
Interest income:								
Cash basis of accounting		$ **72**		35		**198**		120
Other (1)		**229**		240		**732**		619
Total interest income		$ **301**		275		**930**		739

(1) Includes interest recognized on accruing TDRs, interest recognized related to certain impaired loans which have an allowance calculated using discounting, and amortization of purchase accounting adjustments related to certain impaired loans. See footnote 1 to the table of changes in the allowance for credit losses.

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

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

We may require some borrowers experiencing financial difficulty to make trial payments generally for a period of three to four months, according to the terms of a planned permanent modification, to determine if they can perform according to those terms. Based on clarifying guidance from the SEC in December 2011, these arrangements represent trial modifications, which we classify and account for as TDRs. While loans are in trial payment programs, their original terms are not considered modified and they continue to advance through delinquency status and accrue interest according to their original terms. The planned modifications for these arrangements predominantly involve interest rate reductions or other interest rate concessions, however, the exact concession type and resulting financial effect are usually not finalized and do not take effect until the loan is permanently modified. The trial period terms are developed in accordance with our proprietary programs or the U.S. Treasury s Making Homes Affordable programs for real estate 1-4 family first lien (i.e. Home Affordable Modification Program HAMP) and junior lien (i.e. Second Lien Modification Program 2MP) mortgage loans.

At September 30, 2012, the loans in trial modification period were $407 million under HAMP, $51 million under 2MP and $275 million under proprietary programs, compared with $421 million, $46 million and $184 million at December 31, 2011, respectively. Trial modifications with a recorded investment of $295 million at September 30, 2012, and $310 million at December 31, 2011, were accruing loans and $438 million and $341 million, respectively, were nonaccruing loans. Our recent experience is that most of the mortgages that enter a trial payment period program are successful in completing the program requirements and are then permanently modified at the end of the trial period. As previously discussed, our allowance process considers the impact of those modifications that are probable to occur including the associated credit cost and related re-default risk.

The following table summarizes our TDR modifications for the periods presented by primary modification type and includes the financial effects of these modifications.

	Primary modification type (1)				Financial effects of modifications		
(in millions)	Principal (2)	Interest rate reduction	Other interest rate concessions (3)	Total	Charge-offs (4)	Weighted average interest rate reduction	Recorded investment related to interest rate reduction (5)
Quarter ended September 30, 2012							
Commercial:							
Commercial and industrial	**$ -**	**5**	**364**	**369**	**2**	**1.15 %**	**$ 5**
Real estate mortgage	**2**	**40**	**405**	**447**	**2**	**1.48**	**42**
Real estate construction	**12**	**1**	**111**	**124**	**1**	**2.26**	**2**
Lease financing	**-**	**-**	**1**	**1**	**-**	**-**	**-**
Foreign	**-**	**-**	**14**	**14**	**-**	**-**	**-**
Total commercial	**14**	**46**	**895**	**955**	**5**	**1.47**	**49**
Consumer:							
Real estate 1-4 family first mortgage	**379**	**390**	**3,822**	**4,591**	**221**	**3.04**	**686**
Real estate 1-4 family junior lien mortgage	**17**	**57**	**489**	**563**	**445**	**3.66**	**73**
Credit card	**-**	**58**	**-**	**58**	**-**	**10.85**	**58**
Other revolving credit and installment	**1**	**15**	**187**	**203**	**7**	**5.43**	**15**
Trial modifications (6)	**-**	**-**	**7**	**7**	**-**	**-**	**-**
Total consumer	**397**	**520**	**4,505**	**5,422**	**673**	**3.68**	**832**

Total	**$**	**411**	**566**	**5,400**	**6,377**	**678**	**3.56 %**	**$ 881**
Quarter ended September 30, 2011 (7)								
Commercial:								
Commercial and industrial	$	36	2	685	723	14	0.70 %	$ 2
Real estate mortgage		13	34	419	466	14	1.18	35
Real estate construction		-	35	67	102	3	0.38	34
Lease financing		-	-	30	30	-	-	-
Foreign		-	-	-	-	-	-	-
Total commercial		49	71	1,201	1,321	31	0.78	71
Consumer:								
Real estate 1-4 family first mortgage		453	504	198	1,155	90	3.23	882
Real estate 1-4 family junior lien mortgage		19	109	48	176	4	4.50	125
Credit card		-	76	-	76	1	10.69	54
Other revolving credit and installment		19	28	1	48	4	-	43
Total consumer		491	717	247	1,455	99	3.88	1,104
Total	$	540	788	1,448	2,776	130	3.69 %	$ 1,175

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			Primary modification type (1)			Financial effects of modifications	
(in millions)	Principal (2)	Interest rate reduction	Other interest rate concessions (3)	Total	Charge-offs (4)	Weighted average interest rate reduction	Recorded investment related to interest rate reduction (5)
Nine months ended September 30, 2012							
Commercial:							
Commercial and industrial	**$ 11**	**27**	**1,113**	**1,151**	**22**	**1.53 %**	**$ 28**
Real estate mortgage	**13**	**160**	**1,341**	**1,514**	**9**	**1.47**	**164**
Real estate construction	**12**	**8**	**395**	**415**	**10**	**2.49**	**8**
Lease financing	**-**	**-**	**3**	**3**	**-**	**-**	**-**
Foreign	**-**	**-**	**16**	**16**	**-**	**-**	**-**
Total commercial	**36**	**195**	**2,868**	**3,099**	**41**	**1.52**	**200**
Consumer:							
Real estate 1-4 family first mortgage	**1,033**	**894**	**4,194**	**6,121**	**354**	**2.96**	**1,728**
Real estate 1-4 family junior lien mortgage	**50**	**194**	**558**	**802**	**461**	**3.79**	**238**
Credit card	**-**	**191**	**-**	**191**	**-**	**10.83**	**191**
Other revolving credit and installment	**5**	**48**	**245**	**298**	**27**	**6.87**	**50**
Trial modifications (6)	**-**	**-**	**678**	**678**	**-**	**-**	**-**
Total consumer	**1,088**	**1,327**	**5,675**	**8,090**	**842**	**3.82**	**2,207**
Total	**$ 1,124**	**1,522**	**8,543**	**11,189**	**883**	**3.63 %**	**$ 2,407**
Nine months ended September 30, 2011 (7)							
Commercial:							
Commercial and industrial	$ 123	59	2,040	2,222	47	3.27 %	$ 64
Real estate mortgage	56	114	1,274	1,444	21	1.46	128
Real estate construction	29	55	296	380	26	0.63	66
Lease financing	-	-	57	57	-	-	-
Foreign	-	-	5	5	-	-	-
Total commercial	208	228	3,672	4,108	94	1.70	258
Consumer:							
Real estate 1-4 family first mortgage	1,324	1,560	745	3,629	223	3.32	2,705
Real estate 1-4 family junior lien mortgage	81	480	163	724	21	4.33	557
Credit card	-	263	-	263	2	10.77	187
Other revolving credit and installment	57	92	4	153	18	6.37	145
Total consumer	1,462	2,395	912	4,769	264	3.99	3,594
Total	$ 1,670	2,623	4,584	8,877	358	3.83 %	$ 3,852

(1) Amounts represent the recorded investment in loans after recognizing the effects of the TDR, if any. TDRs with multiple types of concessions are presented only once in the table in the first category type based on the order presented.
(2) Principal modifications include principal forgiveness at the time of the modification, contingent principal forgiveness granted over the life of the loan based on borrower performance, and principal that has been legally separated and deferred to the end of the loan, with a zero percent contractual interest rate.
(3) Other interest rate concessions include loans modified to an interest rate that is not commensurate with the credit risk, even though the rate may have been increased. These modifications would include renewals, term extensions and other interest adjustments, but exclude modifications that also forgive principal and/or reduce the interest rate. Quarter and nine months ended September 30, 2012, include $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.

(4) Charge-offs include write-downs of the investment in the loan in the period it is contractually modified. The amount of charge off will differ from the modification terms if the loan has been charged down prior to the modification based on our policies. In addition, there may be cases where we have a charge-off/down with no legal principal modification. Modifications resulted in legally forgiving principal (actual, contingent or deferred) of $141 million and $134 million for third quarter of 2012 and 2011 and $362 million and $407 million for the first nine months of 2012 and 2011. Quarter and nine months ended September 30, 2012, include $567 million in charge-offs on consumer loans resulting from the implementation of OCC guidance discussed above.

(5) Reflects the effect of reduced interest rates to loans with principal or interest rate reduction primary modification type.

(6) Trial modifications are granted a delay in payments due under the original terms during the trial payment period. However, these loans continue to advance through delinquency status and accrue interest according to their original terms. Any subsequent permanent modification generally includes interest rate related concessions; however, the exact concession type and resulting financial effect are usually not known until the loan is permanently modified. Trial modifications for the period are presented net of any trial modifications that successfully complete the program requirements. Such successful modifications are included as an addition to the appropriate loan category in the period they successfully complete the program requirements.

(7) 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. Prior to the SEC clarification, we classified trial modifications as TDRs once a borrower successfully completed the trial period in accordance with the terms.

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

The table below summarizes permanent modification TDRs that have defaulted in the current period within 12 months of their permanent modification date. We are reporting these

defaulted TDRs based on a payment default definition of 90 days past due for the commercial portfolio segment and 60 days past due for the consumer portfolio segment.

	Recorded investment of defaults			
	Quarter ended Sept. 30,		Nine months ended Sept. 30,	
(in millions)	**2012**	2011	**2012**	2011
Commercial:				
Commercial and industrial	**$ 119**	31	**269**	148
Real estate mortgage	**124**	105	**473**	260
Real estate construction	**23**	9	**252**	41
Total commercial	**266**	145	**994**	449
Consumer:				
Real estate 1-4 family first mortgage	**150**	277	**447**	867
Real estate 1-4 family junior lien mortgage	**12**	35	**48**	98
Credit card	**22**	29	**73**	131
Other revolving credit and installment	**18**	35	**46**	85
Total consumer	**202**	376	**614**	1,181
Total	**$ 468**	521	**1,608**	1,630

Purchased Credit-Impaired Loans

Substantially all of our PCI loans were acquired from Wachovia on December 31, 2008. The following table presents PCI loans net of any remaining purchase accounting adjustments.

(in millions)	**Sept. 30, 2012**	Dec. 31, 2011
Commercial:		
Commercial and industrial	**$ 246**	399
Real estate mortgage	**2,350**	3,270
Real estate construction	**1,164**	1,745

Foreign		**1,037**	1,353
Total commercial		**4,797**	6,767
Consumer:			
Real estate 1-4 family first mortgage		**27,535**	29,746
Real estate 1-4 family junior lien mortgage		**181**	206
Total consumer		**27,716**	29,952
Total PCI loans (carrying value)	**$**	**32,513**	36,719
Total PCI loans (unpaid principal balance)	**$**	**47,846**	55,312

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

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

In third quarter 2012, our expectation of cash flows was favorably impacted by lower expected defaults and losses as a result of observed strengthening in housing prices and the impact of modifications that are expected to keep borrowers in their homes longer. These factors favorably impacted probability of default and loss severity, reducing our expected loss on PCI loans, primarily Pick-a-Pay, and increasing the estimated weighted-average remaining life of the PCI portfolios and resulting expected interest to be collected. Accordingly, we increased accretable yield for $687 million of transfers out of nonaccretable difference for the increase in principal expected to be collected, and by $3.6 billion for the increase in interest income expected to be collected.

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

(in millions)		
Balance, December 31, 2008	$	10,447
Addition of accretable yield due to acquisitions		128
Accretion into interest income (1)		(7,199)
Accretion into noninterest income due to sales (2)		(237)
Reclassification from nonaccretable difference for loans with improving credit-related cash flows		4,213
Changes in expected cash flows that do not affect nonaccretable difference (3)		8,609
Balance, December 31, 2011		**15,961**
Addition of accretable yield due to acquisitions		**-**
Accretion into interest income (1)		**(1,639)**
Accretion into noninterest income due to sales (2)		**(5)**
Reclassification from nonaccretable difference for loans with improving credit-related cash flows		**1,006**
Changes in expected cash flows that do not affect nonaccretable difference (3)		**3,589**
Balance, September 30, 2012	**$**	**18,912**
Balance, June 30, 2012	**$**	**15,153**
Addition of accretable yield due to acquisitions		**-**
Accretion into interest income (1)		**(495)**
Accretion into noninterest income due to sales (2)		**-**
Reclassification from nonaccretable difference for loans with improving credit-related cash flows		**687**
Changes in expected cash flows that do not affect nonaccretable difference (3)		**3,567**
Balance, September 30, 2012	**$**	**18,912**

(1) Includes accretable yield released as a result of settlements with borrowers, which is included in interest income.
(2) Includes accretable yield released as a result of sales to third parties, which is included in noninterest income.
(3)

Represents changes in cash flows expected to be collected due to changes in interest rates on variable rate PCI loans, changes in prepayment assumptions and the impact of modifications.

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

PCI ALLOWANCE Based on our regular evaluation of estimates of cash flows expected to be collected, we may establish an allowance for a PCI loan or pool of loans, with a charge to

income though the provision for losses. The following table summarizes the changes in allowance for PCI loan losses.

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Balance, December 31, 2008	$ -	-	-	-
Provision for losses due to credit deterioration	1,668	-	116	1,784
Charge-offs	(1,503)	-	(50)	(1,553)
Balance, December 31, 2011	**165**	**-**	**66**	**231**
Provision for losses due to credit deterioration	**11**	**-**	**9**	**20**
Charge-offs	**(78)**	**-**	**(13)**	**(91)**
Balance, September 30, 2012	**$ 98**	**-**	**62**	**160**
Balance, June 30, 2012	**$ 145**	**-**	**67**	**212**
Reversal of provision for losses	**(7)**	**-**	**-**	**(7)**
Charge-offs	**(40)**	**-**	**(5)**	**(45)**
Balance, September 30, 2012	**$ 98**	**-**	**62**	**160**

COMMERCIAL PCI CREDIT QUALITY INDICATORS The following table provides a breakdown of commercial PCI loans by risk category.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Foreign	Total
September 30, 2012					
By risk category:					
Pass	**$ 93**	**448**	**279**	**192**	**1,012**
Criticized	**153**	**1,902**	**885**	**845**	**3,785**
Total commercial PCI loans	**$ 246**	**2,350**	**1,164**	**1,037**	**4,797**
December 31, 2011					
By risk category:					
Pass	$ 191	640	321	-	1,152
Criticized	208	2,630	1,424	1,353	5,615

Total commercial PCI loans	$	399	3,270	1,745	1,353	6,767

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

(in millions)		Commercial and industrial	Real estate mortgage	Real estate construction	Foreign	Total
September 30, 2012						
By delinquency status:						
Current-29 DPD and still accruing	**$**	**221**	**2,171**	**941**	**894**	**4,227**
30-89 DPD and still accruing		**1**	**18**	**23**	**-**	**42**
90+ DPD and still accruing		**24**	**161**	**200**	**143**	**528**
Total commercial PCI loans	**$**	**246**	**2,350**	**1,164**	**1,037**	**4,797**
December 31, 2011						
By delinquency status:						
Current-29 DPD and still accruing	$	359	2,867	1,206	1,178	5,610
30-89 DPD and still accruing		22	178	72	-	272
90+ DPD and still accruing		18	225	467	175	885
Total commercial PCI loans	$	399	3,270	1,745	1,353	6,767

CONSUMER PCI CREDIT QUALITY INDICATORS Our consumer PCI loans were aggregated into several pools of loans at acquisition. Below, we have provided credit quality indicators based on the unpaid principal balance (adjusted for write-downs)

of the individual loans included in the pool, but we have not allocated the remaining purchase accounting adjustments, which were established at a pool level. The following table provides the delinquency status of consumer PCI loans.

		September 30, 2012			December 31, 2011		
(in millions)		**Real estate 1-4 family first mortgage**	**Real estate 1-4 family junior lien mortgage**	**Total**	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By delinquency status:							
Current-29 DPD	**$**	**23,006**	**246**	**23,252**	25,693	268	25,961
30-59 DPD		**2,878**	**17**	**2,895**	3,272	20	3,292
60-89 DPD		**1,423**	**8**	**1,431**	1,433	9	1,442
90-119 DPD		**673**	**6**	**679**	791	8	799
120-179 DPD		**771**	**7**	**778**	1,169	10	1,179
180+ DPD		**5,479**	**132**	**5,611**	5,921	150	6,071
Total consumer PCI loans (adjusted unpaid principal balance)	**$**	**34,230**	**416**	**34,646**	38,279	465	38,744

Total consumer PCI loans (carrying value)	**$**	**27,535**	**181**	**27,716**	29,746	206	29,952

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

The following table provides FICO scores for consumer PCI loans.

	September 30, 2012			December 31, 2011		
(in millions)	**Real estate 1-4 family first mortgage**	**Real estate 1-4 family junior lien mortgage**	**Total**	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By FICO:						
< 600	**$ 13,781**	**166**	**13,947**	17,169	210	17,379
600-639	**6,996**	**79**	**7,075**	7,489	83	7,572
640-679	**6,731**	**87**	**6,818**	6,646	89	6,735
680-719	**3,698**	**49**	**3,747**	3,698	47	3,745
720-759	**1,777**	**15**	**1,792**	1,875	14	1,889
760-799	**886**	**7**	**893**	903	6	909
800+	**200**	**1**	**201**	215	2	217
No FICO available	**161**	**12**	**173**	284	14	298
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 34,230**	**416**	**34,646**	38,279	465	38,744
Total consumer PCI loans (carrying value)	**$ 27,535**	**181**	**27,716**	29,746	206	29,952

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

	September 30, 2012			December 31, 2011		
(in millions)	**Real estate 1-4 family first mortgage by LTV**	**Real estate 1-4 family junior lien mortgage by CLTV**	**Total**	Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	**$ 1,306**	**16**	**1,322**	1,243	25	1,268
60.01-80%	**3,821**	**28**	**3,849**	3,806	49	3,855
80.01-100%	**9,675**	**51**	**9,726**	9,341	63	9,404
100.01-120% (1)	**8,165**	**81**	**8,246**	9,471	79	9,550
> 120% (1)	**11,254**	**238**	**11,492**	14,318	246	14,564
No LTV/CLTV available	**9**	**2**	**11**	100	3	103
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 34,230**	**416**	**34,646**	38,279	465	38,744
Total consumer PCI loans (carrying value)	**$ 27,535**	**181**	**27,716**	29,746	206	29,952

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

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Note 6: Other Assets

The components of other assets were:

(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		**17,508**	16,808
Corporate/bank-owned life insurance		**20,347**	20,146
Accounts receivable		**29,058**	25,939
Interest receivable		**5,302**	5,296
Core deposit intangibles		**6,264**	7,311
Customer relationship and other amortized intangibles		**1,450**	1,639
Foreclosed assets:			
GNMA (2)		**1,479**	1,319
Other		**2,730**	3,342
Operating lease assets		**1,955**	1,825
Due from customers on acceptances		**399**	225
Other		**18,071**	17,172
Total other assets	$	**104,563**	101,022

(1) Represents low income housing tax credit investments.
(2) These are foreclosed real estate securing GNMA loans. 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.

Income related to nonmarketable equity investments was:

		Quarter ended Sept. 30,		Nine months ended Sept. 30,	
(in millions)		**2012**	2011	**2012**	2011
Net realized gains from private equity investments	$	**125**	212	**415**	813
All other		**(27)**	(19)	**(51)**	(200)
Total	$	**98**	193	**364**	613

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Note 7: Securitizations and Variable Interest Entities

Involvement with SPEs

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Historically, the majority of SPEs were formed in connection with securitization transactions. In a securitization transaction, assets from our balance sheet are transferred to an SPE, which then issues to investors various forms of interests in those assets and may also enter into derivative transactions. In a securitization transaction, we typically receive cash and/or other interests in an SPE as proceeds for the assets we transfer. Also, in certain transactions, we may retain the right to service the transferred receivables and to repurchase those receivables from the SPE if the outstanding balance of the receivables falls to a level where the cost exceeds the benefits of servicing such receivables. In addition, we may purchase the right to service loans in an SPE that were transferred to the SPE by a third party.

In connection with our securitization activities, we have various forms of ongoing involvement with SPEs, which may include:

- underwriting securities issued by SPEs and subsequently making markets in those securities;
- providing liquidity facilities to support short-term obligations of SPEs issued to third party investors;
- providing credit enhancement on securities issued by SPEs or market value guarantees of assets held by SPEs through the use of letters of credit, financial guarantees, credit default swaps and total return swaps;
- entering into other derivative contracts with SPEs;
- holding senior or subordinated interests in SPEs;
- acting as servicer or investment manager for SPEs; and
- providing administrative or trustee services to SPEs.

SPEs are generally considered variable interest entities (VIEs). A VIE is an entity that has either a total equity investment that is insufficient to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity s activities. A VIE is consolidated by its primary beneficiary, the party that has both the power to direct the activities that most significantly impact the VIE and a variable interest that could potentially be significant to the VIE. A variable interest is a contractual, ownership or other interest that changes with changes in the fair value of the VIE s net assets. To determine whether or not a variable interest we hold could potentially be significant to the VIE, we consider both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIE. We assess whether or not we are the primary beneficiary of a VIE on an on-going basis.

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

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

(in millions)	VIEs that we do not consolidate	VIEs that we consolidate		Transfers that we account for as secured borrowings	Total
September 30, 2012					
Cash	**$ -**	**264**		**104**	**368**
Trading assets	**2,288**	**520**		**229**	**3,037**
Securities available for sale (1)	**20,287**	**2,747**		**13,952**	**36,986**
Mortgages held for sale	**-**	**602**		**-**	**602**
Loans	**9,641**	**10,846**		**7,189**	**27,676**
Mortgage servicing rights	**10,424**	**-**		**-**	**10,424**
Other assets	**4,841**	**502**		**163**	**5,506**
Total assets	**47,481**	**15,481**		**21,637**	**84,599**
Short-term borrowings	**-**	**2,190**	(2)	**12,221**	**14,411**
Accrued expenses and other liabilities	**3,638**	**850**	(2)	**148**	**4,636**
Long-term debt	**-**	**3,900**	(2)	**6,665**	**10,565**
Total liabilities	**3,638**	**6,940**		**19,034**	**29,612**
Noncontrolling interests	**-**	**52**		**-**	**52**
Net assets	**$ 43,843**	**8,489**		**2,603**	**54,935**
December 31, 2011					
Cash	$ -	321		11	332
Trading assets	3,723	293		30	4,046
Securities available for sale (1)	21,708	3,332		11,671	36,711
Mortgages held for sale	-	444		-	444
Loans	11,404	11,967		7,181	30,552
Mortgage servicing rights	12,080	-		-	12,080
Other assets	4,494	1,858		137	6,489
Total assets	53,409	18,215		19,030	90,654
Short-term borrowings	-	3,450	(2)	10,682	14,132
Accrued expenses and other liabilities	3,350	1,138	(2)	121	4,609
Long-term debt	-	4,932	(2)	6,686	11,618
Total liabilities	3,350	9,520		17,489	30,359
Noncontrolling interests	-	61		-	61

Net assets	$	50,059	8,634	1,541	60,234

(1) Excludes certain debt securities related to loans serviced for the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and GNMA.
(2) Includes the following VIE liabilities at September 30, 2012, and December 31, 2011, respectively, with recourse to the general credit of Wells Fargo: Short-term borrowings, $2.2 billion and $3.4 billion; Accrued expenses and other liabilities, $722 million and $963 million; and Long-term debt, $29 million and $30 million.

Transactions with Unconsolidated VIEs

Our transactions with VIEs include securitizations of residential mortgage loans, CRE loans, student loans and auto loans and leases; investment and financing activities involving CDOs backed by asset-backed and CRE securities, collateralized loan obligations (CLOs) backed by corporate loans, and other types of structured financing. We have various forms of involvement with VIEs, including holding senior or subordinated interests, entering into liquidity arrangements, credit default swaps and other derivative contracts. Involvements with these unconsolidated VIEs are recorded on our balance sheet primarily in trading assets, securities available for sale, loans, MSRs, other assets and other liabilities, as appropriate.

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

Significant continuing involvement includes transactions where we were the sponsor or transferor and have other significant forms of involvement. Sponsorship includes transactions with unconsolidated VIEs where we solely or materially participated in the initial design or structuring of the entity or marketing of the transaction to investors. When we transfer assets to a VIE and account for the transfer as a sale, we are considered the transferor. We consider investments in securities held outside of trading, loans, guarantees, liquidity

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

agreements, written options and servicing of collateral to be other forms of involvement that may be significant. We have excluded certain transactions with unconsolidated VIEs from the balances presented in the table below where we have determined

that our continuing involvement is not significant due to the temporary nature and size of our variable interests, because we were not the transferor or because we were not involved in the design or operations of the unconsolidated VIEs.

(in millions)	Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
September 30, 2012						
						Carrying value - asset (liability)
Residential mortgage loan securitizations:						
Conforming	$ 1,264,447	3,658	9,640	-	(1,533)	11,765
Other/nonconforming	52,710	2,330	303	1	(54)	2,580
Commercial mortgage securitizations	171,208	7,398	452	408	-	8,258
Collateralized debt obligations:						
Debt securities	7,975	400	-	406	144	950
Loans (2)	8,177	7,972	-	-	-	7,972
Asset-based finance structures	9,866	6,651	-	(108)	-	6,543
Tax credit structures	19,250	4,500	-	-	(1,636)	2,864
Collateralized loan obligations	8,166	1,629	-	6	-	1,635
Investment funds	4,578	50	-	-	-	50
Other (3)	16,858	1,270	29	8	(81)	1,226
Total	$ 1,563,235	35,858	10,424	721	(3,160)	43,843
						Maximum exposure to loss
Residential mortgage loan securitizations:						
Conforming		$ 3,658	9,640	-	4,955	18,253
Other/nonconforming		2,330	303	1	350	2,984
Commercial mortgage securitizations		7,398	452	574	-	8,424
Collateralized debt obligations:						
Debt securities		400	-	759	144	1,303
Loans (2)		7,972	-	-	-	7,972
Asset-based finance structures		6,651	-	108	1,960	8,719
Tax credit structures		4,500	-	-	-	4,500
Collateralized loan obligations		1,629	-	6	322	1,957
Investment funds		50	-	-	36	86
Other (3)		1,270	29	347	150	1,796
Total		$ 35,858	10,424	1,795	7,917	55,994

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(continued from previous page)

(in millions)		Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2011							
							Carrying value - asset (liability)
Residential mortgage loan securitizations:							
Conforming	$	1,135,629	4,682	11,070	-	(975)	14,777
Other/nonconforming		61,461	2,460	353	1	(48)	2,766
Commercial mortgage securitizations		179,007	7,063	623	349	-	8,035
Collateralized debt obligations:							
Debt securities		11,240	1,107	-	193	-	1,300
Loans (2)		9,757	9,511	-	-	-	9,511
Asset-based finance structures		9,606	6,942	-	(130)	-	6,812
Tax credit structures		19,257	4,119	-	-	(1,439)	2,680
Collateralized loan obligations		12,191	2,019	-	40	-	2,059
Investment funds		6,318	-	-	-	-	-
Other (3)		18,717	1,896	34	190	(1)	2,119
Total	$	1,463,183	39,799	12,080	643	(2,463)	50,059
							Maximum exposure to loss
Residential mortgage loan securitizations:							
Conforming			$ 4,682	11,070	-	3,657	19,409
Other/nonconforming			2,460	353	1	295	3,109
Commercial mortgage securitizations			7,063	623	538	-	8,224
Collateralized debt obligations:							
Debt securities			1,107	-	874	-	1,981
Loans (2)			9,511	-	-	-	9,511
Asset-based finance structures			6,942	-	130	1,504	8,576
Tax credit structures			4,119	-	-	-	4,119
Collateralized loan obligations			2,019	-	41	523	2,583
Investment funds			-	-	-	41	41
Other (3)			1,896	34	903	150	2,983
Total			$ 39,799	12,080	2,487	6,170	60,536

(1) Includes total equity interests of $497 million and $460 million at September 30, 2012, and December 31, 2011, respectively. Also includes debt interests in the form of both loans and securities. Excludes certain debt securities held related to loans serviced for FNMA, FHLMC and GNMA.

(2) Represents senior loans to trusts that are collateralized by asset-backed securities. The trusts invest primarily in senior tranches from a diversified pool of primarily U.S. asset securitizations, of which all are current, and over 83% were rated as investment grade by the primary rating agencies at September 30, 2012. These senior loans are accounted for at amortized cost and are subject to the Company s allowance and credit charge-off policies.

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

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

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

RESIDENTIAL MORTGAGE LOANS Residential mortgage loan securitizations are financed through the issuance of fixed- or floating-rate-asset-backed-securities, which are collateralized by the loans transferred to a VIE. We typically transfer loans we originated to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial interests issued by the VIEs. We also may be exposed to limited liability related to recourse agreements and repurchase agreements we make to our issuers and purchasers, which are included in other commitments and guarantees. In certain instances, we may service residential mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. Our residential mortgage loan securitizations consist of conforming and nonconforming securitizations.

Conforming residential mortgage loan securitizations are those that are guaranteed by GSEs, including GNMA. We do not consolidate our conforming residential mortgage loan securitizations because we do not have power over the VIEs.

The loans sold to the VIEs in nonconforming residential mortgage loan securitizations are those that do not qualify for a GSE guarantee. We may hold variable interests issued by the VIEs, primarily in the form of senior securities. We do not consolidate the nonconforming residential mortgage loan securitizations included in the table because we either do not hold any variable interests, hold variable interests that we do not consider potentially significant or are not the primary servicer for a majority of the VIE assets.

Other commitments and guarantees include amounts related to loans sold that we may be required to repurchase, or otherwise indemnify or reimburse the investor or insurer for losses incurred, due to material breach of contractual representations and warranties. The maximum exposure to loss for material breach of contractual representations and warranties represents a stressed case estimate we utilize for

determining stressed case regulatory capital needs and is considered to be a remote scenario.

COMMERCIAL MORTGAGE LOAN SECURITIZATIONS Commercial mortgage loan securitizations are financed through the issuance of fixed- or floating-rate-asset-backed-securities, which are collateralized by the loans transferred to the VIE. In a typical securitization, we may transfer loans we originate to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial interests issued by the VIEs. In certain instances, we may service commercial mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. We typically serve as primary or master servicer of these VIEs. The primary or master servicer in a commercial mortgage loan securitization typically cannot make the most significant decisions impacting the performance of the VIE and therefore does not have power over the VIE. We do not consolidate the commercial mortgage loan securitizations included in the disclosure because we either do not have power or do not have a variable interest that could potentially be significant to the VIE.

COLLATERALIZED DEBT OBLIGATIONS (CDOs) A CDO is a securitization where an SPE purchases a pool of assets consisting of asset-backed securities and issues multiple tranches of equity or notes to investors. In some transactions, a portion of the assets are obtained synthetically through the use of derivatives such as credit default swaps or total return swaps.

Prior to 2008, we engaged in the structuring of CDOs on behalf of third party asset managers who would select and manage the assets for the CDO. Typically, the asset manager has some discretion to manage the sale of assets of, or derivatives used by the CDO, which generally gives the asset manager the power over the CDO. We have not structured these types of transactions since the credit market disruption began in late 2007.

In addition to our role as arranger we may have other forms of involvement with these transactions, including transactions established prior to 2008. Such involvement may include acting as liquidity provider, derivative counterparty, secondary market maker or investor. For certain transactions, we may also act as the collateral manager or servicer. We receive fees in connection with our role as collateral manager or servicer.

We assess whether we are the primary beneficiary of CDOs based on our role in the transaction in combination with the variable interests we hold. Subsequently, we monitor our ongoing involvement in these transactions to determine if the nature of our involvement has changed. We are not the primary beneficiary of these transactions in most cases because we do not act as the collateral manager or servicer, which generally denotes power. In cases where we are the collateral manager or servicer, we are not the primary beneficiary because we do not hold interests that could potentially be significant to the VIE.

COLLATERALIZED LOAN OBLIGATIONS (CLOs) A CLO is a securitization where an SPE purchases a pool of assets consisting of loans and issues multiple tranches of equity or notes to investors. Generally, CLOs are structured on behalf of a third

party asset manager that typically selects and manages the assets for the term of the CLO. Typically, the asset manager has the power over the significant decisions of the VIE through its discretion to manage the assets of the CLO. We assess whether we are the primary beneficiary of CLOs based on our role in the transaction and the variable interests we hold. In most cases, we are not the primary beneficiary of these transactions because we do not have the power to manage the collateral in the VIE.

In addition to our role as arranger, we may have other forms of involvement with these transactions. Such involvement may include acting as underwriter, derivative counterparty, secondary market maker or investor. For certain transactions, we may also act as the servicer, for which we receive fees in connection with that role. We also earn fees for arranging these transactions and distributing the securities.

ASSET-BASED FINANCE STRUCTURES We engage in various forms of structured finance arrangements with VIEs that are collateralized by various asset classes including energy contracts, auto and other transportation leases, intellectual property, equipment and general corporate credit. We typically provide senior financing, and may act as an interest rate swap or commodity derivative counterparty when necessary. In most cases, we are not the primary beneficiary of these structures because we do not have power over the significant activities of the VIEs involved in these transactions.

For example, we have investments in asset-backed securities that are collateralized by auto leases or loans and cash reserves. These fixed-rate and variable-rate securities have been structured as single-tranche, fully amortizing, unrated bonds that are equivalent to investment-grade securities due to their significant overcollateralization. The securities are issued by VIEs that have been formed by third party auto financing institutions primarily because they require a source of liquidity to fund ongoing vehicle sales operations. The third party auto financing institutions manage the collateral in the VIEs, which is indicative of power in these transactions and we therefore do not consolidate these VIEs.

TAX CREDIT STRUCTURES We co-sponsor and make investments in affordable housing and sustainable energy projects that are designed to generate a return primarily through the realization of federal tax credits. In some instances, our investments in these structures may require that we fund future capital commitments at the discretion of the project sponsors. While the size of our investment in a single entity may at times exceed 50% of the outstanding equity interests, we do not consolidate these structures due to the project sponsor s ability to manage the projects, which is indicative of power in these transactions.

INVESTMENT FUNDS We do not consolidate the investment funds because we do not absorb the majority of the expected future variability associated with the funds assets, including variability associated with credit, interest rate and liquidity risks.

OTHER TRANSACTIONS WITH VIEs In 2008, legacy Wachovia reached an agreement to purchase at par auction rate securities (ARS) that were sold to third-party investors by certain of its subsidiaries. ARS are debt instruments with long-term maturities, but which re-price more frequently, and preferred equities with no maturity. We purchased all outstanding ARS that were issued by VIEs and subject to the agreement. At September 30, 2012, we held in our securities available-for-sale portfolio $406 million of ARS issued by VIEs redeemed pursuant to this agreement, compared with $643 million at December 31, 2011.

In 2009, we reached agreements to purchase additional ARS from eligible investors who bought ARS through one of our broker-dealer subsidiaries. We purchased all outstanding ARS that were issued by VIEs and subject to the agreement. As of September 30, 2012, we held in our securities available-for-sale portfolio $345 million of ARS issued by VIEs redeemed pursuant to this agreement, compared with $624 million at December 31, 2011.

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

TRUST PREFERRED SECURITIES In addition to the involvements disclosed in the preceding table, through the issuance of trust preferred securities we had junior subordinated debt financing with a carrying value of $5.0 billion at September 30, 2012, and $7.6 billion at December 31, 2011 and $2.5 billion of preferred stock at both September 30, 2012, and December 31, 2011. In these transactions, VIEs that we wholly own issue debt securities or preferred equity to third party investors. All of the proceeds of the issuance are invested in debt securities or preferred equity that we issue to the VIEs. The VIEs operations and cash flows relate only to the issuance, administration and repayment of the securities held by third parties. We do not consolidate these VIEs because the sole assets of the VIEs are receivables from us. This is the case even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs and may have the right to redeem the third party securities under certain circumstances. We report the debt securities issued to the VIEs as long-term junior subordinated debt and the preferred equity securities issued to the VIEs as preferred stock in our consolidated balance sheet.

In the first nine months of 2012, we redeemed $2.7 billion of trust preferred securities that will no longer count as Tier 1 capital under the Dodd-Frank Act and the Basel Committee recommendations known as the Basel III standards.

Securitization Activity Related to Unconsolidated VIEs

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

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

We recognized net gains of $97 million and $161 million from transfers accounted for as sales of financial assets in securitizations in the third quarter and nine months ended

September 30, 2012, respectively, and net gains of $39 million and $105 million, respectively, in the same periods of 2011. Additionally, we had the following cash flows with our securitization trusts that were involved in transfers accounted for as sales.

		2012		2011
(in millions)	**Mortgage loans**	**Other financial assets**	Mortgage loans	Other financial assets
Quarter ended September 30,				
Sales proceeds from securitizations (1)	$ **135,596**	**-**	76,730	-
Servicing fees	**1,088**	**3**	1,104	3
Other interests held	**466**	**20**	390	73
Purchases of delinquent assets	**2**	**-**	3	-
Net servicing advances	**25**	**-**	29	-
Nine months ended September 30,				
Sales proceeds from securitizations (1)	$ **412,465**	**-**	247,944	-
Servicing fees	**3,312**	**8**	3,297	9
Other interests held	**1,333**	**114**	1,406	213
Purchases of delinquent assets	**54**	**-**	8	-
Net servicing advances	**151**	**-**	9	-

(1) Represents cash flow data for all loans securitized in the period presented.

Sales with continuing involvement during the third quarter and first nine months of 2012 and 2011 predominantly related to conforming residential mortgage securitizations. During the third quarter and first nine months of 2012 we transferred $129.3 billion and $398.4 billion, respectively, in fair value of conforming residential mortgages to unconsolidated VIEs and recorded the transfers as sales, compared with $73.1 billion and $245.4 billion, respectively, in the same periods of 2011. These transfers did not result in a gain or loss because the loans are already carried at fair value. In connection with these transfers, in the first nine months of 2012 we recorded a $3.8 billion servicing asset, measured at fair value using a Level 3 measurement technique, and a $209 million liability for probable repurchase losses. In the first nine months of 2011, we recorded a $2.7 billion servicing asset and a $74 million liability.

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

	Residential mortgage servicing rights	
	2012	2011
Quarter ended September 30,		
Prepayment speed (1)	**13.9%**	13.6
Discount rate	**7.3**	7.7
Cost to service ($ per loan) (2)	**$ 169**	167
Nine months ended September 30,		
Prepayment speed (1)	**13.4%**	12.5
Discount rate	**7.3**	7.9
Cost to service ($ per loan) (2)	**$ 143**	158

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

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The following table provides key economic assumptions and the sensitivity of the current fair value of residential mortgage servicing rights and other retained interests to immediate adverse changes in those assumptions. Other interests held relate predominantly to residential and commercial mortgage loan securitizations. Residential mortgage-backed securities retained in securitizations issued through GSEs, such as FNMA, FHLMC and GNMA, are excluded from the table because these securities have a remote risk of credit loss due to the GSE

guarantee. These securities also have economic characteristics similar to GSE mortgage-backed securities that we purchase, which are not included in the table. Subordinated interests include only those bonds whose credit rating was below AAA by a major rating agency at issuance. Senior interests include only those bonds whose credit rating was AAA by a major rating agency at issuance. The information presented excludes trading positions held in inventory.

		Other interests held				
	Residential mortgage	Consumer			Commercial (2)	
($ in millions, except cost to service amounts)	servicing rights (1)	Interest-only strips	Subordinated bonds	Senior bonds	Subordinated bonds	Senior bonds
Fair value of interests held at September 30, 2012	**$ 10,956**	**201**	**44**	**-**	**247**	**870**
Expected weighted-average life (in years)	**4.5**	**4.1**	**6.0**	**-**	**5.0**	**5.0**
Key economic assumptions:						
Prepayment speed assumption (3)	**17.2 %**	**10.7**	**6.8**	**-**		
Decrease in fair value from:						
10% adverse change	**$ 853**	**5**	**-**	**-**		
25% adverse change	**1,994**	**12**	**-**	**-**		
Discount rate assumption	**7.2 %**	**16.6**	**8.7**	**-**	**4.6**	**2.4**
Decrease in fair value from:						
100 basis point increase	**$ 513**	**5**	**2**	**-**	**10**	**36**
200 basis point increase	**981**	**9**	**4**	**-**	**19**	**70**
Cost to service assumption ($ per loan)	**219**					
Decrease in fair value from:						
10% adverse change	**589**					
25% adverse change	**1,472**					
Credit loss assumption			**0.4 %**	**-**	**10.9**	**-**
Decrease in fair value from:						
10% higher losses			**$ -**	**-**	**10**	**-**
25% higher losses			**-**	**-**	**18**	**-**
Fair value of interests held at December 31, 2011	$ 12,918	230	45	321	240	852
Expected weighted-average life (in years)	5.1	4.6	6.1	5.6	5.3	4.4
Key economic assumptions:						
Prepayment speed assumption (3)	14.8 %	10.7	6.9	13.9		
Decrease in fair value from:						
10% adverse change	$ 895	6	-	2		
25% adverse change	2,105	15	1	4		
Discount rate assumption	7.1 %	15.6	11.9	7.1	3.8	2.4
Decrease in fair value from:						
100 basis point increase	$ 566	6	2	12	9	31
200 basis point increase	1,081	12	4	24	18	59
Cost to service assumption ($ per loan)	218					
Decrease in fair value from:						
10% adverse change	582					
25% adverse change	1,457					

Credit loss assumption	0.5 %	4.5	10.7	-
Decrease in fair value from:				
10% higher losses	$ -	1	8	-
25% higher losses	-	2	18	-

(1) December 31, 2011, has been revised to report only the sensitivities for residential mortgage servicing rights. See narrative following this table for a discussion of commercial mortgage servicing rights.
(2) Other interests held has been expanded to include retained interests from commercial securitizations.
(3) The prepayment speed assumption for residential mortgage servicing rights includes a blend of prepayment speeds and default rates. Prepayment speed assumptions are influenced by mortgage interest rate inputs as well as our estimation of drivers of borrower behavior.

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

In addition to residential mortgage servicing rights (MSRs) included in the previous table, we have a small portfolio of commercial MSRs with a fair value of $1.4 billion at September 30, 2012, and December 31, 2011. The nature of our commercial MSRs, which are carried at LOCOM, is different from our residential MSRs. Prepayment activity on serviced loans does not significantly impact the value of commercial MSRs because, unlike residential mortgages, commercial mortgages experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower s ability to prepay the mortgage. Additionally, for our commercial MSR portfolio, we are typically master/primary servicer, but not the special servicer, who is separately responsible for the servicing and workout of delinquent and foreclosed loans. It is the special servicer, similar to our role as servicer of residential mortgage loans, who is affected by higher servicing and foreclosure costs due to an increase in delinquent and foreclosed loans. Accordingly, prepayment speeds and costs to service are not key assumptions for commercial MSRs as they do not significantly impact the valuation. The primary economic driver impacting the fair value of our commercial MSRs is forward interest rates, which are derived from market observable yield curves used to price capital markets instruments. Market interest rates most significantly affect interest earned on custodial deposit balances. The sensitivity of the current fair value to an immediate adverse 25% change in the assumption about interest earned on deposit balances at September 30, 2012, and December 31, 2011, results in a decrease in fair value of $147 million and $219 million,

respectively. See Note 8 for further information on our commercial MSRs.

The sensitivities in the preceding paragraph and table are hypothetical and caution should be exercised when relying on this data. Changes in value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in the assumption to the change in value may not be linear. Also, the effect of a variation in a particular assumption on the value of the other interests held is calculated independently without changing any other assumptions. In reality, changes in one factor may result in changes in others (for example, changes in prepayment speed estimates could result in changes in the credit losses), which might magnify or counteract the sensitivities.

The following table presents information about the principal balances of off-balance sheet securitized loans, including residential mortgages sold to FNMA, FHLMC, GNMA and securitizations where servicing is our only form of continuing involvement. Delinquent loans include loans 90 days or more past due and still accruing interest as well as nonaccrual loans. In securitizations where servicing is our only form of continuing involvement, we would only experience a loss if required to repurchase a delinquent loan due to a breach in representations and warranties associated with our loan sale or servicing contracts. Net charge-offs exclude loans sold to FNMA, FHLMC and GNMA as we do not service or manage the underlying real estate upon foreclosure and, as such, do not have access to net charge-off information.

	Total loans		Delinquent loans		Net charge-offs Nine months ended September 30,	
(in millions)	**Sept. 30, 2012**	Dec. 31, 2011	**Sept. 30, 2012**	Dec. 31, 2011	**2012**	2011
Commercial:						
Real estate mortgage	$ **131,640**	137,121	**13,091**	11,142	**323**	307
Total commercial	**131,640**	137,121	**13,091**	11,142	**323**	307
Consumer:						
Real estate 1-4 family first mortgage	**1,283,700**	1,171,666	**22,263**	24,235	**876**	1,216
Real estate 1-4 family junior lien mortgage	**1**	2	**-**	-	**-**	16
Other revolving credit and installment	**2,082**	2,271	**114**	131	**-**	-
Total consumer	**1,285,783**	1,173,939	**22,377**	24,366	**876**	1,232
Total off-balance sheet securitized loans	$ **1,417,423**	1,311,060	**35,468**	35,508	**1,199**	1,539

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Transactions with Consolidated VIEs and Secured Borrowings

The following table presents a summary of transfers of financial assets accounted for as secured borrowings and involvements with consolidated VIEs. Consolidated assets are presented using GAAP measurement methods, which may include fair value, credit impairment or other adjustments, and therefore in

some instances will differ from Total VIE assets. For VIEs that obtain exposure synthetically through derivative instruments, the remaining notional amount of the derivative is included in Total VIE assets. On the consolidated balance sheet, we separately disclose the consolidated assets of certain VIEs that can only be used to settle the liabilities of those VIEs.

			Carrying value			
(in millions)		Total VIE assets	Consolidated assets	Third party liabilities	Noncontrolling interests	Net assets
September 30, 2012						
Secured borrowings:						
Municipal tender option bond securitizations	**$**	**15,902**	**14,247**	**(12,369)**	**-**	**1,878**
Commercial real estate loans		**1,059**	**1,059**	**(773)**	**-**	**286**
Residential mortgage securitizations		**5,831**	**6,331**	**(5,892)**	**-**	**439**
Total secured borrowings		**22,792**	**21,637**	**(19,034)**	**-**	**2,603**
Consolidated VIEs:						
Nonconforming residential mortgage loan securitizations		**9,091**	**8,098**	**(3,176)**	**-**	**4,922**
Multi-seller commercial paper conduit		**2,142**	**2,142**	**(2,175)**	**-**	**(33)**
Auto loan securitizations		**-**	**-**	**-**	**-**	**-**
Structured asset finance		**84**	**84**	**(17)**	**-**	**67**
Investment funds		**1,861**	**1,861**	**(1)**	**-**	**1,860**
Other		**4,033**	**3,296**	**(1,571)**	**(52)**	**1,673**
Total consolidated VIEs		**17,211**	**15,481**	**(6,940)**	**(52)**	**8,489**
Total secured borrowings and consolidated VIEs	**$**	**40,003**	**37,118**	**(25,974)**	**(52)**	**11,092**
December 31, 2011						
Secured borrowings:						
Municipal tender option bond securitizations	$	14,168	11,748	(10,689)	-	1,059
Commercial real estate loans		1,168	1,168	(1,041)	-	127
Residential mortgage securitizations		5,705	6,114	(5,759)	-	355
Total secured borrowings		21,041	19,030	(17,489)	-	1,541
Consolidated VIEs:						
Nonconforming residential mortgage loan securitizations		11,375	10,244	(4,514)	-	5,730
Multi-seller commercial paper conduit		2,860	2,860	(2,935)	-	(75)
Auto loan securitizations		163	163	(143)	-	20
Structured asset finance		124	124	(16)	-	108
Investment funds		2,012	2,012	(22)	-	1,990
Other		3,432	2,812	(1,890)	(61)	861
Total consolidated VIEs		19,966	18,215	(9,520)	(61)	8,634
Total secured borrowings and consolidated VIEs	$	41,007	37,245	(27,009)	(61)	10,175

In addition to the transactions included in the previous table, at both September 30, 2012, and December 31, 2011, we had approximately $6.0 billion of private placement debt financing issued through a consolidated VIE. The issuance is classified as long-term debt in our consolidated financial statements. At September 30, 2012, and December 31, 2011, respectively, we pledged approximately $6.5 billion and $6.2 billion in loans (principal and interest eligible to be capitalized), $271 million and $316 million in securities available for sale, and $180 million and $154

million in cash and cash equivalents to collateralize the VIE s borrowings. These assets were not

transferred to the VIE, and accordingly we have excluded the VIE from the previous table.

We have raised financing through the securitization of certain financial assets in transactions with VIEs accounted for as secured borrowings. We also consolidate VIEs where we are the primary beneficiary. In certain transactions other than the multi-seller commercial paper conduit, we provide contractual support in the form of limited recourse and liquidity to facilitate the remarketing of short-term securities issued to third party investors. Other than this limited contractual support, the assets of the VIEs are the sole source of repayment of the securities held by third parties. The liquidity support we provide to the

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

multi-seller commercial paper conduit ensures timely repayment of commercial paper issued by the conduit and is described further below.

MUNICIPAL TENDER OPTION BOND SECURITIZATIONS As part of our normal portfolio investment activities, we consolidate municipal bond trusts that hold highly rated, long-term, fixed-rate municipal bonds, the majority of which are rated AA or better. Our residual interests in these trusts generally allow us to capture the economics of owning the securities outright, and constructively make decisions that significantly impact the economic performance of the municipal bond vehicle, primarily by directing the sale of the municipal bonds owned by the vehicle. In addition, the residual interest owners have the right to receive benefits and bear losses that are proportional to owning the underlying municipal bonds in the trusts. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third-party investors. We may serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates, often with as little as seven days notice. Should we be unable to remarket the tendered certificates, we are generally obligated to purchase them at par under standby liquidity facilities unless the bond s credit rating has declined below investment grade or there has been an event of default or bankruptcy of the issuer and insurer.

NONCONFORMING RESIDENTIAL MORTGAGE LOAN SECURITIZATIONS We have consolidated certain of our nonconforming residential mortgage loan securitizations in accordance with consolidation accounting guidance. We have determined we are the primary beneficiary of these securitizations because we have the power to direct the most significant activities of the entity through our role as primary servicer and also hold variable interests that we have determined to be significant. The nature of our variable interests in these entities may include beneficial interests issued by the VIE, mortgage servicing rights and recourse or repurchase reserve liabilities. The beneficial interests issued by the VIE that we hold include either subordinate or senior securities held in an amount that we consider potentially significant.

MULTI-SELLER COMMERCIAL PAPER CONDUIT We administer a multi-seller asset-based commercial paper conduit that finances certain client transactions. This conduit is a bankruptcy remote entity that makes loans to, or purchases certificated interests, generally from SPEs, established by our clients (sellers) and which are secured by pools of financial assets. The conduit funds itself through the issuance of highly rated commercial paper to third party investors. The primary source of repayment of the commercial paper is the cash flows from the conduit s assets or the re-issuance of commercial paper upon maturity. The conduit s assets are structured with deal-specific credit enhancements generally in the form of overcollateralization provided by the seller, but may also include subordinated interests, cash reserve accounts, third party credit support facilities and excess spread capture. The timely repayment of the commercial paper is further supported by

asset-specific liquidity facilities in the form of liquidity asset purchase agreements that we provide. Each facility is equal to 102% of the conduit s funding commitment to a client. The aggregate amount of liquidity must be equal to or greater than all the commercial paper issued by the conduit. At the discretion of the administrator, we may be required to purchase assets from the conduit at par value plus accrued interest or discount on the related commercial paper, including situations where the conduit is unable to issue commercial paper. Par value may be different from fair value.

We receive fees in connection with our role as administrator and liquidity provider. We may also receive fees related to the structuring of the conduit s transactions. We are the primary beneficiary of the conduit because we have power over the significant activities of the conduit and have a significant variable interest due to our liquidity arrangement.

INVESTMENT FUNDS We have consolidated certain of our investment funds where we manage the assets of the fund and our interests absorb a majority of the funds variability. We consolidate these VIEs because we have discretion over the management of the assets and are the sole investor in these funds.

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Note 8: Mortgage Banking Activities

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

We apply the amortization method to all commercial MSRs and apply the fair value method to only residential MSRs. The changes in MSRs measured using the fair value method were:

	Quarter ended Sept. 30,		Nine months ended Sept. 30,	
(in millions)	**2012**	2011	**2012**	2011
Fair value, beginning of period	**$ 12,081**	14,778	**12,603**	14,467
Servicing from securitizations or asset transfers (1)	**1,173**	744	**4,088**	2,746
Sales	**-**	-	**(293)**	-
Net additions	**1,173**	744	**3,795**	2,746
Changes in fair value:				
Due to changes in valuation model inputs or assumptions:				
Mortgage interest rates (2)	**(1,131)**	(2,867)	**(2,480)**	(3,266)
Servicing and foreclosure costs (3)	**(350)**	(33)	**(550)**	(692)
Discount rates (4)	**-**	-	**(344)**	(150)
Prepayment estimates and other (5)	**54**	260	**158**	892
Net changes in valuation model inputs or assumptions	**(1,427)**	(2,640)	**(3,216)**	(3,216)
Other changes in fair value (6)	**(871)**	(510)	**(2,226)**	(1,625)
Total changes in fair value	**(2,298)**	(3,150)	**(5,442)**	(4,841)
Fair value, end of period	**$ 10,956**	12,372	**10,956**	12,372

(1) Nine months ended September 30, 2012, includes $315 million residential MSRs transferred from amortized MSRs that we elected to carry at fair value effective January 1, 2012.
(2) Primarily represents prepayment speed changes due to changes in mortgage interest rates, but also includes other valuation changes due to changes in mortgage interest rates (such as changes in estimated interest earned on custodial deposit balances).
(3) Includes costs to service and unreimbursed foreclosure costs.
(4) Reflects discount rate assumption change, excluding portion attributable to changes in mortgage interest rates; the nine months ended September 30, 2012, change reflects increased capital return requirements from market participants.
(5) Represents changes driven by other valuation model inputs or assumptions including prepayment speed estimation changes and other assumption updates. Prepayment speed estimation changes are influenced by observed changes in borrower behavior.
(6) Represents changes due to collection/realization of expected cash flows over time.

The changes in amortized MSRs were:

	Quarter ended Sept. 30,		Nine months ended Sept. 30,	
(in millions)	**2012**	2011	**2012**	2011
Balance, beginning of period	$ **1,130**	1,432	**1,445**	1,422
Purchases	**42**	21	**134**	102
Servicing from securitizations or asset transfers (1)	**30**	50	**(263)**	106
Amortization (2)	**(58)**	(66)	**(172)**	(193)
Balance, end of period (2)	**1,144**	1,437	**1,144**	1,437
Valuation allowance:				
Balance, beginning of period	**-**	(10)	**(37)**	(3)
Reversal of provision (provision) for MSRs in excess of fair value (1)	**-**	(30)	**37**	(37)
Balance, end of period (3)	**-**	(40)	**-**	(40)
Amortized MSRs, net	$ **1,144**	1,397	**1,144**	1,397
Fair value of amortized MSRs:				
Beginning of period	$ **1,450**	1,805	**1,756**	1,812
End of period (4)	**1,399**	1,759	**1,399**	1,759

(1) Nine months ended September 30, 2012, is net of $350 million ($313 million after valuation allowance) of residential MSRs that we elected to carry at fair value effective January 1, 2012. A cumulative adjustment of $2 million to fair value was recorded in retained earnings at January 1, 2012.

(2) Includes $367 million in residential amortized MSRs at September 30, 2011. For the third quarter and first nine months of 2011, the residential MSR amortization was $(13) million and $(34) million, respectively.

(3) Commercial amortized MSRs are evaluated for impairment purposes by the following risk strata: agency (GSEs) and non-agency. There was no valuation allowance recorded for the periods presented on the commercial amortized MSRs. Residential amortized MSRs are evaluated for impairment purposes by the following risk strata: mortgages sold to GSEs (FHLMC and FNMA) and mortgages sold to GNMA, each by interest rate stratifications. A valuation allowance of $40 million was recorded on the residential amortized MSRs at September 30, 2011. For nine months ended September 30, 2012, valuation allowance of $37 million for residential MSRs was reversed upon election to carry at fair value.

(4) Includes fair value of $330 million in residential amortized MSRs and $1,429 million in commercial amortized MSRs at September 30, 2011. The September 30, 2012, balance is all commercial amortized MSRs.

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Note 8: Mortgage Banking Activities *(continued)*

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

(in billions)		Sept. 30, 2012	Dec. 31, 2011
Residential mortgage servicing:			
Serviced for others	$	**1,508**	1,456
Owned loans serviced		**364**	358
Subservicing		**7**	8
Total residential servicing		**1,879**	1,822
Commercial mortgage servicing:			
Serviced for others		**405**	398
Owned loans serviced		**105**	106
Subservicing		**13**	14
Total commercial servicing		**523**	518
Total managed servicing portfolio	$	**2,402**	2,340
Total serviced for others	$	**1,913**	1,854
Ratio of MSRs to related loans serviced for others		**0.63%**	0.76

The components of mortgage banking noninterest income were:

(in millions)		Quarter ended Sept. 30, 2012	2011	Nine months ended Sept. 30, 2012	2011
Servicing income, net:					
Servicing fees:					
Contractually specified servicing fees	$	**1,136**	1,153	**3,448**	3,473
Late charges		**66**	64	**195**	233
Ancillary fees		**89**	104	**229**	267
Unreimbursed direct servicing costs (1)		**(307)**	(292)	**(807)**	(705)
Net servicing fees		**984**	1,029	**3,065**	3,268

Changes in fair value of MSRs carried at fair value:					
Due to changes in valuation model inputs or assumptions (2)		**(1,427)**	(2,640)	**(3,216)**	(3,216)
Other changes in fair value (3)		**(871)**	(510)	**(2,226)**	(1,625)
Total changes in fair value of MSRs carried at fair value		**(2,298)**	(3,150)	**(5,442)**	(4,841)
Amortization		**(58)**	(66)	**(172)**	(193)
Provision for MSRs in excess of fair value		**-**	(30)	**-**	(37)
Net derivative gains from economic hedges (4)		**1,569**	3,247	**3,677**	4,576
Total servicing income, net		**197**	1,030	**1,128**	2,773
Net gains on mortgage loan origination/sales activities		**2,610**	803	**7,442**	2,695
Total mortgage banking noninterest income	**$**	**2,807**	1,833	**8,570**	5,468
Market-related valuation changes to MSRs, net of hedge results (2) + (4)	**$**	**142**	607	**461**	1,360

(1) Primarily associated with foreclosure expenses and other interest costs.
(2) Refer to the changes in fair value of MSRs table in this Note for more detail.
(3) Represents changes due to collection/realization of expected cash flows over time.
(4) Represents results from free-standing derivatives (economic hedges) used to hedge the risk of changes in fair value of MSRs. See Note 12 Free-Standing Derivatives for additional discussion and detail.

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The table below summarizes the changes in our liability for mortgage loan repurchase losses. This liability is in Accrued expenses and other liabilities in our consolidated financial statements and the provision for repurchase losses reduces net gains on mortgage loan origination/sales activities. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. We maintain regular contact with the GSEs, the Federal Housing Finance Agency (FHFA), and other significant investors to monitor their repurchase demand practices and issues as part of our process to update our repurchase liability estimate as new information becomes available. 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.

		Quarter ended Sept. 30,		Nine months ended Sept. 30,	
(in millions)		**2012**	2011	**2012**	2011
Balance, beginning of period	$	**1,764**	1,188	**1,326**	1,289
Provision for repurchase losses:					
Loan sales		**75**	19	**209**	74
Change in estimate (1)		**387**	371	**1,352**	807
Total additions		**462**	390	**1,561**	881
Losses		**(193)**	(384)	**(854)**	(976)
Balance, end of period	$	**2,033**	1,194	**2,033**	1,194

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

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Note 9: Intangible Assets

The gross carrying value of intangible assets and accumulated amortization was:

		September 30, 2012			December 31, 2011	
(in millions)	**Gross carrying value**	**Accumulated amortization**	**Net carrying value**	Gross carrying value	Accumulated amortization	Net carrying value
Amortized intangible assets (1):						
MSRs (2)	**$ 2,240**	**(1,096)**	**1,144**	2,383	(975)	1,408
Core deposit intangibles	**12,836**	**(6,572)**	**6,264**	15,079	(7,768)	7,311
Customer relationship and other intangibles	**3,184**	**(1,734)**	**1,450**	3,158	(1,519)	1,639
Total amortized intangible assets	**$ 18,260**	**(9,402)**	**8,858**	20,620	(10,262)	10,358
Unamortized intangible assets:						
MSRs (carried at fair value) (2)	**$ 10,956**			12,603		
Goodwill	**25,637**			25,115		
Trademark	**14**			14		

(1) Excludes fully amortized intangible assets.
(2) See Note 8 for additional information on MSRs.

We based our projections of amortization expense shown below on existing asset balances at September 30, 2012. Future amortization expense may vary from these projections.

The following table provides the current year and estimated future amortization expense for amortized intangible assets.

(in millions)	Amortized MSRs	Core deposit intangibles	Customer relationship and other intangibles	Total
Nine months ended September 30, 2012 (actual)	**$ 172**	**1,047**	**215**	**1,434**
Estimate for the remainder of 2012	**$ 62**	**348**	**72**	**482**
Estimate for year ended December 31,				
2013	230	1,241	267	1,738

2014	199	1,113	250	1,562
2015	174	1,022	227	1,423
2016	139	919	212	1,270
2017	94	851	195	1,140

For our goodwill impairment analysis, we allocate all of the goodwill to the individual operating segments. We identify reporting units that are one level below an operating segment (referred to as a component), and distinguish these reporting units based on how the segments and components are managed, taking into consideration the economic characteristics, nature of

the products and customers of the components. We allocate goodwill to reporting units based on relative fair value, using certain performance metrics. See Note 18 for further information on management reporting.

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

(in millions)	Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Consolidated Company
December 31, 2010	$ 17,922	6,475	373	24,770
Reduction in goodwill related to divested businesses	-	(6)	-	(6)
Goodwill from business combinations	-	274	-	274
September 30, 2011	$ 17,922	6,743	373	25,038
December 31, 2011	**$ 17,924**	**6,820**	**371**	**25,115**
Goodwill from business combinations, net	**(2)**	**524**	**-**	**522**
September 30, 2012	**$ 17,922**	**7,344**	**371**	**25,637**

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Note 10: Guarantees, Pledged Assets and Collateral

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

written put options, recourse obligations, residual value guarantees, and contingent consideration. The following table shows carrying value, maximum exposure to loss on our guarantees and the related non-investment grade amounts.

	September 30, 2012			December 31, 2011		
		Maximum exposure to loss			Maximum exposure to loss	
(in millions)	Carrying value	Total	Non-investment grade	Carrying value	Total	Non-investment grade
Standby letters of credit (1)	$ 2	40,824	21,659	85	41,171	22,259
Securities lending and other indemnifications	-	2,858	166	-	669	62
Liquidity agreements (2)	-	3	3	-	2	2
Written put options (2) (3)	1,463	11,851	4,153	1,469	8,224	2,466
Loans and MHFS sold with recourse	100	5,925	3,957	102	5,784	3,850
Residual value guarantees	8	197	-	8	197	-
Contingent consideration	21	96	95	31	98	97
Other guarantees	6	1,460	4	6	552	4
Total guarantees	$ 1,600	63,214	30,037	1,701	56,697	28,740

(1) Total maximum exposure to loss includes direct pay letters of credit (DPLCs) of $19.4 billion and $19.7 billion at September 30, 2012, and December 31, 2011, respectively. We issue DPLCs to provide credit enhancements for certain bond issuances. Beneficiaries (bond trustees) may draw upon these instruments to make scheduled principal and interest payments, redeem all outstanding bonds because a default event has occurred, or for other reasons as permitted by the agreement. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility in one of several forms, including as a standby letter of credit. Total maximum exposure to loss includes the portion of these facilities for which the borrower has drawn on the commitment in the form of a standby letter of credit.

(2) Certain of these agreements included in this table are related to off-balance sheet entities and, accordingly, are also disclosed in Note 7.

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

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

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

STANDBY LETTERS OF CREDIT We issue standby letters of credit, which include performance and financial guarantees, for customers in connection with contracts between our customers and third parties. Standby letters of credit are agreements where we are obligated to make payment to a third party on behalf of a

customer in the event the customer fails to meet their contractual obligations. We consider the credit risk in standby letters of credit and commercial and similar letters of credit in determining the allowance for credit losses.

SECURITIES LENDING AND OTHER INDEMNIFICATIONS As a securities lending agent, we lend securities from participating institutional clients portfolios to third-party borrowers. We indemnify our clients against default by the borrower in returning these lent securities. This indemnity is supported by collateral received from the borrowers. Collateral is generally in the form of cash or highly liquid securities that are marked to market daily. There was $473 million at September 30, 2012, and $687 million at December 31, 2011, in collateral supporting loaned securities with values of $458 million and $669 million, respectively.

Commencing third quarter 2012, we began using certain third party clearing agents to clear and settle transactions on behalf of some of our institutional brokerage customers. We indemnify the clearing agents against loss that could occur for non-performance by our customers on transactions that are not sufficiently collateralized. Transactions subject to the indemnifications may include customer obligations related to the settlement of margin accounts and short positions, such as written call options and securities borrowing transactions. Outstanding customer obligations and related collateral were $616 million and $3.1 billion, respectively, as of September 30, 2012. Our estimate of maximum exposure to loss, which requires judgment regarding the range and likelihood of future events, was $2.4 billion as of September 30, 2012.

Note 10: Guarantees, Pledged Assets and Collateral ***(continued)***

We enter into other types of indemnification agreements in the ordinary course of business under which we agree to indemnify third parties against any damages, losses and expenses incurred in connection with legal and other proceedings arising from relationships or transactions with us. These relationships or transactions include those arising from service as a director or officer of the Company, underwriting agreements relating to our securities, acquisition agreements and various other business transactions or arrangements. Because the extent of our obligations under these agreements depends entirely upon the occurrence of future events, we are unable to determine our potential future liability under these agreements. We do, however, record a liability for residential mortgage loans that we may have to repurchase pursuant to various representations and warranties. See Note 8 for additional information on the liability for mortgage loan repurchase losses.

LIQUIDITY AGREEMENTS We provide liquidity facilities on all commercial paper issued by the conduit we administer. We also provide liquidity to certain off-balance sheet entities that hold securitized fixed-rate municipal bonds and consumer or commercial assets that are partially funded with the issuance of money market and other short-term notes. See Note 7 for additional information on these arrangements.

WRITTEN PUT OPTIONS Written put options are contracts that give the counterparty the right to sell to us an underlying instrument held by the counterparty at a specified price, and include options, floors, caps and credit default swaps. These written put option contracts generally permit net settlement. While these derivative transactions expose us to risk in the event the option is exercised, we manage this risk by entering into offsetting trades or by taking short positions in the underlying instrument. We offset substantially all put options written to customers with purchased options. Additionally, for certain of these contracts, we require the counterparty to pledge the underlying instrument as collateral for the transaction. Our ultimate obligation under written put options is based on future market conditions and is only quantifiable at settlement. See Note 7 for additional information regarding transactions with VIEs and Note 12 for additional information regarding written derivative contracts.

LOANS AND MHFS SOLD WITH RECOURSE In certain loan sales or securitizations, we provide recourse to the buyer whereby we are required to indemnify the buyer for any loss on the loan up to par value plus accrued interest. We provide recourse, predominantly to the GSEs, on loans sold under various programs and arrangements. Primarily all of these programs and arrangements require that we share in the loans credit exposure for their remaining life by providing recourse to the GSE, up to 33.33% of actual losses incurred on a pro-rata basis, in the event of borrower default. Under the remaining recourse programs and arrangements, if certain events occur within a specified period of time from transfer date, we have to provide limited recourse to the buyer to indemnify them for

losses incurred for the remaining life of the loans. The maximum exposure to loss reported in the accompanying table represents the outstanding principal balance of the loans sold or securitized that are subject to recourse provisions or the maximum losses per the contractual agreements. However, we believe the likelihood of loss of the entire balance due to these recourse agreements is remote and amounts paid can be recovered in whole or in part from the sale of collateral. In third quarter 2012, we repurchased $21 million of loans associated with these agreements. We also provide representation and warranty guarantees on loans sold under the various recourse programs and arrangements. Our loss exposure relative to these guarantees is separately considered and provided for, as necessary, in determination of our liability for loan repurchases due to breaches of representation and warranties. See Note 8 for additional information on the liability for mortgage loan repurchase losses.

RESIDUAL VALUE GUARANTEES We have provided residual value guarantees as part of certain leasing transactions of corporate assets. At September 30, 2012, the only remaining residual value guarantee is related to a leasing transaction on certain corporate buildings. The lessors in these leases are generally large financial institutions or their leasing subsidiaries. These guarantees protect the lessor from loss on sale of the related asset at the end of the lease term. To the extent that a sale of the leased assets results in proceeds less than a stated percent (generally 80% to 89%) of the asset s cost, we would be required to reimburse the lessor under our guarantee.

CONTINGENT CONSIDERATION In connection with certain brokerage, asset management, insurance agency and other acquisitions we have made, the terms of the acquisition agreements provide for deferred payments or additional consideration, based on certain performance targets.

OTHER GUARANTEES We are members of exchanges and clearing houses that we use to clear our trades and those of our customers. It is common that all members in these organizations are required to collectively guarantee the performance of other members. Our obligations under the guarantees are based on either a fixed amount or a multiple of the collateral we are required to maintain with these organizations. We have not recorded a liability for these arrangements as of the dates presented in the previous table because we believe the likelihood of loss is remote.

We also have contingent performance arrangements related to various customer relationships and lease transactions. We are required to pay the counterparties to these agreements if third parties default on certain obligations.

PARENT GUARANTEE OF SUBSIDIARY DEBT In third quarter 2012, the remaining outstanding debt issued by Wells Fargo Financial, Inc. (WFFI) was paid off. This debt had been guaranteed by the Parent. The Parent continues to guarantee all outstanding term debt securities of Wells Fargo Canada Corporation, WFFI s Canadian subsidiary.

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Pledged Assets and Collateral

As part of our liquidity management strategy, we pledge assets to secure trust and public deposits, borrowings from the FHLB and FRB and for other purposes as required or permitted by law. The following table provides pledged loans and securities available for sale where the secured party does not have the right to sell or repledge the collateral. At September 30, 2012, and December 31, 2011, we did not pledge any loans or securities available for sale where the secured party has the right to sell or repledge the collateral. The table excludes pledged assets related to VIEs, which can only be used to settle the liabilities of those entities. See Note 7 for additional information on consolidated VIE assets.

		Sept. 30,	Dec. 31,
(in millions)		**2012**	2011
Securities available for sale	$	**69,609**	80,540
Loans		**348,615**	317,742
Total	$	**418,224**	398,282

We also pledge certain financial instruments that we own to collateralize repurchase agreements and other securities financings. The types of collateral we pledge include securities issued by federal agencies, government-sponsored entities (GSEs), and domestic and foreign companies. We pledged $24.6 billion at September 30, 2012, and $20.8 billion at December 31, 2011, under agreements that permit the secured parties to sell or repledge the collateral. Pledged collateral where the secured party cannot sell or repledge was $807 million and $2.8 billion at the same period ends, respectively.

We receive collateral from other entities under resale agreements and securities borrowings. We received $26.5 billion at September 30, 2012, and $17.8 billion at December 31, 2011, for which we have the right to sell or repledge the collateral. These amounts include securities we have sold or repledged to others with a fair value of $25.0 billion at September 30, 2012, and $16.7 billion at December 31, 2011.

Note 11: Legal Actions

The following supplements our discussion of certain matters previously reported in Part I, Item 3 (Legal Proceedings) of our 2011 Form 10-K, and Part II, Item 1 (Legal Proceedings) of our 2012 first and second quarter Quarterly Reports on Form 10-Q for events occurring in third quarter 2012.

FHA INSURANCE LITIGATION On October 9, 2012, the United States filed a complaint, captioned *United States of America v. Wells Fargo Bank, N.A.*, in the U.S. District Court for the Southern District of New York. The complaint makes claims with respect to Wells Fargo s FHA lending program for the period 2001 to 2010. The complaint alleges, among other allegations, that Wells Fargo improperly certified certain FHA mortgage loans for FHA insurance that did not qualify for the program, and therefore Wells Fargo should not have received insurance proceeds from FHA when some of the loans later defaulted. The complaint further alleges Wells Fargo knew some of the mortgages did not qualify for insurance, and did not disclose the deficiencies to FHA before making insurance claims.

MORTGAGE FORECLOSURE DOCUMENT LITIGATION As previously disclosed, eight purported class actions and several individual borrower actions related to foreclosure document practices were filed in late 2010 and in early 2011 against Wells Fargo Bank, N.A. in its status as mortgage servicer or corporate trustee of mortgage trusts. Five of those cases had been previously dismissed or otherwise resolved. Two of the three remaining purported class actions were dismissed or otherwise resolved on October 3 and October 25, 2012. As a result, seven of the eight purported class actions have now been dismissed or otherwise resolved.

MORTGAGE RELATED REGULATORY INVESTIGATIONS Government agencies and authorities continue investigations or examinations of certain mortgage

related practices of Wells Fargo. The current investigations primarily relate to: (1) whether Wells Fargo complied with applicable laws, regulations and documentation requirements relating to mortgage origination and securitizations, including those at the former Wachovia Corporation; and (2) whether Wells Fargo properly disclosed in offering documents for its residential mortgage-backed securities the facts and risks associated with those securities. As previously disclosed, on July 12, 2012, the DOJ filed a complaint captioned *United States of America v. Wells Fargo Bank, N.A.* in the U.S. District Court for the District of Columbia. The complaint alleged violations of the Fair Housing Act and the Equal Credit Opportunity Act (ECOA) with respect to Wells Fargo s residential mortgage lending operations during the period 2004 2008. Simultaneously with the filing of the complaint, a Consent Decree executed between the DOJ and Wells Fargo was filed providing for a consensual resolution of the complaint. In the Consent Decree, Wells Fargo denied that it had violated the Fair Housing Act or ECOA, but agreed to resolve the matter by paying $125 million in connection with pricing and product placement allegations primarily relating to mortgages priced and sold to consumers by third party brokers through the Wholesale Division of Wells Fargo Home Mortgage. In addition, Wells Fargo agreed to pay $50 million to fund a community support program in approximately eight cities or metropolitan statistical areas, with details yet to be agreed upon between the DOJ and Wells Fargo. Wells Fargo also agreed to undertake an internal lending compliance review of a small percentage of subprime mortgages delivered through its Retail channel during the period 2004 2008 and will rebate to borrowers as appropriate. Of the $125 million, $8 million and $2 million are specifically allocated to Illinois and Pennsylvania, respectively, to resolve matters in those states. On September 20, 2012, the Court entered a Memorandum Opinion and Order approving and entering the Consent Order.

Note 11: Legal Actions *(continued)*

ORDER OF POSTING LITIGATION As previously disclosed, a series of putative class actions have been filed against Wachovia Bank, N.A. and Wells Fargo Bank, N.A., as well as many other banks, challenging the high to low order in which the Banks posted debit card transactions to consumer deposit accounts. There remain several such cases pending against Wells Fargo Bank (including the Wachovia Bank cases to which Wells Fargo succeeded), most of which have been consolidated in multi-district litigation proceedings in the U.S. District Court for the Southern District of Florida. The bank defendants moved to compel these cases to arbitration under recent Supreme Court authority. On November 22, 2011, the Judge denied the motion. On October 26, 2012, the U.S. Court of Appeals for the Eleventh Circuit affirmed the District Court s denial of the motion to compel arbitration.

WACHOVIA EQUITY SECURITIES AND BONDS/NOTES LITIGATION As previously disclosed, a securities class action, now captioned *In re Wachovia Equity Securities Litigation,* had been pending under various names since July 7, 2008, in the U.S. District Court for the Southern District of New York alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. Among other allegations, plaintiffs alleged Wachovia s common stock price was artificially inflated as a result of allegedly misleading disclosures relating to the Golden West Financial Corp. mortgage portfolio, Wachovia s exposure to other mortgage related products such as CDOs, control issues and auction rate securities. There were four additional cases (not class actions) containing allegations similar to the allegations in the *In re Wachovia Equity Securities Litigation* captioned *Stichting Pensioenfonds ABP v. Wachovia Corp. et al., FC Holdings AB, et al. v. Wachovia Corp., et al., Deka Investment GmbH v. Wachovia Corp. et al. and Forsta AP-Fonden v. Wachovia Corp., et al.*, respectively, which were filed in the U.S. District Court for the Southern District of New York. On March 31, 2011, the U.S. District Court for the Southern District of New York entered a Decision and Order granting Wachovia s motions to dismiss the *In re Wachovia Equity Securities Litigation* and the *Stichting Pensioenfonds ABP, FC Holdings AB, Deka Investment GmbH* and *Forsta AP-Fonden* cases and all of those cases have subsequently been resolved. Plaintiffs and Wells Fargo agreed to settle the *Equity Securities Litigation* for $75 million and on January 27, 2012, the Court entered an order preliminarily approving the settlement. On June 12, 2012, an Order finally approving the class action settlement was filed.

There were four previously disclosed individual actions, containing allegations similar to the main *In re Wachovia Equity Securities* Litigation matter, filed in state courts in North Carolina and South Carolina. All four of those cases have now been finally dismissed.

OUTLOOK When establishing a liability for contingent litigation losses, the Company determines a range of potential losses for each matter that is both probable and estimable, and records the amount it considers to be the best estimate within the range. The high end of the range of reasonably possible potential litigation losses in excess of the Company s liability for probable and estimable losses was $1.2 billion as of September 30, 2012. For these matters and others where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the established liability that cannot be estimated. Based on information currently available, advice of counsel, available insurance coverage and established reserves, Wells Fargo believes that the eventual outcome of the actions against Wells Fargo and/or its subsidiaries, including the matters described above, will not, individually or in the aggregate, have a material adverse effect on Wells Fargo s consolidated financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to Wells Fargo s results of operations for any particular period.

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Note 12: Derivatives

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

Our asset/liability management approach to interest rate, foreign currency and certain other risks includes the use of derivatives. Such derivatives are typically designated as fair value or cash flow hedges, or economic hedge derivatives for those that do not qualify for hedge accounting. This helps minimize significant, unplanned fluctuations in earnings, fair values of assets and liabilities, and cash flows caused by interest rate, foreign currency and other market value volatility. This approach involves modifying the repricing characteristics of certain assets and liabilities so that changes in interest rates, foreign currency and other exposures do not have a significantly adverse effect on the net interest margin, cash flows and earnings. As a result of fluctuations in these exposures, hedged assets and liabilities will gain or lose market value. In a fair value or economic hedge, the effect of this unrealized gain or loss will generally be offset by the gain or loss on the derivatives linked to the hedged assets and liabilities. In a cash flow hedge, where we manage the variability of cash payments due to interest rate fluctuations by the effective use of derivatives linked to hedged assets and liabilities, the unrealized gain or loss on the derivatives or the hedged asset or liability is generally not reflected in earnings.

We also offer various derivatives, including interest rate, commodity, equity, credit and foreign exchange contracts, to our customers but usually offset our exposure from such contracts by purchasing other financial contracts. The customer accommodations and any offsetting financial contracts are treated as free-standing derivatives. Free-standing derivatives also include derivatives we enter into for risk management that do not otherwise qualify for hedge accounting, including economic hedge derivatives. To a lesser extent, we take positions based on market expectations or to benefit from price differentials between financial instruments and markets. Additionally, free-standing derivatives include embedded derivatives that are required to be accounted for separately from their host contracts.

The following table presents the total notional or contractual amounts and fair values for derivatives designated as qualifying hedge contracts, which are used as asset/liability management hedges, and free-standing derivatives (economic hedges) not designated as hedging instruments that are recorded on the balance sheet in other assets or other liabilities. Customer accommodation, trading and other free-standing derivatives are recorded on the balance sheet at fair value in trading assets or other liabilities.

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Note 12: Derivatives ***(continued)***

	September 30, 2012			December 31, 2011		
	Notional or	**Fair value**		Notional or	Fair value	
(in millions)	**contractual amount**	**Asset derivatives**	**Liability derivatives**	contractual amount	Asset derivatives	Liability derivatives
Derivatives designated as hedging instruments						
Interest rate contracts (1)	**$ 91,830**	**7,869**	**2,884**	87,537	8,423	2,769
Foreign exchange contracts	**26,617**	**1,761**	**177**	22,269	1,523	572
Total derivatives designated as qualifying hedging instruments		**9,630**	**3,061**		9,946	3,341
Derivatives not designated as hedging instruments						
Free-standing derivatives (economic hedges):						
Interest rate contracts (2)	**374,049**	**2,119**	**2,702**	377,497	2,318	2,011
Equity contracts	**75**	**-**	**50**	-	-	-
Foreign exchange contracts	**1,882**	**7**	**136**	5,833	250	3
Credit contracts - protection purchased	**33**	**-**	**-**	125	3	-
Other derivatives	**2,327**	**-**	**91**	2,367	-	117
Subtotal		**2,126**	**2,979**		2,571	2,131
Customer accommodation, trading and other free-standing derivatives:						
Interest rate contracts	**2,799,763**	**70,312**	**71,397**	2,425,144	81,336	83,834
Commodity contracts	**91,159**	**3,627**	**3,823**	77,985	4,351	4,234
Equity contracts	**73,746**	**4,161**	**4,211**	68,778	3,768	3,661
Foreign exchange contracts	**184,871**	**2,707**	**2,274**	140,704	3,151	2,803
Credit contracts - protection sold	**28,255**	**321**	**3,257**	38,403	319	5,178
Credit contracts - protection purchased	**30,835**	**1,899**	**340**	36,156	3,254	276
Subtotal		**83,027**	**85,302**		96,179	99,986
Total derivatives not designated as hedging instruments		**85,153**	**88,281**		98,750	102,117
Total derivatives before netting		**94,783**	**91,342**		108,696	105,458
Netting (3)		**(64,706)**	**(73,966)**		(81,143)	(89,990)
Total		**$ 30,077**	**17,376**		27,553	15,468

(1) Notional amounts presented exclude $5.2 billion at September 30, 2012, and $15.5 billion at December 31, 2011, of basis swaps that are combined with receive fixed-rate/pay floating-rate swaps and designated as one hedging instrument.
(2) Includes free-standing derivatives (economic hedges) used to hedge the risk of changes in the fair value of residential MSRs, MHFS and other interests held.
(3) Represents netting of derivative asset and liability balances, and related cash collateral, with the same counterparty subject to master netting arrangements. The amount of cash collateral netted against derivative assets and liabilities was $6.6 billion and $16.4 billion, respectively, at September 30, 2012, and $6.6 billion and $15.4 billion, respectively, at December 31, 2011.

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Fair Value Hedges

We use interest rate swaps to convert certain of our fixed-rate long-term debt and CDs to floating rates to hedge our exposure to interest rate risk. We also enter into cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge our exposure to foreign currency risk and interest rate risk associated with the issuance of non-U.S. dollar denominated long-term debt. In addition, we use interest rate swaps, cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge against changes in fair value of certain investments in available-for-sale debt securities due to changes in interest rates, foreign currency rates, or both. We also use interest rate swaps to hedge against changes in fair value for certain mortgages held for sale. The entire derivative gain or loss is included in the assessment of hedge effectiveness for all fair value hedge relationships, except for those involving foreign-currency denominated securities available for sale and long-term

debt hedged with foreign currency forward derivatives for which the component of the derivative gain or loss related to the changes in the difference between the spot and forward price is excluded from the assessment of hedge effectiveness.

We use statistical regression analysis to assess hedge effectiveness, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic change in fair value of the hedging instrument against the periodic changes in fair value of the asset or liability being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

The following table shows the net gains (losses) recognized in the income statement related to derivatives in fair value hedging relationships.

	Interest rate contracts hedging:			Foreign exchange contracts hedging:		Total net gains (losses) on fair value hedges
(in millions)	Securities available for sale	Mortgages held for sale	Long-term debt	Securities available for sale	Long-term debt	
Quarter ended September 30, 2012						
Gains (losses) recorded in net interest income	**$ (115)**	**-**	**415**	**-**	**55**	**355**
Gains (losses) recorded in noninterest income						
Recognized on derivatives	**(19)**	**(7)**	**(67)**	**(115)**	**502**	**294**
Recognized on hedged item	**24**	**4**	**26**	**130**	**(515)**	**(331)**
Recognized on fair value hedges (ineffective portion) (1)	**$ 5**	**(3)**	**(41)**	**15**	**(13)**	**(37)**
Quarter ended September 30, 2011						
Gains (losses) recorded in net interest income	$ (123)	-	413	(4)	104	390
Gains (losses) recorded in noninterest income						
Recognized on derivatives	(1,163)	(20)	2,651	44	(1,118)	394
Recognized on hedged item	1,166	17	(2,477)	(45)	1,151	(188)
Recognized on fair value hedges (ineffective portion) (1)	$ 3	(3)	174	(1)	33	206
Nine months ended September 30, 2012						
Gains (losses) recorded in net interest income	**$ (340)**	**1**	**1,281**	**(4)**	**186**	**1,124**
Gains (losses) recorded in noninterest income						
Recognized on derivatives	**(229)**	**(13)**	**267**	**71**	**351**	**447**
Recognized on hedged item	**222**	**6**	**(186)**	**(32)**	**(393)**	**(383)**
Recognized on fair value hedges (ineffective portion) (1)	**$ (7)**	**(7)**	**81**	**39**	**(42)**	**64**
Nine months ended September 30, 2011						

Gains (losses) recorded in net interest income	$ (336)	-	1,264	(8)	299	1,219
Gains (losses) recorded in noninterest income						
Recognized on derivatives	(1,274)	(20)	2,742	90	477	2,015
Recognized on hedged item	1,208	17	(2,564)	(96)	(478)	(1,913)
Recognized on fair value hedges (ineffective portion) (1)	$ (66)	(3)	178	(6)	(1)	102

(1) The third quarter and first nine months of 2012 included $(3) million and $(5) million, respectively, and the third quarter and first nine months of 2011 included $20 million and $50 million, respectively, of gains (losses) on forward derivatives hedging foreign currency securities available for sale and long-term debt, representing the portion of derivative gains (losses) excluded from the assessment of hedge effectiveness (time value).

Note 12: Derivatives *(continued)*

Cash Flow Hedges

We hedge floating-rate debt against future interest rate increases by using interest rate swaps, caps, floors and futures to limit variability of cash flows due to changes in the benchmark interest rate. We also use interest rate swaps and floors to hedge the variability in interest payments received on certain floating-rate commercial loans, due to changes in the benchmark interest rate. Gains and losses on derivatives that are reclassified from OCI to interest income and interest expense in the current period are included in the line item in which the hedged item s effect on earnings is recorded. All parts of gain or loss on these derivatives are included in the assessment of hedge effectiveness. We assess hedge effectiveness using regression analysis, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic changes in cash flows of the hedging instrument against the periodic

changes in cash flows of the forecasted transaction being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

Based upon current interest rates, we estimate that $381 million (pre tax) of deferred net gains on derivatives in OCI at September 30, 2012, will be reclassified into interest income and interest expense during the next twelve months. Future changes to interest rates may significantly change actual amounts reclassified to earnings. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of 6 years for both hedges of floating-rate debt and floating-rate commercial loans.

The following table shows the net gains (losses) recognized related to derivatives in cash flow hedging relationships.

	Quarter ended September 30,		Nine months ended September 30,	
(in millions)	**2012**	2011	**2012**	2011
Gains (pre tax) recognized in OCI on derivatives	**$ 24**	68	**63**	205
Gains (pre tax) reclassified from cumulative OCI into net interest income	**89**	141	**295**	454
Losses (pre tax) recognized in noninterest income on derivatives (1)	**(1)**	(4)	**(2)**	(6)

(1) None of the change in value of the derivatives was excluded from the assessment of hedge effectiveness.

Free-Standing Derivatives

We use free-standing derivatives (economic hedges), in addition to debt securities available for sale, to hedge the risk of changes in the fair value of certain residential MHFS, certain loans held for investment, residential MSRs measured at fair value, derivative loan commitments and other interests held. The resulting gain or loss on these economic hedges is reflected in mortgage banking noninterest income and other noninterest income. Changes in fair value of debt securities available for sale (unrealized gains and losses) are not included in servicing income, but are reported in cumulative OCI (net of tax) or, upon sale, are reported in net gains (losses) on debt securities available for sale.

The derivatives used to hedge MSRs measured at fair value, which include swaps, swaptions, constant maturity mortgages, forwards, Eurodollar and Treasury futures and options contracts, resulted in net derivative gains of $1.6 billion and $3.7 billion, respectively, in the third quarter and

first nine months of 2012 and net derivative gains of $3.2 billion and $4.6 billion, respectively, in the same periods of 2011, which are included in mortgage banking noninterest income. The aggregate fair value of these derivatives was a net asset of $1.1 billion at September 30, 2012, and a net asset of $1.4 billion at December 31, 2011. The change in fair value of these derivatives for each period end is due to changes in the underlying market indices and interest rates as well as the purchase and sale of derivative financial instruments throughout the period as part of our dynamic MSR risk management process.

Interest rate lock commitments for residential mortgage loans that we intend to sell are considered free-standing derivatives. Our interest rate exposure on these derivative loan commitments, as well as substantially all residential MHFS, is

hedged with free-standing derivatives (economic hedges) such as swaps, forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts. The commitments, free-standing derivatives and residential MHFS are carried at fair value with changes in fair value included in mortgage banking noninterest income. For the fair value measurement of interest rate lock commitments we include, at inception and during the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan. Fair value changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment (referred to as a fall-out factor). The value of the underlying loan is affected primarily by changes in interest rates and the passage of time. However, changes in investor demand can also cause changes in the value of the underlying loan value that cannot be hedged. The aggregate fair value of derivative loan commitments in the balance sheet was a net asset of $1.2 billion at September 30, 2012, and a net asset of $478 million at December 31, 2011, and is included in the caption Interest rate contracts under Customer accommodation, trading and other free-standing derivatives in the first table in this Note.

We also enter into various derivatives primarily to provide derivative products to customers. To a lesser extent, we take positions based on market expectations or to benefit from price differentials between financial instruments and markets. These derivatives are not linked to specific assets and liabilities in the balance sheet or to forecasted transactions in an accounting hedge relationship and, therefore, do not qualify for hedge accounting. We also enter into free-standing derivatives for risk management that do not otherwise qualify for hedge accounting. They are carried at fair value with changes in fair value recorded as other noninterest income.

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Free-standing derivatives also include embedded derivatives that are required to be accounted for separately from their host contract. We periodically issue hybrid long-term notes and CDs where the performance of the hybrid instrument notes is linked to an equity, commodity or currency index, or basket of such indices. These notes contain explicit terms that affect some or all of the cash flows or the value of the note in a manner similar to a derivative instrument and therefore are considered to contain an embedded derivative instrument. The indices on which the performance of the hybrid instrument is calculated are not

clearly and closely related to the host debt instrument. The embedded derivative is separated from the host contract and accounted for as a free-standing derivative. Additionally, we may invest in hybrid instruments that contain embedded derivatives, such as credit derivatives, that are not clearly and closely related to the host contract. In such instances, we either elect fair value option for the hybrid instrument or separate the embedded derivative from the host contract and account for the host contract and derivative separately.

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

	Quarter ended Sept. 30,		Nine months ended Sept. 30,	
(in millions)	**2012**	2011	**2012**	2011
Net gains (losses) recognized on free-standing derivatives (economic hedges):				
Interest rate contracts				
Recognized in noninterest income:				
Mortgage banking (1)	**$ (1,356)**	277	**(2,182)**	528
Other (2)	**(7)**	(133)	**(40)**	(153)
Equity contracts (2)	**-**	-	**1**	(5)
Foreign exchange contracts (2)	**(37)**	267	**(38)**	(102)
Credit contracts (2)	**(3)**	(5)	**(13)**	(13)
Subtotal	**(1,403)**	406	**(2,272)**	255
Net gains (losses) recognized on customer accommodation, trading and other free-standing derivatives:				
Interest rate contracts				
Recognized in noninterest income:				
Mortgage banking (3)	**2,794**	1,645	**6,336**	2,804
Other (4)	**136**	(95)	**466**	195
Commodity contracts (4)	**(72)**	(25)	**(116)**	76
Equity contracts (4)	**99**	378	**20**	855
Foreign exchange contracts (4)	**131**	219	**380**	526
Credit contracts (4)	**(29)**	(382)	**(18)**	(338)
Other (4)	**-**	(4)	**-**	(5)
Subtotal	**3,059**	1,736	**7,068**	4,113
Net gains recognized related to derivatives not designated as hedging instruments	**$ 1,656**	2,142	**4,796**	4,368

(1) Predominantly mortgage banking noninterest income including gains (losses) on the derivatives used as economic hedges of MSRs measured at fair value, interest rate lock commitments and mortgages held for sale.
(2) Predominantly included in other noninterest income.
(3) Predominantly mortgage banking noninterest income including gains (losses) on interest rate lock commitments.
(4) Predominantly included in net gains from trading activities in noninterest income.

Credit Derivatives

We use credit derivatives primarily to assist customers with their risk management objectives. We may also use credit derivatives in structured product transactions or liquidity agreements written to special purpose vehicles. The maximum exposure of sold credit derivatives is managed through posted collateral, purchased credit derivatives and similar products in order to achieve our desired credit risk profile. This credit risk management provides an ability to recover a significant portion of any amounts that would be paid under the sold credit derivatives. We would be required to perform under the noted credit derivatives in the event of default by the referenced obligors. Events of default include events such as bankruptcy, capital restructuring or lack of principal and/or interest payment. In certain cases, other triggers may exist, such as the

credit downgrade of the referenced obligors or the inability of the special purpose vehicle for which we have provided liquidity to obtain funding.

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Note 12: Derivatives *(continued)*

The following table provides details of sold and purchased credit derivatives.

				Notional amount			
(in millions)	Fair value liability	Protection sold (A)	Protection sold - non-investment grade	Protection purchased with identical underlyings (B)	Net protection sold (A) - (B)	Other protection purchased	Range of maturities
September 30, 2012							
Credit default swaps on:							
Corporate bonds	**$ 303**	**17,020**	**9,242**	**10,662**	**6,358**	**8,459**	**2012-2021**
Structured products	**2,300**	**3,252**	**2,869**	**1,282**	**1,970**	**740**	**2016-2056**
Credit protection on:							
Default swap index	**20**	**3,219**	**663**	**2,967**	**252**	**629**	**2012-2017**
Commercial mortgage-backed securities index	**569**	**1,173**	**360**	**688**	**485**	**704**	**2049-2052**
Asset-backed securities index	**61**	**67**	**67**	**6**	**61**	**133**	**2037-2046**
Other	**4**	**3,524**	**3,524**	**143**	**3,381**	**4,271**	**2012-2056**
Total credit derivatives	**$ 3,257**	**28,255**	**16,725**	**15,748**	**12,507**	**14,936**	
December 31, 2011							
Credit default swaps on:							
Corporate bonds	$ 1,002	24,634	14,043	13,329	11,305	9,404	2012-2021
Structured products	3,308	4,691	4,300	2,194	2,497	1,335	2016-2056
Credit protection on:							
Default swap index	68	3,006	843	2,341	665	912	2012-2017
Commercial mortgage-backed securities index	713	1,357	458	19	1,338	1,403	2049-2052
Asset-backed securities index	76	83	83	8	75	116	2037-2046
Other	11	4,632	4,090	481	4,151	4,673	2012-2056
Total credit derivatives	$ 5,178	38,403	23,817	18,372	20,031	17,843	

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

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

Credit-Risk Contingent Features

Certain of our derivative contracts contain provisions whereby if the credit rating of our debt were to be downgraded by certain major credit rating agencies, the counterparty could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a net liability position was $17.6 billion at September 30, 2012, and $17.1 billion at December 31, 2011, respectively, for which we posted $15.7 billion and $15.0 billion, respectively, in collateral in the normal course of business. If the credit rating of our debt had been downgraded below investment grade, which is the credit-risk-related contingent feature that if triggered requires the maximum amount of collateral to be posted, on September 30, 2012, or December 31, 2011, we would have been required to post additional collateral of $1.9 billion or $2.1 billion, respectively, or potentially settle the contract in an amount equal to its fair value.

Counterparty Credit Risk

By using derivatives, we are exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent the master netting arrangements and other criteria meet the applicable requirements, derivatives balances and related cash collateral amounts are shown net in the balance sheet. Counterparty credit risk related to derivatives is considered in determining fair value and our assessment of hedge effectiveness.

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Note 13: Fair Values of Assets and Liabilities

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Trading assets, securities available for sale, derivatives, substantially all residential MHFS, certain commercial LHFS, certain loans held for investment, fair value MSRs and securities sold but not yet purchased (short sale liabilities) are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other assets on a nonrecurring basis, such as certain residential and commercial MHFS, certain LHFS, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets.

Fair Value Hierarchy

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

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

In the determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy, we consider all available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, we use a predetermined percentage to evaluate the impact of fair value adjustments derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Based upon the specific facts and circumstances of each instrument or instrument category, we make judgments regarding the significance of the Level 3 inputs to the instruments fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

Determination of Fair Value

We base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We maximize the use of observable inputs and minimize

the use of unobservable inputs when developing fair value measurements.

In instances where there is limited or no observable market data, fair value measurements for assets and liabilities are based primarily upon our own estimates or combination of our own estimates and independent vendor or broker pricing, and the measurements are often calculated based on current pricing for products we offer or issue, the economic and competitive environment, the characteristics of the asset or liability and other such factors. As with any valuation technique used to estimate fair value, changes in underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. Accordingly, these fair value estimates may not be realized in an actual sale or immediate settlement of the asset or liability.

We incorporate lack of liquidity into our fair value measurement based on the type of asset or liability measured and the valuation methodology used. For example, for certain residential MHFS and certain securities where the significant inputs have become unobservable due to illiquid markets and vendor or broker pricing is not used, we use a discounted cash flow technique to measure fair value. This technique incorporates forecasting of expected cash flows (adjusted for credit loss assumptions and estimated prepayment speeds) discounted at an appropriate market discount rate to reflect the lack of liquidity in the market that a market participant would consider. For other securities where vendor or broker pricing is used, we use either unadjusted broker quotes or vendor prices or vendor or broker prices adjusted by weighting them with internal discounted cash flow techniques to measure fair value. These unadjusted vendor or broker prices inherently reflect any lack of liquidity in the market as the fair value measurement represents an exit price from a market participant viewpoint.

Where markets are inactive and transactions are not orderly, transaction or quoted prices for assets or liabilities in inactive markets may require adjustment due to the uncertainty of whether the underlying transactions are orderly. For items that use price quotes in inactive markets, such as certain security classes within securities available for sale, we analyze the degree of market inactivity and distressed transactions to determine the appropriate adjustment to the price quotes.

The methodology used to adjust the quotes involves weighting the price quotes and results of internal pricing techniques such as the net present value of future expected cash flows (with observable inputs, where available) discounted at a rate of return market participants require. The significant inputs utilized in the internal pricing techniques, which are estimated by type of underlying collateral, include credit loss assumptions, estimated prepayment speeds and discount rates.

The more active and orderly markets for particular security classes are determined to be, the more weighting is assigned to price quotes. The less active and orderly markets are determined to be, the less weighting is assigned to price quotes. We continually assess the level and volume of market activity in our investment security classes in determining adjustments, if any, to price quotes. Given market conditions can change over time,

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our determination of which securities markets are considered active or inactive can change. If we determine a market to be inactive, the degree to which price quotes require adjustment, can also change.

Following are descriptions of the valuation methodologies used for assets and liabilities recorded at fair value on a recurring or nonrecurring basis and for estimating fair value for financial instruments not recorded at fair value.

Assets

SHORT-TERM FINANCIAL ASSETS Short-term financial assets include cash and due from banks, federal funds sold and securities purchased under resale agreements and due from customers on acceptances. These assets are carried at historical cost. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

TRADING ASSETS (EXCLUDING DERIVATIVES) AND SECURITIES AVAILABLE FOR SALE Trading assets and securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon various sources of market pricing. We use quoted prices in active markets, where available and classify such instruments within Level 1 of the fair value hierarchy. Examples include exchange-traded equity securities and some highly liquid government securities such as U.S. Treasuries. When instruments are traded in secondary markets and quoted market prices do not exist for such securities, we generally rely on internal valuation techniques or on prices obtained from independent pricing services or brokers (collectively, vendors) or combination thereof, and accordingly, we classify these instruments as Level 2 or 3.

Trading securities are mostly valued using trader prices that are subject to price verification procedures performed by separate internal personnel. The majority of fair values derived using internal valuation techniques are verified against multiple pricing sources, including prices obtained from independent vendors. Vendors compile prices from various sources and often apply matrix pricing for similar securities when no price is observable. We review pricing methodologies provided by the vendors in order to determine if observable market information is being used, versus unobservable inputs. When evaluating the appropriateness of an internal trader price compared with vendor prices, considerations include the range and quality of vendor prices. Vendor prices are used to ensure the reasonableness of a trader price; however valuing financial instruments involves judgments acquired from knowledge of a particular market and is not perfunctory. If a trader asserts that a vendor price is not reflective of market value, justification for using the trader price, including recent sales activity where possible, must be provided to and approved by the appropriate levels of management.

Similarly, while securities available for sale traded in secondary markets are typically valued using unadjusted vendor prices or vendor prices adjusted by weighting them with internal discounted cash flow techniques, these prices are reviewed and, if deemed inappropriate by a trader who has the most knowledge

of a particular market, can be adjusted. Securities measured with these internal valuation techniques are generally classified as Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models, discounted cash flow analyses using significant inputs observable in the market where available or combination of multiple valuation techniques. Examples include certain residential and commercial MBS, municipal bonds, U.S. government and agency MBS, and corporate debt securities.

Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or a combination of multiple valuation techniques such as weighting of internal models and vendor or broker pricing, where the unobservable inputs are significant to the overall fair value measurement. Securities classified as Level 3 include certain residential and commercial MBS, asset-backed securities collateralized by auto leases or loans and cash reserves, CDOs and CLOs, and certain residual and retained interests in residential mortgage loan securitizations. We value CDOs using the prices of similar instruments, the pricing of completed or pending third party transactions or the pricing of the underlying collateral within the CDO. Where vendor or broker prices are not readily available, we use management s best estimate.

MORTGAGES HELD FOR SALE (MHFS) We carry substantially all of our residential MHFS portfolio at fair value. Fair value is based on independent quoted market prices, where available, or the prices for other mortgage whole loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions and liquidity. Most of our MHFS are classified as Level 2. For the portion where market pricing data is not available, we use a discounted cash flow model to estimate fair value and, accordingly, classify as Level 3.

LOANS HELD FOR SALE (LHFS) LHFS are carried at the lower of cost or market value, or at fair value. The fair value of LHFS is based on what secondary markets are currently offering for loans with similar characteristics. As such, we classify those loans subjected to nonrecurring fair value adjustments as Level 2.

LOANS For information on how we report the carrying value of loans, including PCI loans, see Note 1 in our 2011 Form 10-K. Although most loans are not recorded at fair value on a recurring basis, reverse mortgages are held at fair value on a recurring basis. In addition, we record nonrecurring fair value adjustments to loans to reflect partial write-downs that are based on the observable market price of the loan or current appraised value of the collateral.

We provide fair value estimates in this disclosure for loans that are not recorded at fair value on a recurring or nonrecurring basis. Those estimates differentiate loans based on their financial characteristics, such as product classification, loan category, pricing features and remaining maturity. Prepayment and credit loss estimates are evaluated by product and loan rate.

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

The fair value of commercial loans is calculated by discounting contractual cash flows, adjusted for credit loss estimates, using discount rates that are appropriate for loans with similar characteristics and remaining maturity.

For real estate 1-4 family first and junior lien mortgages, we calculate fair value by discounting contractual cash flows, adjusted for prepayment and credit loss estimates, using discount rates based on current industry pricing (where readily available) or our own estimate of an appropriate discount rate for loans of similar size, type, remaining maturity and repricing characteristics.

The carrying value of credit card loans, which is adjusted for estimates of credit losses inherent in the portfolio at the balance sheet date, is reported as a reasonable estimate of fair value.

For all other consumer loans, the fair value is generally calculated by discounting the contractual cash flows, adjusted for prepayment and credit loss estimates, based on the current rates we offer for loans with similar characteristics.

Loan commitments, standby letters of credit and commercial and similar letters of credit generate ongoing fees at our current pricing levels, which are recognized over the term of the commitment period. In situations where the credit quality of the counterparty to a commitment has declined, we record an allowance. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related allowance. Certain letters of credit that are hedged with derivative instruments are carried at fair value in trading assets or liabilities. For those letters of credit, fair value is calculated based on readily quotable credit default spreads, using a market risk credit default swap model.

DERIVATIVES Quoted market prices are available and used for our exchange-traded derivatives, such as certain interest rate futures and option contracts, which we classify as Level 1. However, substantially all of our derivatives are traded in over-the-counter (OTC) markets where quoted market prices are not always readily available. Therefore we value most OTC derivatives using internal valuation techniques. Valuation techniques and inputs to internally-developed models depend on the type of derivative and nature of the underlying rate, price or index upon which the derivative s value is based. Key inputs can include yield curves, credit curves, foreign-exchange rates, prepayment rates, volatility measurements and correlation of such inputs. Where model inputs can be observed in a liquid market and the model does not require significant judgment, such derivatives are typically classified as Level 2 of the fair value hierarchy. Examples of derivatives classified as Level 2 include generic interest rate swaps, foreign currency swaps, commodity swaps, and certain option and forward contracts. When instruments are traded in less liquid markets and significant inputs are unobservable, such derivatives are classified as Level 3. Examples of derivatives classified as Level 3 include complex and highly structured derivatives, certain credit default swaps, interest rate lock commitments written for our residential mortgage loans that we intend to sell and long dated equity options where volatility is not observable. Additionally, significant judgments are required when classifying financial

instruments within the fair value hierarchy, particularly between Level 2 and 3, as is the case for certain derivatives.

MORTGAGE SERVICING RIGHTS (MSRs) AND CERTAIN OTHER INTERESTS HELD IN SECURITIZATIONS MSRs and certain other interests held in securitizations (e.g., interest-only strips) do not trade in an active market with readily observable prices. Accordingly, we determine the fair value of MSRs using a valuation model that calculates the present value of estimated future net servicing income cash flows. The model incorporates assumptions that market participants use in estimating future net servicing income cash flows, including estimates of prepayment speeds (including housing price volatility), discount rate, default rates, cost to service (including delinquency and foreclosure costs), escrow account earnings, contractual servicing fee income, ancillary income and late fees. Commercial MSRs are carried at lower of cost or market value, and therefore can be subject to fair value measurements on a nonrecurring basis. Changes in the fair value of MSRs occur primarily due to the collection/realization of expected cash flows, as well as changes in valuation inputs and assumptions. For other interests held in securitizations (such as interest-only strips) we use a valuation model that calculates the present value of estimated future cash flows. The model incorporates our own estimates of assumptions market participants use in determining the fair value, including estimates of prepayment speeds, discount rates, defaults and contractual fee income. Interest-only strips are recorded as trading assets. Our valuation approach is validated by our internal valuation model validation group. Fair value measurements of our MSRs and interest-only strips use significant unobservable inputs and, accordingly, we classify them as Level 3.

FORECLOSED ASSETS Foreclosed assets are carried at net realizable value, which represents fair value less costs to sell. Fair value is generally based upon independent market prices or appraised values of the collateral and, accordingly, we classify foreclosed assets as Level 2.

NONMARKETABLE EQUITY INVESTMENTS Nonmarketable equity investments are generally recorded under the cost or equity method of accounting. There are generally restrictions on the sale and/or liquidation of these investments, including federal bank stock. Federal bank stock carrying value approximates fair value. We use facts and circumstances available to estimate the fair value of our nonmarketable equity investments. We typically consider our access to and need for capital (including recent or projected financing activity), qualitative assessments of the viability of the investee, evaluation of the financial statements of the investee and prospects for its future. Public equity investments are valued using quoted market prices and discounts are only applied when there are trading restrictions that are an attribute of the investment. We estimate the fair value of investments in non-public securities using metrics such as security prices of comparable public companies, acquisition prices for similar companies and original investment purchase price multiples, while also incorporating a portfolio company s financial performance and specific factors.

For investments in private equity funds, we use the NAV provided by the fund sponsor as an appropriate measure of fair value. In some cases, such NAVs require adjustments based on certain unobservable inputs.

Liabilities

DEPOSIT LIABILITIES Deposit liabilities are carried at historical cost. The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, interest-bearing checking, and market rate and other savings, is equal to the amount payable on demand at the measurement date. The fair value of other time deposits is calculated based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for like wholesale deposits with similar remaining maturities.

SHORT-TERM FINANCIAL LIABILITIES Short-term financial liabilities are carried at historical cost and include federal funds purchased and securities sold under repurchase agreements, commercial paper and other short-term borrowings. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

OTHER LIABILITIES Other liabilities recorded at fair value on a recurring basis, excluding derivative liabilities (see the Derivatives section for derivative liabilities), includes primarily short sale liabilities. Short sale liabilities are predominantly classified as either Level 1 or Level 2, generally dependent upon whether the underlying securities have readily obtainable quoted prices in active exchange markets.

LONG-TERM DEBT Long-term debt is generally carried at amortized cost. For disclosure, we are required to estimate the fair value of long-term debt. Generally, the discounted cash flow method is used to estimate the fair value of our long-term debt. Contractual cash flows are discounted using rates currently offered for new notes with similar remaining maturities and, as such, these discount rates include our current spread levels.

Level 3 Asset and Liability Valuation Processes

We generally determine fair value of our Level 3 assets and liabilities by using internally developed models and, to a lesser extent, prices obtained from independent pricing services or brokers (collectively, vendors). Our valuation processes vary depending on which approach is utilized.

INTERNAL MODEL VALUATIONS Our internally developed models primarily consist of discounted cash flow techniques. Use of such techniques requires determining relevant inputs, some of which are unobservable. Unobservable inputs are generally derived from historic performance of similar assets or determined from previous market trades in similar instruments. These unobservable inputs usually consist of discount rates, default rates, loss severity upon default, volatilities, correlations and prepayment rates, which are inherent within our Level 3 instruments. Such inputs can be correlated to similar portfolios with known historic experience or recent trades where particular

unobservable inputs may be implied; but due to the nature of various inputs being reflected within a particular trade, the value of each input is considered unobservable. We attempt to correlate each unobservable input to historic experience and other third party data where available.

Internal valuation models are subject to review prescribed within our model risk management policies and procedures which includes model validation. The purpose of model validation includes ensuring the model is appropriate for its intended use and the appropriate controls exist to help mitigate risk of invalid valuations. Model validation assesses the adequacy and appropriateness of the model, including reviewing its key components such as inputs, processing components, logic or theory, output results and supporting model documentation. Validation also includes ensuring significant unobservable model inputs are appropriate given observable market transactions or other market data within the same or similar asset classes. This ensures modeled approaches are appropriate given similar product valuation techniques and are in line with their intended purpose.

We have ongoing monitoring procedures in place for our Level 3 assets and liabilities that use such internal valuation models. These procedures, which are designed to provide reasonable assurance that models continue to perform as expected after approved, include:

- ongoing analysis and benchmarking to market transactions and other independent market data (including pricing vendors, if available);
- back-testing of modeled fair values to actual realized transactions; and
- review of modeled valuation results against expectations, including review of significant or unusual value fluctuations.

We update model inputs and methodologies periodically to reflect these monitoring procedures. Additionally, procedures and controls are in place to ensure existing models are subject to periodic reviews, and we perform full model revalidations as necessary.

All internal valuation models are subject to ongoing review by business-unit-level management. More complex models are subject to additional oversight by a corporate-level risk management department. Corporate oversight responsibilities include evaluating adequacy of business unit risk management programs, maintaining company-wide model validation policies and standards and reporting the results of these activities to management and our Enterprise Risk Management Committee (ERMC). The ERMC, which consists of senior executive management and reports on top risks to the Company s Board of Directors, monitors all company-wide risks, including credit risk, market risk, and reputational risk.

VENDOR-DEVELOPED VALUATIONS In certain limited circumstances we obtain pricing from third party vendors for the value of our Level 3 assets or liabilities. We have processes in place to approve such vendors to ensure information obtained and valuation techniques used are appropriate. Once these vendors are approved to provide pricing information, we

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

monitor and review the results to ensure the fair values are reasonable and in line with market experience in similar asset classes. While the input amounts used by the pricing vendor in determining fair value are not provided, and therefore unavailable for our review, we do perform one or more of the following procedures to validate the prices received:

- comparison to other pricing vendors (if available);
- variance analysis of prices;
- corroboration of pricing by reference to other independent market data such as market transactions and relevant benchmark indices;
- review of pricing by Company personnel familiar with market liquidity and other market-related conditions; and
- investigation of prices on a specific instrument-by-instrument basis.

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

	Independent brokers			Third party pricing services		
(in millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
September 30, 2012						
Trading assets (excluding derivatives)	**$ -**	**469**	**8**	**1,289**	**1,053**	**-**
Securities available for sale:						
Securities of U.S. Treasury and federal agencies	**-**	**-**	**-**	**957**	**911**	**-**
Securities of U.S. states and political subdivisions	**-**	**-**	**-**	**-**	**33,582**	**-**
Mortgage-backed securities	**-**	**335**	**2**	**-**	**131,514**	**177**
Other debt securities	**-**	**2,421**	**9,674**	**-**	**25,797**	**285**
Total debt securities	**-**	**2,756**	**9,676**	**957**	**191,804**	**462**
Total marketable equity securities	**-**	**-**	**-**	**31**	**663**	**-**
Total securities available for sale	**-**	**2,756**	**9,676**	**988**	**192,467**	**462**
Derivatives (trading and other assets)	**-**	**8**	**-**	**-**	**634**	**1**
Loans held for sale	**-**	**-**	**-**	**-**	**1**	**-**
Derivatives (liabilities)	**-**	**34**	**-**	**-**	**627**	**-**
Other liabilities	**-**	**92**	**-**	**-**	**184**	**-**
December 31, 2011						
Trading assets (excluding derivatives)	$ -	446	7	1,086	1,564	-
Securities available for sale:						
Securities of U.S. Treasury and federal agencies	-	-	-	868	5,748	-
Securities of U.S. states and political subdivisions	-	16	-	-	21,014	-
Mortgage-backed securities	-	2,342	43	-	118,107	186
Other debt securities	-	1,091	8,163	-	26,222	145
Total debt securities	-	3,449	8,206	868	171,091	331
Total marketable equity securities	-	-	-	33	665	3
Total securities available for sale	-	3,449	8,206	901	171,756	334
Derivatives (trading and other assets)	-	17	44	-	834	-
Loans held for sale	-	-	-	-	1	-
Derivatives (liabilities)	-	11	43	-	850	-
Other liabilities	-	22	-	6	249	-

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Assets and Liabilities Recorded at Fair Value on a Recurring Basis

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

(in millions)	Level 1	Level 2	Level 3	Netting	Total
September 30, 2012					
Trading assets (excluding derivatives)					
Securities of U.S. Treasury and federal agencies	$ 5,127	3,904	-	-	9,031
Securities of U.S. states and political subdivisions	-	2,671	61	-	2,732
Collateralized debt obligations (1)	-	-	1,075	-	1,075
Corporate debt securities	15	6,169	42	-	6,226
Mortgage-backed securities	-	13,883	44	-	13,927
Asset-backed securities	-	517	172	-	689
Equity securities	3,905	227	3	-	4,135
Total trading securities	9,047	27,371	1,397	-	37,815
Other trading assets	2,114	341	82	-	2,537
Total trading assets (excluding derivatives)	11,161	27,712	1,479	-	40,352
Securities of U.S. Treasury and federal agencies	957	912	-	-	1,869
Securities of U.S. states and political subdivisions	-	33,713	4,212 (2)	-	37,925
Mortgage-backed securities:					
Federal agencies	-	102,713	-	-	102,713
Residential	-	16,536	2	-	16,538
Commercial	-	19,381	179	-	19,560
Total mortgage-backed securities	-	138,630	181	-	138,811
Corporate debt securities	126	19,916	221	-	20,263
Collateralized debt obligations (3)	-	-	10,225 (2)	-	10,225
Asset-backed securities:					
Auto loans and leases	-	7	5,487 (2)	-	5,494
Home equity loans	-	783	97	-	880
Other asset-backed securities	-	7,175	2,923 (2)	-	10,098
Total asset-backed securities	-	7,965	8,507	-	16,472
Other debt securities	-	1,033	-	-	1,033
Total debt securities	1,083	202,169	23,346	-	226,598
Marketable equity securities:					
Perpetual preferred securities (4)	631	637	849 (2)	-	2,117
Other marketable equity securities	578	57	-	-	635
Total marketable equity securities	1,209	694	849	-	2,752
Total securities available for sale	2,292	202,863	24,195	-	229,350
Mortgages held for sale	-	43,268	3,307	-	46,575
Loans held for sale	-	172	-	-	172
Loans	-	175	6,013	-	6,188
Mortgage servicing rights (residential)	-	-	10,956	-	10,956
Derivative assets:					
Interest rate contracts	-	78,490	1,810	-	80,300
Commodity contracts	-	3,539	88	-	3,627
Equity contracts	634	2,763	764	-	4,161
Foreign exchange contracts	41	4,409	25	-	4,475
Credit contracts	-	1,291	929	-	2,220
Other derivative contracts	-	-	-	-	-
Netting	-	-	-	(64,706) (5)	(64,706)
Total derivative assets (6)	675	90,492	3,616	(64,706)	30,077
Other assets	87	54	193	-	334
Total assets recorded at fair value	$ 14,215	364,736	49,759	(64,706)	364,004
Derivative liabilities:					

Interest rate contracts	**$ (3)**	**(76,563)**	**(417)**	**-**	**(76,983)**
Commodity contracts	**-**	**(3,763)**	**(60)**	**-**	**(3,823)**
Equity contracts	**(239)**	**(3,066)**	**(956)**	**-**	**(4,261)**
Foreign exchange contracts	**(47)**	**(2,537)**	**(3)**	**-**	**(2,587)**
Credit contracts	**-**	**(1,287)**	**(2,310)**	**-**	**(3,597)**
Other derivative contracts	**-**	**-**	**(91)**	**-**	**(91)**
Netting	**-**	**-**	**-**	**73,966** (5)	**73,966**
Total derivative liabilities (6)	**(289)**	**(87,216)**	**(3,837)**	**73,966**	**(17,376)**
Short sale liabilities:					
Securities of U.S. Treasury and federal agencies	**(3,088)**	**(943)**	**-**	**-**	**(4,031)**
Securities of U.S. states and political subdivisions	**-**	**(16)**	**-**	**-**	**(16)**
Corporate debt securities	**(58)**	**(4,205)**	**-**	**-**	**(4,263)**
Equity securities	**(1,255)**	**-**	**-**	**-**	**(1,255)**
Other securities	**-**	**(70)**	**-**	**-**	**(70)**
Total short sale liabilities	**(4,401)**	**(5,234)**	**-**	**-**	**(9,635)**
Other liabilities	**-**	**(34)**	**(253)**	**-**	**(287)**
Total liabilities recorded at fair value	**$ (4,690)**	**(92,484)**	**(4,090)**	**73,966**	**(27,298)**

(1) Includes collateralized loan obligations of $666 million that are classified as trading assets.
(2) Balances consist of securities that are predominantly investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.
(3) Includes collateralized loan obligations of $9.7 billion that are classified as securities available for sale.
(4) Perpetual preferred securities include ARS and corporate preferred securities. See Note 7 for additional information.
(5) Derivatives are reported net of cash collateral received and paid and, to the extent that the criteria of the accounting guidance covering the offsetting of amounts related to certain contracts are met, positions with the same counterparty are netted as part of a legally enforceable master netting agreement.
(6) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

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

(continued from previous page)

(in millions)	Level 1	Level 2	Level 3	Netting	Total
December 31, 2011					
Trading assets (excluding derivatives)					
Securities of U.S. Treasury and federal agencies	$ 3,342	3,638	-	-	6,980
Securities of U.S. states and political subdivisions	-	2,438	53	-	2,491
Collateralized debt obligations (1)	-	-	1,582	-	1,582
Corporate debt securities	-	6,479	97	-	6,576
Mortgage-backed securities	-	34,959	108	-	35,067
Asset-backed securities	-	1,093	190	-	1,283
Equity securities	1,682	172	4	-	1,858
Total trading securities	5,024	48,779	2,034	-	55,837
Other trading assets	1,847	68	115	-	2,030
Total trading assets (excluding derivatives)	6,871	48,847	2,149	-	57,867
Securities of U.S. Treasury and federal agencies	869	6,099	-	-	6,968
Securities of U.S. states and political subdivisions	-	21,077	11,516 (2)	-	32,593
Mortgage-backed securities:					
Federal agencies	-	96,754	-	-	96,754
Residential	-	17,775	61	-	17,836
Commercial	-	17,918	232	-	18,150
Total mortgage-backed securities	-	132,447	293	-	132,740
Corporate debt securities	317	17,792	295	-	18,404
Collateralized debt obligations (3)	-	-	8,599 (2)	-	8,599
Asset-backed securities:					
Auto loans and leases	-	86	6,641 (2)	-	6,727
Home equity loans	-	650	282	-	932
Other asset-backed securities	-	8,326	2,863 (2)	-	11,189
Total asset-backed securities	-	9,062	9,786	-	18,848
Other debt securities	-	1,044	-	-	1,044
Total debt securities	1,186	187,521	30,489	-	219,196
Marketable equity securities:					
Perpetual preferred securities (4)	552	631	1,344 (2)	-	2,527
Other marketable equity securities	814	53	23	-	890
Total marketable equity securities	1,366	684	1,367	-	3,417
Total securities available for sale	2,552	188,205	31,856	-	222,613
Mortgages held for sale	-	41,381	3,410	-	44,791
Loans held for sale	-	1,176	-	-	1,176
Loans	-	5,893	23	-	5,916
Mortgage servicing rights (residential)	-	-	12,603	-	12,603
Derivative assets:					
Interest rate contracts	-	91,022	1,055	-	92,077
Commodity contracts	-	4,351	-	-	4,351
Equity contracts	471	2,737	560	-	3,768
Foreign exchange contracts	35	4,873	16	-	4,924
Credit contracts	-	2,219	1,357	-	3,576
Other derivative contracts	-	-	-	-	-
Netting	-	-	-	(81,143) (5)	(81,143)
Total derivative assets (6)	506	105,202	2,988	(81,143)	27,553
Other assets	88	135	244	-	467
Total assets recorded at fair value	$ 10,017	390,839	53,273	(81,143)	372,986
Derivative liabilities:					
Interest rate contracts	$ (4)	(88,164)	(446)	-	(88,614)
Commodity contracts	-	(4,234)	-	-	(4,234)
Equity contracts	(229)	(2,797)	(635)	-	(3,661)
Foreign exchange contracts	(31)	(3,324)	(23)	-	(3,378)
Credit contracts	-	(2,099)	(3,355)	-	(5,454)

Other derivative contracts	-	-	(117)	-	(117)
Netting	-	-	-	89,990 (5)	89,990
Total derivative liabilities (6)	(264)	(100,618)	(4,576)	89,990	(15,468)
Short sale liabilities:					
Securities of U.S. Treasury and federal agencies	(3,820)	(919)	-	-	(4,739)
Securities of U.S. states and political subdivisions	-	(2)	-	-	(2)
Corporate debt securities	-	(4,112)	-	-	(4,112)
Equity securities	(944)	(298)	-	-	(1,242)
Other securities	-	(737)	-	-	(737)
Total short sale liabilities	(4,764)	(6,068)	-	-	(10,832)
Other liabilities	-	(98)	(44)	-	(142)
Total liabilities recorded at fair value	$ (5,028)	(106,784)	(4,620)	89,990	(26,442)

(1) Includes collateralized loan obligations of $583 million that are classified as trading assets.
(2) Balances consist of securities that are predominantly investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.
(3) Includes collateralized loan obligations of $8.1 billion that are classified as securities available for sale.
(4) Perpetual preferred securities include ARS and corporate preferred securities. See Note 7 for additional information.
(5) Derivatives are reported net of cash collateral received and paid and, to the extent that the criteria of the accounting guidance covering the offsetting of amounts related to certain contracts are met, positions with the same counterparty are netted as part of a legally enforceable master netting agreement.
(6) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

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Changes in Fair Value Levels

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy and transfer between Level 1, Level 2, and Level 3 accordingly. Observable market data includes but is not limited to quoted prices and market transactions. Changes in economic conditions or market liquidity generally will drive changes in availability of observable market data. Changes in

availability of observable market data, which also may result in changing the valuation technique used, are generally the cause of transfers between Level 1, 2 or 3.

All current period transfers into and out of Level 1, Level 2, and Level 3 are provided within the below table. The amounts reported as transfers represent the fair value as of the beginning of the quarter in which the transfer occurred.

	Transfers Between Fair Value Levels						
	Level 1		Level 2		Level 3 (1)		
(in millions)	In	Out	In	Out	In	Out	Total
Quarter ended September 30, 2012							
Trading securities	$ 23	-	6	(23)	-	(6)	-
Securities available for sale (2)	-	-	5,417	(16)	16	(5,417)	-
Mortgages held for sale	-	-	79	(127)	127	(79)	-
Loans (3)	-	-	-	(5,851)	5,851	-	-
Net derivative assets and liabilities	-	-	84	-	-	(84)	-
Short sale liabilities	(29)	-	-	29	-	-	-
Total transfers	$ (6)	-	5,586	(5,988)	5,994	(5,586)	-
Nine months ended September 30, 2012							
Trading securities	$ 23	-	16	(37)	14	(16)	-
Securities available for sale (2)	-	-	9,453	(73)	73	(9,453)	-
Mortgages held for sale	-	-	229	(298)	298	(229)	-
Loans (3)	-	-	-	(5,851)	5,851	-	-
Net derivative assets and liabilities	-	-	97	8	(8)	(97)	-
Short sale liabilities	(29)	-	-	29	-	-	-
Total transfers	$ (6)	-	9,795	(6,222)	6,228	(9,795)	-

(1) All transfers in and out of Level 3 are disclosed within the recurring level 3 rollforward table in this Note.
(2) Includes $5.2 billion and $9.1 billion of securities of U.S. states and political subdivisions that we transferred from Level 3 to Level 2 in the third quarter and first nine months of 2012, respectively, as a result of increased observable market data in the valuation of such instruments. This transfer was done in conjunction with a change in our valuation technique from an internal model based upon unobservable inputs to third party vendor pricing based upon market observable data.
(3) Consists of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions. We transferred the loans from Level 2 to Level 3 in third quarter 2012 due to decreased market activity and visibility to significant trades of the same or similar products. As a result, we changed our valuation technique from an internal model based on market observable data to an internal discounted cash flow model based on unobservable inputs.

For the first nine months of 2011, there were no significant transfers between Levels 1 and 2. We transferred $612 million of debt securities available for sale from Level 3 to Level 2 due to an increase in the volume of trading activity for certain securities, which resulted in increased occurrences of observable market prices. We also transferred $434 million of securities available for sale from Level 2 to Level 3 primarily due to a decrease in liquidity for certain asset-backed securities.

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

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended September 30, 2012, are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in Net income	Other compre- hensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end (2)
Quarter ended September 30, 2012								
Trading assets								
(excluding derivatives):								
Securities of U.S. states and political subdivisions	$ 58	2	-	1	-	-	61	-
Collateralized debt obligations	1,273	(224)	-	26	-	-	1,075	(246)
Corporate debt securities	56	-	-	(14)	-	-	42	(2)
Mortgage-backed securities	93	-	-	(59)	-	10	44	-
Asset-backed securities	179	18	-	(9)	-	(16)	172	13
Equity securities	3	-	-	-	-	-	3	-
Total trading securities	1,662	(204)	-	(55)	-	(6)	1,397	(235)
Other trading assets	91	(9)	-	-	-	-	82	(7)
Total trading assets (excluding derivatives)	1,753	(213)	-	(55)	-	(6)	1,479	(242)(3)
Securities available for sale:								
Securities of U.S. states and political subdivisions	9,505	13	(6)	(136)	14	(5,178)	4,212	-
Mortgage-backed securities:								
Residential	15	-	-	-	-	(13)	2	-
Commercial	189	(3)	(2)	(5)	-	-	179	(3)
Total mortgage-backed securities	204	(3)	(2)	(5)	-	(13)	181	(3)
Corporate debt securities	286	14	-	(38)	-	(41)	221	-
Collateralized debt obligations	9,147	27	210	841	-	-	10,225	-
Asset-backed securities:								
Auto loans and leases	6,206	-	(2)	(717)	-	-	5,487	-
Home equity loans	257	3	(3)	-	2	(162)	97	-
Other asset-backed securities	3,074	(5)	34	(157)	-	(23)	2,923	(6)
Total asset-backed securities	9,537	(2)	29	(874)	2	(185)	8,507	(6)
Total debt securities	28,679	49	231	(212)	16	(5,417)	23,346	(9)(4)
Marketable equity securities:								
Perpetual preferred securities	927	14	(4)	(88)	-	-	849	-
Other marketable equity securities	2	1	-	(3)	-	-	-	-
Total marketable equity securities	929	15	(4)	(91)	-	-	849	-(5)
Total securities available for sale	29,608	64	227	(303)	16	(5,417)	24,195	(9)
Mortgages held for sale	3,328	38	-	(107)	127	(79)	3,307	37(6)
Loans	24	59	-	79	5,851	-	6,013	59(6)
Mortgage servicing rights	12,081	(2,298)	-	1,173	-	-	10,956	(1,427)(6)
Net derivative assets and liabilities:								
Interest rate contracts	906	2,879	-	(2,392)	-	-	1,393	1,248
Commodity contracts	4	48	-	(21)	-	(3)	28	21
Equity contracts	(269)	25	-	133	-	(81)	(192)	1
Foreign exchange contracts	1	19	-	2	-	-	22	21
Credit contracts	(1,657)	(15)	-	291	-	-	(1,381)	(2)
Other derivative contracts	(106)	15	-	-	-	-	(91)	-
Total derivative contracts	(1,121)	2,971	-	(1,987)	-	(84)	(221)	1,289(7)

Other assets	**225**	**(10)**	**-**	**(22)**	**-**	**-**	**193**	**(8)(3)**
Short sale liabilities	**(9)**	**-**	**-**	**9**	**-**	**-**	**-**	**-(3)**
Other liabilities (excluding derivatives)	**(245)**	**(17)**	**-**	**9**	**-**	**-**	**(253)**	**-(6)**

(1) See next page for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management s estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in trading activities and other noninterest income in the income statement.
(4) Included in debt securities available for sale in the income statement.
(5) Included in equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) Included in mortgage banking, trading activities and other noninterest income in the income statement.

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The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended September 30, 2012.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Quarter ended September 30, 2012					
Trading assets					
(excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 5	(4)	-	-	1
Collateralized debt obligations	271	(245)	-	-	26
Corporate debt securities	-	(14)	-	-	(14)
Mortgage-backed securities	-	(59)	-	-	(59)
Asset-backed securities	6	(3)	-	(12)	(9)
Equity securities	-	-	-	-	-
Total trading securities	282	(325)	-	(12)	(55)
Other trading assets	-	-	-	-	-
Total trading assets					
(excluding derivatives)	282	(325)	-	(12)	(55)
Securities available for sale:					
Securities of U.S. states and political subdivisions	199	(35)	65	(365)	(136)
Mortgage-backed securities:					
Residential	-	-	-	-	-
Commercial	-	-	-	(5)	(5)
Total mortgage-backed securities	-	-	-	(5)	(5)
Corporate debt securities	-	(37)	-	(1)	(38)
Collateralized debt obligations	1,188	-	-	(347)	841
Asset-backed securities:					
Auto loans and leases	-	-	180	(897)	(717)
Home equity loans	-	-	-	-	-
Other asset-backed securities	94	(38)	270	(483)	(157)
Total asset-backed securities	94	(38)	450	(1,380)	(874)
Total debt securities	1,481	(110)	515	(2,098)	(212)
Marketable equity securities:					
Perpetual preferred securities	-	-	-	(88)	(88)
Other marketable equity securities	-	(3)	-	-	(3)
Total marketable equity securities	-	(3)	-	(88)	(91)
Total securities available for sale	1,481	(113)	515	(2,186)	(303)
Mortgages held for sale	100	-	-	(207)	(107)
Loans	-	-	129	(50)	79
Mortgage servicing rights	-	-	1,173	-	1,173
Net derivative assets and liabilities:					
Interest rate contracts	28	(22)	-	(2,398)	(2,392)
Commodity contracts	22	(8)	-	(35)	(21)
Equity contracts	13	49	1	70	133
Foreign exchange contracts	-	-	-	2	2
Credit contracts	-	-	-	291	291
Other derivative contracts	-	-	-	-	-
Total derivative contracts	63	19	1	(2,070)	(1,987)
Other assets	-	(5)	-	(17)	(22)
Short sale liabilities	9	-	-	-	9
Other liabilities (excluding derivatives)	(2)	1	(8)	18	9

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

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended September 30, 2011, are summarized as follows:

		Total net gains (losses) included in						
(in millions)	Balance, beginning of period	Net income	Other compre- hensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end (2)
Quarter ended September 30, 2011								
Trading assets								
(excluding derivatives):								
Securities of U.S. states and political subdivisions	$ 135	1	-	45	-	-	181	-
Collateralized debt obligations	1,801	(16)	-	(168)	-	-	1,617	(41)
Corporate debt securities	103	3	-	(10)	-	-	96	1
Mortgage-backed securities	223	1	-	(100)	-	-	124	(2)
Asset-backed securities	181	35	-	(18)	-	-	198	29
Equity securities	4	(3)	-	3	-	-	4	(2)
Total trading securities	2,447	21	-	(248)	-	-	2,220	(15)
Other trading assets	144	(16)	-	-	-	(2)	126	(9)
Total trading assets (excluding derivatives)	2,591	5	-	(248)	-	(2)	2,346	(24)(3)
Securities available for sale:								
Securities of U.S. states and political subdivisions	6,695	3	28	752	-	-	7,478	1
Mortgage-backed securities:								
Residential	6	(4)	(1)	(3)	80	(2)	76	(5)
Commercial	282	(20)	(8)	(11)	-	-	243	(15)
Total mortgage-backed securities	288	(24)	(9)	(14)	80	(2)	319	(20)
Corporate debt securities	517	110	(140)	(175)	35	(1)	346	-
Collateralized debt obligations	7,232	81	(310)	1,318	-	-	8,321	-
Asset-backed securities:								
Auto loans and leases	3,900	1	19	2,670	-	-	6,590	-
Home equity loans	76	-	(5)	(1)	160	-	230	(7)
Other asset-backed securities	2,629	7	(61)	231	48	-	2,854	-
Total asset-backed securities	6,605	8	(47)	2,900	208	-	9,674	(7)
Total debt securities	21,337	178	(478)	4,781	323	(3)	26,138	(26)(4)
Marketable equity securities:								
Perpetual preferred securities	1,545	25	(21)	(179)	2	-	1,372	-
Other marketable equity securities	36	-	(2)	(2)	-	-	32	-
Total marketable equity securities	1,581	25	(23)	(181)	2	-	1,404	-(5)
Total securities available for sale	22,918	203	(501)	4,600	325	(3)	27,542	(26)
Mortgages held for sale	3,360	68	-	(74)	139	(77)	3,416	68(6)
Loans	-	-	-	-	-	-	-	-(6)
Mortgage servicing rights	14,778	(3,150)	-	744	-	-	12,372	(2,640)(6)
Net derivative assets and liabilities:								
Interest rate contracts	240	1,764	-	(1,448)	-	-	556	268
Commodity contracts	(2)	2	-	(10)	-	-	(10)	1
Equity contracts	(186)	159	-	(2)	(2)	2	(29)	93
Foreign exchange contracts	25	(23)	-	5	1	-	8	(4)

Credit contracts	(1,105)	(479)	-	(40)	-	-	(1,624)	(524)
Other derivative contracts	(33)	(96)	-	(1)	-	-	(130)	-
Total derivative contracts	(1,061)	1,327	-	(1,496)	(1)	2	(1,229)	(166)(7)
Other assets	300	4	-	(30)	-	-	274	(16)(3)
Short sale liabilities								
(corporate debt securities)	-	(1)	-	(7)	-	-	(8)	-(3)
Other liabilities (excluding derivatives)	(37)	-	-	(7)	-	-	(44)	-(6)

(1) See next page for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management s estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in trading activities and other noninterest income in the income statement.
(4) Included in debt securities available for sale in the income statement.
(5) Included in equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) Included in mortgage banking, trading activities and other noninterest income in the income statement.

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The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended September 30, 2011.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Quarter ended September 30, 2011					
Trading assets					
(excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 124	(79)	-	-	45
Collateralized debt obligations	409	(577)	-	-	(168)
Corporate debt securities	30	(38)	-	(2)	(10)
Mortgage-backed securities	87	(186)	-	(1)	(100)
Asset-backed securities	121	(110)	-	(29)	(18)
Equity securities	3	-	-	-	3
Total trading securities	774	(990)	-	(32)	(248)
Other trading assets	-	-	-	-	-
Total trading assets (excluding derivatives)	774	(990)	-	(32)	(248)
Securities available for sale:					
Securities of U.S. states and political subdivisions	1,325	(5)	462	(1,030)	752
Mortgage-backed securities:					
Residential	-	-	-	(3)	(3)
Commercial	-	-	-	(11)	(11)
Total mortgage-backed securities	-	-	-	(14)	(14)
Corporate debt securities	1	(167)	-	(9)	(175)
Collateralized debt obligations	1,588	-	-	(270)	1,318
Asset-backed securities:					
Auto loans and leases	3,610	-	107	(1,047)	2,670
Home equity loans	-	-	-	(1)	(1)
Other asset-backed securities	392	(230)	435	(366)	231
Total asset-backed securities	4,002	(230)	542	(1,414)	2,900
Total debt securities	6,916	(402)	1,004	(2,737)	4,781
Marketable equity securities:					
Perpetual preferred securities	-	(13)	-	(166)	(179)
Other marketable equity securities	-	-	-	(2)	(2)
Total marketable equity securities	-	(13)	-	(168)	(181)
Total securities available for sale	6,916	(415)	1,004	(2,905)	4,600
Mortgages held for sale	106	-	-	(180)	(74)
Loans	-	-	-	-	-
Mortgage servicing rights	-	-	744	-	744
Net derivative assets and liabilities:					
Interest rate contracts	-	-	-	(1,448)	(1,448)
Commodity contracts	7	(17)	-	-	(10)
Equity contracts	12	(4)	-	(10)	(2)
Foreign exchange contracts	1	(1)	-	5	5
Credit contracts	1	-	-	(41)	(40)
Other derivative contracts	-	-	-	(1)	(1)
Total derivative contracts	21	(22)	-	(1,495)	(1,496)

Other assets	19	(5)	-	(44)	(30)
Short sale liabilities					
(corporate debt securities)	(9)	1	-	1	(7)
Other liabilities (excluding derivatives)	(8)	1	-	-	(7)

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

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the nine months ended September 30, 2012, are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in Net income	Other compre-hensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end (2)
Nine months ended September 30, 2012								
Trading assets								
(excluding derivatives):								
Securities of U.S. states and political subdivisions	**$ 53**	**2**	**-**	**6**	**-**	**-**	**61**	**(1)**
Collateralized debt obligations	**1,582**	**(206)**	**-**	**(301)**	**-**	**-**	**1,075**	**(261)**
Corporate debt securities	**97**	**(2)**	**-**	**(53)**	**-**	**-**	**42**	**(4)**
Mortgage-backed securities	**108**	**3**	**-**	**(67)**	**-**	**-**	**44**	**(2)**
Asset-backed securities	**190**	**46**	**-**	**(62)**	**14**	**(16)**	**172**	**35**
Equity securities	**4**	**1**	**-**	**(2)**	**-**	**-**	**3**	**-**
Total trading securities	**2,034**	**(156)**	**-**	**(479)**	**14**	**(16)**	**1,397**	**(233)**
Other trading assets	**115**	**(33)**	**-**	**-**	**-**	**-**	**82**	**(18)**
Total trading assets (excluding derivatives)	**2,149**	**(189)**	**-**	**(479)**	**14**	**(16)**	**1,479**	**(251)**(3)
Securities available for sale:								
Securities of U.S. states and political subdivisions	**11,516**	**8**	**188**	**1,565**	**14**	**(9,079)**	**4,212**	**-**
Mortgage-backed securities:								
Residential	**61**	**11**	**11**	**(35)**	**28**	**(74)**	**2**	**(1)**
Commercial	**232**	**(17)**	**19**	**(55)**	**-**	**-**	**179**	**(20)**
Total mortgage-backed securities	**293**	**(6)**	**30**	**(90)**	**28**	**(74)**	**181**	**(21)**
Corporate debt securities	**295**	**17**	**(5)**	**(46)**	**1**	**(41)**	**221**	**-**
Collateralized debt obligations	**8,599**	**112**	**387**	**1,127**	**-**	**-**	**10,225**	**-**
Asset-backed securities:								
Auto loans and leases	**6,641**	**3**	**5**	**(1,162)**	**-**	**-**	**5,487**	**-**
Home equity loans	**282**	**14**	**11**	**(3)**	**29**	**(236)**	**97**	**(4)**
Other asset-backed securities	**2,863**	**(28)**	**96**	**14**	**1**	**(23)**	**2,923**	**(26)**
Total asset-backed securities	**9,786**	**(11)**	**112**	**(1,151)**	**30**	**(259)**	**8,507**	**(30)**
Total debt securities	**30,489**	**120**	**712**	**1,405**	**73**	**(9,453)**	**23,346**	**(51)**(4)
Marketable equity securities:								
Perpetual preferred securities	**1,344**	**85**	**(28)**	**(552)**	**-**	**-**	**849**	**-**
Other marketable equity securities	**23**	**2**	**(15)**	**(10)**	**-**	**-**	**-**	**-**
Total marketable equity securities	**1,367**	**87**	**(43)**	**(562)**	**-**	**-**	**849**	**-**(5)
Total securities available for sale	**31,856**	**207**	**669**	**843**	**73**	**(9,453)**	**24,195**	**(51)**
Mortgages held for sale	**3,410**	**4**	**-**	**(176)**	**298**	**(229)**	**3,307**	**16**(6)
Loans	**23**	**59**	**-**	**80**	**5,851**	**-**	**6,013**	**59**(6)
Mortgage servicing rights	**12,603**	**(5,442)**	**-**	**3,795**	**-**	**-**	**10,956**	**(3,216)**(6)
Net derivative assets and liabilities:								
Interest rate contracts	**609**	**6,565**	**-**	**(5,781)**	**-**	**-**	**1,393**	**1,292**
Commodity contracts	**-**	**71**	**-**	**(32)**	**(8)**	**(3)**	**28**	**36**
Equity contracts	**(75)**	**(19)**	**-**	**(4)**	**-**	**(94)**	**(192)**	**(18)**
Foreign exchange contracts	**(7)**	**21**	**-**	**8**	**-**	**-**	**22**	**29**
Credit contracts	**(1,998)**	**96**	**-**	**521**	**-**	**-**	**(1,381)**	**37**
Other derivative contracts	**(117)**	**26**	**-**	**-**	**-**	**-**	**(91)**	**-**
Total derivative contracts	**(1,588)**	**6,760**	**-**	**(5,288)**	**(8)**	**(97)**	**(221)**	**1,376**(7)
Other assets	**244**	**(6)**	**-**	**(45)**	**-**	**-**	**193**	**(11)**(3)
Short sale liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**(3)
Other liabilities (excluding derivatives)	**(44)**	**(19)**	**-**	**(190)**	**-**	**-**	**(253)**	**-**(6)

(1) See next page for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management s estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in trading activities and other noninterest income in the income statement.
(4) Included in debt securities available for sale in the income statement.
(5) Included in equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) Included in mortgage banking, trading activities and other noninterest income in the income statement.

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The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the nine months ended September 30, 2012.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Nine months ended September 30, 2012					
Trading assets					
(excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 73	(67)	-	-	6
Collateralized debt obligations	642	(943)	-	-	(301)
Corporate debt securities	151	(204)	-	-	(53)
Mortgage-backed securities	44	(111)	-	-	(67)
Asset-backed securities	104	(130)	-	(36)	(62)
Equity securities	1	(3)	-	-	(2)
Total trading securities	1,015	(1,458)	-	(36)	(479)
Other trading assets	-	-	-	-	-
Total trading assets					
(excluding derivatives)	1,015	(1,458)	-	(36)	(479)
Securities available for sale:					
Securities of U.S. states and political subdivisions	1,759	(37)	965	(1,122)	1,565
Mortgage-backed securities:					
Residential	1	(34)	-	(2)	(35)
Commercial	10	-	-	(65)	(55)
Total mortgage-backed securities	11	(34)	-	(67)	(90)
Corporate debt securities	-	(37)	-	(9)	(46)
Collateralized debt obligations	2,403	(185)	-	(1,091)	1,127
Asset-backed securities:					
Auto loans and leases	2,040	-	490	(3,692)	(1,162)
Home equity loans	-	(2)	-	(1)	(3)
Other asset-backed securities	996	(132)	1,030	(1,880)	14
Total asset-backed securities	3,036	(134)	1,520	(5,573)	(1,151)
Total debt securities	7,209	(427)	2,485	(7,862)	1,405
Marketable equity securities:					
Perpetual preferred securities	-	-	-	(552)	(552)
Other marketable equity securities	-	(8)	-	(2)	(10)
Total marketable equity securities	-	(8)	-	(554)	(562)
Total securities available for sale	7,209	(435)	2,485	(8,416)	843
Mortgages held for sale	355	-	-	(531)	(176)
Loans	2	-	129	(51)	80
Mortgage servicing rights	-	(293)	4,088	-	3,795
Net derivative assets and liabilities:					
Interest rate contracts	28	(22)	-	(5,787)	(5,781)
Commodity contracts	22	(8)	-	(46)	(32)
Equity contracts	117	(133)	1	11	(4)
Foreign exchange contracts	-	-	-	8	8
Credit contracts	(5)	2	-	524	521
Other derivative contracts	-	-	-	-	-
Total derivative contracts	162	(161)	1	(5,290)	(5,288)
Other assets	17	(5)	-	(57)	(45)
Short sale liabilities	9	(9)	-	-	-
Other liabilities (excluding derivatives)	(3)	11	(216)	18	(190)

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

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the nine months ended September 30, 2011, are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in Net income	Other compre-hensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end (2)
Nine months ended September 30, 2011								
Trading assets								
(excluding derivatives):								
Securities of U.S. states and political subdivisions	$ 5	6	-	132	38	-	181	-
Collateralized debt obligations	1,915	(13)	-	(273)	-	(12)	1,617	(78)
Corporate debt securities	166	2	-	(72)	-	-	96	3
Mortgage-backed securities	117	6	-	1	7	(7)	124	(2)
Asset-backed securities	366	71	-	(118)	-	(121)	198	68
Equity securities	34	(3)	-	(28)	1	-	4	(5)
Total trading securities	2,603	69	-	(358)	46	(140)	2,220	(14)
Other trading assets	136	(9)	-	1	-	(2)	126	18
Total trading assets (excluding derivatives)	2,739	60	-	(357)	46	(142)	2,346	4(3)
Securities available for sale:								
Securities of U.S. states and political subdivisions	4,564	8	77	2,829	-	-	7,478	(5)
Mortgage-backed securities:								
Residential	20	(7)	-	(2)	87	(22)	76	(10)
Commercial	217	(24)	50	4	-	(4)	243	(17)
Total mortgage-backed securities	237	(31)	50	2	87	(26)	319	(27)
Corporate debt securities	433	149	(102)	(174)	41	(1)	346	-
Collateralized debt obligations	4,778	218	(169)	3,486	8	-	8,321	-
Asset-backed securities:								
Auto loans and leases	6,133	3	(16)	470	-	-	6,590	-
Home equity loans	112	(3)	(9)	(3)	199	(66)	230	(17)
Other asset-backed securities	3,150	5	(13)	134	97	(519)	2,854	-
Total asset-backed securities	9,395	5	(38)	601	296	(585)	9,674	(17)
Other debt securities	85	-	-	(85)	-	-	-	-
Total debt securities	19,492	349	(182)	6,659	432	(612)	26,138	(49)(4)
Marketable equity securities:								
Perpetual preferred securities	2,434	164	(23)	(1,205)	2	-	1,372	-
Other marketable equity securities	32	-	(1)	1	-	-	32	-
Total marketable equity securities	2,466	164	(24)	(1,204)	2	-	1,404	-(5)
Total securities available for sale	21,958	513	(206)	5,455	434	(612)	27,542	(49)
Mortgages held for sale	3,305	77	-	(28)	288	(226)	3,416	80(6)
Loans	309	13	-	(322)	-	-	-	-(6)
Mortgage servicing rights	14,467	(4,841)	-	2,746	-	-	12,372	(3,216)(6)
Net derivative assets and liabilities:								
Interest rate contracts	77	3,054	-	(2,577)	1	1	556	110
Commodity contracts	(1)	2	-	(9)	(3)	1	(10)	1
Equity contracts	(225)	205	-	9	(6)	(12)	(29)	136
Foreign exchange contracts	9	4	-	(6)	1	-	8	(6)
Credit contracts	(1,017)	(437)	-	(168)	-	(2)	(1,624)	(533)
Other derivative contracts	(35)	(95)	-	-	-	-	(130)	-

Total derivative contracts	(1,192)	2,733	-	(2,751)	(7)	(12)	(1,229)	(292)(7)
Other assets	314	12	-	(52)	-	-	274	(6)(3)
Short sale liabilities								
(corporate debt securities)	-	-	-	(8)	-	-	(8)	1(3)
Other liabilities (excluding derivatives)	(344)	(9)	-	309	-	-	(44)	-(6)

(1) See next page for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management s estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in trading activities and other noninterest income in the income statement.
(4) Included in debt securities available for sale in the income statement.
(5) Included in equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) Included in mortgage banking, trading activities and other noninterest income in the income statement.

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The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the nine months ended September 30, 2011.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Nine months ended September 30, 2011					
Trading assets					
(excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 310	(177)	-	(1)	132
Collateralized debt obligations	933	(1,165)	-	(41)	(273)
Corporate debt securities	61	(134)	-	1	(72)
Mortgage-backed securities	656	(650)	-	(5)	1
Asset-backed securities	493	(571)	-	(40)	(118)
Equity securities	9	(25)	-	(12)	(28)
Total trading securities	2,462	(2,722)	-	(98)	(358)
Other trading assets	2	-	-	(1)	1
Total trading assets (excluding derivatives)	2,464	(2,722)	-	(99)	(357)
Securities available for sale:					
Securities of U.S. states and political subdivisions	2,958	(4)	1,339	(1,464)	2,829
Mortgage-backed securities:					
Residential	4	-	-	(6)	(2)
Commercial	21	-	-	(17)	4
Total mortgage-backed securities	25	-	-	(23)	2
Corporate debt securities	97	(202)	-	(69)	(174)
Collateralized debt obligations	4,323	(20)	-	(817)	3,486
Asset-backed securities:					
Auto loans and leases	4,599	-	270	(4,399)	470
Home equity loans	-	-	-	(3)	(3)
Other asset-backed securities	1,360	(384)	807	(1,649)	134
Total asset-backed securities	5,959	(384)	1,077	(6,051)	601
Other debt securities	-	(85)	-	-	(85)
Total debt securities	13,362	(695)	2,416	(8,424)	6,659
Marketable equity securities:					
Perpetual preferred securities	1	(13)	-	(1,193)	(1,205)
Other marketable equity securities	3	-	-	(2)	1
Total marketable equity securities	4	(13)	-	(1,195)	(1,204)
Total securities available for sale	13,366	(708)	2,416	(9,619)	5,455
Mortgages held for sale	472	-	-	(500)	(28)
Loans	-	(309)	-	(13)	(322)
Mortgage servicing rights	-	-	2,746	-	2,746
Net derivative assets and liabilities:					
Interest rate contracts	6	-	-	(2,583)	(2,577)
Commodity contracts	7	(17)	-	1	(9)
Equity contracts	82	(178)	-	105	9
Foreign exchange contracts	4	(4)	-	(6)	(6)
Credit contracts	4	(2)	-	(170)	(168)
Other derivative contracts	-	-	-	-	-

Total derivative contracts	103	(201)	-	(2,653)	(2,751)
Other assets	8	(5)	-	(55)	(52)
Short sale liabilities					
(corporate debt securities)	(124)	115	-	1	(8)
Other liabilities (excluding derivatives)	(9)	1	-	317	309

The following table provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a recurring basis for which we use an internal model.

The significant unobservable inputs for Level 3 assets and liabilities that are valued using fair values obtained from third party vendors are not included in the table as the specific inputs applied are not provided by the vendor (see discussion regarding vendor-developed valuations within the Level 3 Asset and Liabilities Valuation Processes section previously within this Note). In addition, the table excludes the valuation techniques and significant unobservable inputs for certain classes of Level 3

assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 assets and liabilities. We made this determination based upon an evaluation of each class which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

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

($ in millions, except cost to service amounts)	Fair Value Level 3	Valuation Technique(s)	Significant Unobservable Input	Range of Inputs	Weighted Average (1)
September 30, 2012					
Trading and available for sale securities:					
Securities of U.S. states and political subdivisions:					
Government, healthcare and other revenue bonds	$ 3,659	Discounted cash flow	Discount rate	0.5 - 4.1 %	1.6
Auction rate securities	614	Discounted cash flow	Discount rate	1.1 - 9.2	4.1
			Weighted average life	3.0 - 9.0 yrs	3.6
Collateralized debt obligations (2)	1,639	Market comparable pricing	Comparability adjustment	(24.8) - 26.6 %	1.3
	9,661	Vendor priced			
Asset-backed securities:					
Auto loans and leases	5,487	Discounted cash flow	Default rate	2.1 - 10.2	3.4
			Discount rate	0.8 - 1.7	1.2
			Loss severity	50.0 - 66.7	52.2
			Prepayment rate	0.6 - 0.9	0.7
Other asset-backed securities:					
Dealer floor plan	1,098	Discounted cash flow	Discount rate	0.6 - 2.2	1.9
Other commercial and consumer	1,739(3)	Discounted cash flow	Discount rate	2.7 - 11.3	4.8
			Weighted average life	0.1 - 7.8yrs	2.9
	258	Vendor priced			
Marketable equity securities: perpetual preferred	849(4)	Discounted cash flow	Discount rate	4.2 - 9.2%	6.2
			Weighted average life	1.0 - 10.0 yrs	5.2
Mortgages held for sale (residential)	3,307	Discounted cash flow	Default rate	0.6 - 14.7%	6.5
			Discount rate	3.3 - 6.8	5.2
			Loss severity	1.1 - 37.9	27.7
			Prepayment rate	1.0 - 12.6	6.0
Loans	6,013(5)	Discounted cash flow	Discount rate	2.4 - 2.8	2.7
			Prepayment rate	1.7 - 46.5	11.4
			Utilization rate	0.0 - 2.0	0.8
Mortgage servicing rights (residential)	10,956	Discounted cash flow	Cost to service per loan (6)	$ 91 - 870	219
			Discount rate	6.3 - 10.5 %	7.2
			Prepayment rate(7)	7.7 - 24.7	17.2
Net derivative assets and (liabilities):					
Interest rate contracts	183	Discounted cash flow	Default rate	0.0 - 20.0	5.0
			Loss severity	34.2 - 73.7	51.3
			Prepayment rate	7.7 - 24.1	15.0
Interest rate contracts: derivative loan commitments	1,210	Discounted cash flow	Fall-out factor	1.0 - 99.0	26.0
			Initial-value servicing	(11.2) - 129.6 bps	70.2
Equity contracts	(192)	Option model	Correlation factor	(43.6) - 94.5 %	69.8
			Volatility factor	17.1 - 73.4	35.3
Credit contracts	(1,390)	Market comparable pricing	Comparability adjustment	(34.9) - 49.3	(0.4)
	9	Option model	Credit spread	0.0 - 14.0	2.1
			Loss severity	16.5 - 87.5	47.9
Insignificant Level 3 assets, net of liabilities	569 (8)				
Total level 3 assets, net of liabilities	$ 45,669 (9)				

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments such as loans and securities, and notional amounts for derivative instruments.
(2) Includes $10.4 billion of collateralized loan obligations.
(3) Consists primarily of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.
(4) Consists of auction rate preferred equity securities with no maturity date that are callable by the issuer.
(5) Consists of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions.

(6) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is $91 $379.
(7) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.
(8) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, asset-backed securities backed by home equity loans, other marketable equity securities, loans, other assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts, foreign exchange contracts and other derivative contracts.
(9) Consists of total Level 3 assets of $49.8 billion and total Level 3 liabilities of $4.1 billion, before netting of derivative balances.

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The valuation techniques used for our Level 3 assets and liabilities, as presented in the previous table, are described as follows:

- Discounted cash flow Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument and then discounting those cash flows at a rate of return that results in the fair value amount.
- Option model Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.
- Market comparable pricing Market comparable pricing valuation techniques are used to determine the fair value of certain instruments by incorporating known inputs such as recent transaction prices, pending transactions, or prices of other similar investments which require significant adjustment to reflect differences in instrument characteristics.
- Vendor-priced Prices obtained from third party pricing vendors or brokers that are used to record the fair value of the asset or liability, of which the related valuation technique and significant unobservable inputs are not provided.

Significant unobservable inputs presented in the previous table are those we consider significant to the fair value of the Level 3 asset or liability. We consider unobservable inputs to be significant, if by their exclusion, the fair value of the Level 3 asset or liability would be impacted by a predetermined percentage change or based on qualitative factors such as nature of the instrument, type of valuation technique used, and the significance of the unobservable inputs relative to other inputs used within the valuation. Following is a description of the significant unobservable inputs provided in the table.

- Comparability adjustment is an adjustment made to observed market data such as a transaction price in order to reflect dissimilarities in underlying collateral, issuer, rating, or other factors used within a market valuation approach, expressed as a percentage of an observed price.
- Correlation factor is the likelihood of one instrument changing in price relative to another based on an established relationship expressed as a percentage of relative change in price over a period over time.
- Cost to service is the expected cost per loan of servicing a portfolio of loans which includes estimates for unreimbursed expenses (including delinquency and foreclosure costs) that may occur as a result of servicing such loan portfolios.
- Credit spread is the portion of the interest rate in excess of a benchmark interest rate, such as LIBOR or U.S. Treasury rates, that when applied to an investment captures changes in the obligor s creditworthiness.
- Default rate is an estimate of the likelihood of not collecting contractual amounts owed expressed as a constant default rate (CDR).
- Discount rate is a rate of return used to present value the future expected cash flow to arrive at the fair value of an instrument. The discount rate consists of a benchmark rate component and a risk premium component. The benchmark rate component, for example, LIBOR or U.S. Treasury rates, is generally observable within the market and is necessary to appropriately reflect the time value of money. The risk premium component reflects the amount of compensation market participants require due to the uncertainty inherent in the instruments cash flows resulting from risks such as credit and liquidity.
- Fall-out factor is the expected percentage of loans associated with our interest rate lock commitment portfolio that are likely of not funding.
- Initial-value servicing is the estimated value of the underlying loan, including the value attributable to the embedded servicing right, expressed in basis points of outstanding unpaid principal balance.
- Loss severity is the percentage of contractual cash flows lost in the event of a default.
- Prepayment rate is the estimated rate at which forecasted prepayments of principal of the related loan or debt instrument are expected to occur, expressed as a constant prepayment rate (CPR).
- Utilization rate is the estimated rate in which incremental portions of existing reverse mortgage credit lines are expected to be drawn by borrowers, expressed as an annualized rate.
- Volatility factor is the extent of change in price an item is estimated to fluctuate over a specified period of time expressed as a percentage of relative change in price over a period over time.
- Weighted average life is the weighted average number of years an investment is expected to remain outstanding, based on its expected cash flows reflecting the estimated date the issuer will call or extend the maturity of the instrument or otherwise reflecting an estimate of the timing of an instrument s cash flows whose timing is not contractually fixed.

Significant Recurring Level 3 Fair Value Asset and Liability Input Sensitivity

We generally use discounted cash flow or similar internal modeling techniques to determine the fair value of our Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the preceding table. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a

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

change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated to one another), which may counteract or magnify the fair value impact.

SECURITIES, LOANS and MORTGAGES HELD FOR SALE The fair values of predominantly all Level 3 trading securities, mortgages held for sale, loans and securities available for sale have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The internal models used to determine fair value for these Level 3 instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs include discount rate, prepayment rate, default rate, loss severity, utilization rate and weighted average life.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rate, default rate, loss severity, or weighted average life inputs. Conversely, the fair value of these Level 3 assets would generally increase (decrease) in value if the prepayment rate input were to increase (decrease) or if the utilization rate input were to increase (decrease).

Generally, a change in the assumption used for default rate is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayment rates. Unobservable inputs for loss severity, utilization rate and weighted average life do not increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

DERIVATIVE INSTRUMENTS Level 3 derivative instruments are valued using market comparable pricing, option pricing and discounted cash flow valuation techniques. We utilize certain unobservable inputs within these techniques to determine the fair value of the Level 3 derivative instruments. The significant unobservable inputs consist of credit spread, a comparability adjustment, prepayment rate, default rate, loss severity, initial value servicing, fall-out factor, volatility factor, and correlation factor.

Level 3 derivative assets (liabilities) would decrease (increase) in value upon an increase (decrease) in default rate, fall-out factor, credit spread or loss severity inputs. Conversely, Level 3 derivative assets (liabilities) would increase (decrease) in value upon an increase (decrease) in prepayment rate, initial-value servicing or volatility factor inputs. The correlation factor and comparability adjustment inputs may have a positive or negative impact on the fair value of these derivative instruments depending on the change in value of the item the correlation factor and comparability adjustment is referencing. The correlation factor and comparability adjustment is considered independent from movements in other significant unobservable inputs for derivative instruments.

Generally, for derivative instruments for which we are subject to changes in the value of the underlying referenced instrument, change in the assumption used for default rate is accompanied

by directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayment rates. Unobservable inputs for loss severity, fall-out factor, initial-value servicing, and volatility do not increase or decrease based on movements in other significant unobservable inputs for these Level 3 instruments.

MORTGAGE SERVICING RIGHTS We use a discounted cash flow valuation technique to determine the fair value of Level 3 mortgage servicing rights. These models utilize certain significant unobservable inputs including prepayment rate, discount rate and costs to service. An increase in any of these unobservable inputs will reduce the fair value of the mortgage servicing rights and alternatively, a decrease in any one of these inputs would result in the mortgage servicing rights increasing in value. Generally, a change in the assumption used for the default rate is accompanied by a directionally similar change in the assumption used for cost to service and a directionally opposite change in the assumption used for prepayment. The sensitivity of our residential MSRs is discussed further in Note 7.

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Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of LOCOM accounting or write-downs of individual

assets. For assets measured at fair value on a nonrecurring basis in the first nine months of 2012, and year ended December 31, 2011, that were still held in the balance sheet at each respective period end, the following table provides the fair value hierarchy and the carrying value of the related individual assets or portfolios at period end.

		September 30, 2012				December 31, 2011		
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Mortgages held for sale (LOCOM) (1)	**$**	**1,724**	**1,075**	**2,799**		1,019	1,166	2,185
Loans held for sale		**15**		**15**		86		86
Loans:								
Commercial		**1,495**	**15**	**1,510**		1,501	13	1,514
Consumer		**2,512**	**3**	**2,515**		4,163	4	4,167
Total loans (2)		**4,007**	**18**	**4,025**		5,664	17	5,681
Mortgage servicing rights (amortized)							293	293
Other assets (3)		**864**	**101**	**965**		537	67	604

(1) Predominantly real estate 1-4 family first mortgage loans.
(2) Represents carrying value of loans for which adjustments are based on the appraised value of the collateral.
(3) Includes the fair value of foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets.

The following table presents the increase (decrease) in value of certain assets that are measured at fair value on a nonrecurring basis for which a fair value adjustment has been included in the income statement.

	Nine months ended September 30,	
(in millions)	**2012**	2011
Mortgages held for sale (LOCOM)	**$ 45**	55
Loans held for sale	**1**	(1)
Loans:		
Commercial	**(788)**	(874)
Consumer (1)	**(2,813)**	(3,934)
Total loans	**(3,601)**	(4,808)
Mortgage servicing rights (amortized)		(37)
Other assets (2)	**(320)**	(209)
Total	**$ (3,875)**	(5,000)

(1) Represents write-downs of loans based on the appraised value of the collateral.
(2) Includes the losses on foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets.

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

The table below provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a nonrecurring basis for which we use an internal model.

We have excluded from the table classes of Level 3 assets and liabilities measured using an internal model that we consider,

both individually and in the aggregate, insignificant relative to our overall Level 3 nonrecurring measurements. We made this determination based upon an evaluation of each class which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

($ in millions)	Fair Value Level 3	Valuation Technique(s) (1)	Significant Unobservable Inputs (1)	Range of inputs	Weighted Average (2)
September 30, 2012					
Residential mortgages held for sale (LOCOM)	$ 1,075(3)	Discounted cash flow	Default rate(4)	3.0 - 20.2%	9.5%
			Discount rate	4.0 - 11.7	10.6
			Loss severity	3.0 - 45.7	6.4
			Prepayment rate(5)	1.0 - 100.0	67.3
Insignificant level 3 assets	119				
Total	1,194				

(1) Refer to the narrative following the recurring quantitative Level 3 table of this Note for a definition of the valuation technique(s) and significant unobservable inputs.
(2) Weighted averages are calculated using outstanding unpaid principal balance of the loans.
(3) Consists of approximately $966 million government insured/guaranteed loans purchased from GNMA-guaranteed mortgage securitization and $109 million of other mortgage loans which are not government insured/guaranteed.
(4) Applies only to non-government insured/guaranteed loans.
(5) Includes the impact on prepayment rate of expected defaults for the government insured/guaranteed loans, which impacts the frequency and timing of early resolution of loans.

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Alternative Investments

The following table summarizes our investments in various types of funds, which are included in trading assets, securities available for sale and other assets. We use the funds net asset

values (NAVs) per share as a practical expedient to measure fair value on recurring and nonrecurring bases. The fair values presented in the table are based upon the funds NAVs or an equivalent measure.

(in millions)	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
September 30, 2012				
Offshore funds	**$ 391**	**-**	**Daily -Annually**	**1 -180 days**
Funds of funds	**1**	**-**	**Quarterly**	**90 days**
Hedge funds	**4**	**-**	**Daily -Annually**	**5 - 95 days**
Private equity funds	**854**	**212**	**N/A**	**N/A**
Venture capital funds	**83**	**22**	**N/A**	**N/A**
Total	**$ 1,333**	**234**		
December 31, 2011				
Offshore funds	$ 352	-	Daily - Annually	1 -180 days
Funds of funds	1	-	Quarterly	90 days
Hedge funds	22	-	Daily - Annually	5 - 95 days
Private equity funds	976	240	N/A	N/A
Venture capital funds	83	28	N/A	N/A
Total	$ 1,434	268		

N/A - Not applicable

Offshore funds primarily invest in investment grade European fixed-income securities. Redemption restrictions are in place for these investments with a fair value of $184 million and $200 million at September 30, 2012 and December 31, 2011, respectively, due to lock-up provisions that will remain in effect until October 2015.

Private equity funds invest in equity and debt securities issued by private and publicly-held companies in connection with leveraged buyouts, recapitalizations and expansion opportunities. Substantially all of these investments do not allow redemptions. Alternatively, we receive distributions as the underlying assets of the funds liquidate, which we expect to occur over the next nine years.

Venture capital funds invest in domestic and foreign companies in a variety of industries, including information technology, financial services and healthcare. These investments can never be redeemed with the funds. Instead, we receive distributions as the underlying assets of the fund liquidate, which we expect to occur over the next six years.

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

Fair Value Option

We measure MHFS at fair value for prime MHFS originations for which an active secondary market and readily available market prices exist to reliably support fair value pricing models used for these loans. Loan origination fees on these loans are recorded when earned, and related direct loan origination costs are recognized when incurred. We also measure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe fair value measurement for prime MHFS and other interests held, which we hedge with free-standing derivatives (economic hedges) along with our MSRs measured at fair value, reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets.

We elected to measure certain LHFS portfolios at fair value in conjunction with customer accommodation activities, to better align the measurement basis of the assets held with our management objectives given the trading nature of these portfolios. In addition, we elected to measure at fair value certain letters of credit that are hedged with derivative instruments to better reflect the economics of the transactions.

These letters of credit are included in trading account assets or liabilities.

Loans that we measure at fair value consist of reverse mortgage loans previously transferred under a GNMA reverse mortgage securitization program accounted for as a secured borrowing. Before the transfer, they were classified as MHFS measured at fair value and, as such, remain carried on our balance sheet under the fair value option.

Similarly, we may elect fair value option for the assets and liabilities of certain consolidated VIEs. This option is generally elected for newly consolidated VIEs for which predominantly all of our interests, prior to consolidation, are carried at fair value with changes in fair value recorded to earnings. Accordingly, such an election allows us to continue fair value accounting through earnings for those interests and eliminate income statement mismatch otherwise caused by differences in the measurement basis of the consolidated VIEs assets and liabilities.

The following table reflects the differences between fair value carrying amount of certain assets and liabilities for which we have elected the fair value option and the contractual aggregate unpaid principal amount at maturity.

	September 30, 2012			December 31, 2011		
(in millions)	**Fair value carrying amount**	**Aggregate unpaid principal**	**Fair value carrying amount less aggregate unpaid principal**	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Mortgages held for sale:						
Total loans	$ **46,575**	**44,671**	**1,904** (1)	44,791	43,687	1,104(1)
Nonaccrual loans	**299**	**651**	**(352)**	265	584	(319)
Loans 90 days or more past due and still accruing	**49**	**63**	**(14)**	44	56	(12)
Loans held for sale:						
Total loans	**172**	**185**	**(13)**	1,176	1,216	(40)
Nonaccrual loans	**6**	**12**	**(6)**	25	39	(14)
Loans:						
Total loans	**6,188**	**5,633**	**555**	5,916	5,441	475
Nonaccrual loans	**79**	**78**	**1**	32	32	-
Long-term debt	**(218)**	**(1,679)**	**1,461** (2)	-	-	-

(1) The difference between fair value carrying amount and aggregate unpaid principal includes changes in fair value recorded at and subsequent to funding, gains and losses on the related loan commitment prior to funding, and premiums on acquired loans.
(2) Represents collateralized, non-recourse debt securities issued by certain of our consolidated securitization VIEs that are held by third party investors. To the extent cash flows from the underlying collateral are not sufficient to pay the unpaid principal amount of the debt, those third party investors absorb losses.

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The assets and liabilities accounted for under the fair value option are initially measured at fair value. Gains and losses from initial measurement and subsequent changes in fair value are recognized in earnings. The changes in fair value related to

initial measurement and subsequent changes in fair value included in earnings for these assets and liabilities measured at fair value are shown, by income statement line item, below.

		2012				2011
(in millions)	**Mortgage banking noninterest income**	**Net gains (losses) from trading activities**	**Other noninterest income**	Mortgage banking noninterest income	Net gains (losses) from trading activities	Other noninterest income
Quarter ended Sept. 30,						
Mortgages held for sale	**$ 2,594**	**-**	**-**	2,252	-	-
Loans held for sale	**-**	**-**	**4**	-	-	(2)
Loans	**-**	**-**	**54**	-	-	-
Long-term debt	**-**	**-**	**(19)**	-	-	-
Other interests held	**-**	**(12)**	**18**	-	-	(49)
Nine months ended Sept. 30,						
Mortgages held for sale	**$ 6,915**	**-**	**1**	4,109	-	-
Loans held for sale	**-**	**-**	**23**	-	-	19
Loans	**-**	**-**	**81**	13	-	-
Long-term debt	**-**	**-**	**(23)**	(11)	-	-
Other interests held	**-**	**(36)**	**33**	-	-	(25)

For performing loans, instrument-specific credit risk gains or losses were derived principally by determining the change in fair value of the loans due to changes in the observable or implied credit spread. Credit spread is the market yield on the loans less the relevant risk-free benchmark interest rate. In recent years spreads have been significantly affected by the lack of liquidity in the secondary market for mortgage loans. For nonperforming loans, we attribute all changes in fair value to instrument-specific credit risk. The following table shows the estimated gains and losses from earnings attributable to instrument-specific credit risk related to assets accounted for under the fair value option.

	Quarter ended Sept. 30,		Nine months ended Sept. 30,	
(in millions)	**2012**	2011	**2012**	2011
Gains (losses) attributable to instrument-specific credit risk:				
Mortgages held for sale	**$ (8)**	(37)	**(99)**	(108)
Loans held for sale	**4**	(2)	**23**	19
Total	**$ (4)**	(39)	**(76)**	(89)

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

Disclosures about Fair Value of Financial Instruments

The table below is a summary of fair value estimates for financial instruments, excluding financial instruments recorded at fair value on a recurring basis as they are included within the Assets and Liabilities Recorded at Fair Value on a Recurring Basis table included earlier in this Note. The carrying amounts in the following table are recorded in the balance sheet under the indicated captions.

We have not included assets and liabilities that are not financial instruments in our disclosure, such as the value of the long-term relationships with our deposit, credit card and trust customers, amortized MSRs, premises and equipment, goodwill and other intangibles, deferred taxes and other liabilities. The total of the fair value calculations presented does not represent, and should not be construed to represent, the underlying value of the Company.

	September 30, 2012					December 31, 2011	
		Estimated fair value					
(in millions)	Carrying amount	Level 1	Level 2	Level 3	Total	Carrying amount	Estimated fair value
Financial assets							
Cash and due from banks (1)	$ 16,986	16,986	-	-	16,986	19,440	19,440
Federal funds sold, securities purchased under resale agreements and other short-term investments (1)	100,442	3,887	96,555	-	100,442	44,367	44,367
Mortgages held for sale (2)	3,762	-	2,751	1,075	3,826	3,566	3,566
Loans held for sale (2)	126	-	103	29	132	162	176
Loans, net (3)	746,868	-	56,334	698,830	755,164	731,308	723,867
Nonmarketable equity investments (cost method)	8,061	-	4	9,395	9,399	8,061	8,490
Financial liabilities							
Deposits	952,239	-	889,179	64,367	953,546	920,070	921,803
Short-term borrowings (1)	51,957	-	51,957	-	51,957	49,091	49,091
Long-term debt (4)	130,506	-	122,085	11,461	133,546	125,238	126,484

(1) Amounts consist of financial instruments in which carrying value approximates fair value.
(2) Balance reflects MHFS and LHFS, as applicable, other than those MHFS and LHFS for which election of the fair value option was made.
(3) Loans exclude balances for which the fair value option was elected. Loans exclude lease financing with a carrying amount of $12.3 billion and $13.1 billion at September 30, 2012 and December 31, 2011, respectively.
(4) The carrying amount and fair value exclude balances for which the fair value option was elected and obligations under capital leases of $77 million and $116 million at September 30, 2012 and December 31, 2011, respectively.

Loan commitments, standby letters of credit and commercial and similar letters of credit are not included in the table above. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related allowance. This amounted to $537 million and $495 million at September 30, 2012 and December 31, 2011, respectively.

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Note 14: Preferred Stock

We are authorized to issue 20 million shares of preferred stock and 4 million shares of preference stock, both without par value. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. We have not issued any preference shares under this authorization. If issued, preference shares would be limited to one vote per share. Our total issued and outstanding

preferred stock includes Dividend Equalization Preferred (DEP) shares and Series I, J, K, L and N which are presented in the following two tables, and Employee Stock Ownership Plan (ESOP) Cumulative Convertible Preferred Stock, which is presented in the table on the following page.

	September 30, 2012		December 31, 2011	
	Liquidation preference per share	**Shares authorized and designated**	Liquidation preference per share	Shares authorized and designated
DEP Shares				
Dividend Equalization Preferred Shares	**$ 10**	**97,000**	$ 10	97,000
Series G				
7.25% Class A Preferred Stock	**15,000**	**50,000**	15,000	50,000
Series H				
Floating Class A Preferred Stock	**20,000**	**50,000**	20,000	50,000
Series I				
Floating Class A Preferred Stock	**100,000**	**25,010**	100,000	25,010
Series J				
8.00% Non-Cumulative Perpetual Class A Preferred Stock	**1,000**	**2,300,000**	1,000	2,300,000
Series K				
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**1,000**	**3,500,000**	1,000	3,500,000
Series L				
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	**1,000**	**4,025,000**	1,000	4,025,000
Series N				
5.20% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**30,000**	-	-
Total		**10,077,010**		10,047,010

		September 30, 2012					December 31, 2011
(in millions, except shares)	**Par value**	**Carrying**	**Discount**	Shares	Par value	Carrying	Discount

	Shares issued and outstanding		**value**		issued and outstanding		value	
DEP Shares								
Dividend Equalization Preferred Shares	**96,546**	**$ -**	**-**	**-**	96,546	$ -	-	-
Series I (1)								
Floating Class A Preferred Stock	**25,010**	**2,501**	**2,501**	**-**	25,010	2,501	2,501	-
Series J (1)								
8.00% Non-Cumulative Perpetual Class A Preferred Stock	**2,150,375**	**2,150**	**1,995**	**155**	2,150,375	2,150	1,995	155
Series K (1)								
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**3,352,000**	**3,352**	**2,876**	**476**	3,352,000	3,352	2,876	476
Series L (1)								
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	**3,968,000**	**3,968**	**3,200**	**768**	3,968,000	3,968	3,200	768
Series N (1)								
5.20% Non-Cumulative Perpetual Class A Preferred Stock	**30,000**	**750**	**750**	**-**	-	-	-	-
Total	**9,621,931**	**$ 12,721**	**11,322**	**1,399**	9,591,931	$ 11,971	10,572	1,399

(1) Preferred shares qualify as Tier 1 capital.

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Note 14: Preferred Stock *(continued)*

In August 2012, we issued 30 million Depositary Shares, each representing a 1/1,000th interest in a share of the Non-Cumulative Perpetual Class A Preferred Stock, Series N, for an aggregate public offering price of $750 million.

In the first nine months of 2012, we redeemed $2.7 billion of trust preferred securities. See Note 7 for additional information on our trust preferred securities. We do not have a commitment to issue Series G or H preferred stock.

ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK All shares of our ESOP Cumulative Convertible Preferred Stock (ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (the 401(k) Plan). Dividends on the ESOP Preferred Stock are cumulative from the

date of initial issuance and are payable quarterly at annual rates based upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the 401(k) Plan is converted into shares of our common stock based on the stated value of the ESOP Preferred Stock and the then current market price of our common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. We have the option to redeem the ESOP Preferred Stock at any time, in whole or in part, at a redemption price per share equal to the higher of (a) $1,000 per share plus accrued and unpaid dividends or (b) the fair market value, as defined in the Certificates of Designation for the ESOP Preferred Stock.

	Shares issued and outstanding		Carrying value		Adjustable dividend rate	
(in millions, except shares)	**Sept. 30, 2012**	Dec. 31, 2011	**Sept. 30, 2012**	Dec. 31, 2011	Minimum	Maximum
ESOP Preferred Stock						
$1,000 liquidation preference per share						
2012	**288,563**	-	**$ 288**	-	10.00%	11.00
2011	**279,963**	370,280	**280**	370	9.00	10.00
2010	**201,061**	231,361	**201**	232	9.50	10.50
2008	**74,134**	89,154	**74**	89	10.50	11.50
2007	**54,818**	68,414	**55**	69	10.75	11.75
2006	**34,734**	46,112	**35**	46	10.75	11.75
2005	**18,882**	30,092	**19**	30	9.75	10.75
2004	**9,013**	17,115	**9**	17	8.50	9.50
2003	**-**	6,231	**-**	6	8.50	9.50
Total ESOP Preferred Stock (1)	**961,168**	858,759	**$ 961**	859		
Unearned ESOP shares (2)			**$ (1,041)**	(926)		

(1) At September 30, 2012, and December 31, 2011, additional paid-in capital included $80 million and $67 million, respectively, related to preferred stock.
(2) We recorded a corresponding charge to unearned ESOP shares in connection with the issuance of the ESOP Preferred Stock. The unearned ESOP shares are reduced as shares of the ESOP Preferred Stock are committed to be released.

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Note 15: Employee Benefits

We sponsor a noncontributory qualified defined benefit retirement plan, the Wells Fargo & Company Cash Balance Plan (Cash Balance Plan), which covers eligible employees of

Wells Fargo; the benefits earned under the Cash Balance Plan were frozen effective July 1, 2009.

The net periodic benefit cost was:

			2012			2011
	Pension benefits			Pension benefits		
(in millions)	**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits
Quarter ended September 30,						
Service cost	**$ -**	**1**	**3**	1	-	3
Interest cost	**128**	**8**	**15**	130	9	18
Expected return on plan assets	**(162)**	**-**	**(9)**	(190)	-	(10)
Amortization of net actuarial loss	**33**	**2**	**-**	21	1	-
Amortization of prior service credit	**-**	**-**	**(1)**	-	-	-
Settlement	**1**	**-**	**(2)**	1	-	-
Net periodic benefit cost (income)	**$ -**	**11**	**6**	(37)	10	11
Nine months ended September 30,						
Service cost	**$ 1**	**1**	**9**	4	-	10
Interest cost	**384**	**24**	**45**	390	26	54
Expected return on plan assets	**(487)**	**-**	**(26)**	(569)	-	(31)
Amortization of net actuarial loss	**99**	**7**	**-**	64	5	-
Amortization of prior service credit	**-**	**-**	**(2)**	-	-	(2)
Settlement	**2**	**5**	**(3)**	4	-	-
Net periodic benefit cost (income)	**$ (1)**	**37**	**23**	(107)	31	31

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Note 16: Earnings Per Common Share

The table below shows earnings per common share and diluted earnings per common share and reconciles the numerator and denominator of both earnings per common share calculations.

(in millions, except per share amounts)	Quarter ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Wells Fargo net income	**$ 4,937**	4,055	**13,807**	11,762
Less: Preferred stock dividends and other (1)	**220**	216	**665**	625
Wells Fargo net income applicable to common stock (numerator)	**$ 4,717**	3,839	**13,142**	11,137
Earnings per common share				
Average common shares outstanding (denominator)	**5,288.1**	5,275.5	**5,292.7**	5,280.2
Per share	**$ 0.89**	0.73	**2.48**	2.11
Diluted earnings per common share				
Average common shares outstanding	**5,288.1**	5,275.5	**5,292.7**	5,280.2
Add: Stock options	**28.7**	20.9	**28.3**	25.6
Restricted share rights	**38.6**	22.8	**34.7**	19.8
Warrants	**0.2**	-	**-**	-
Diluted average common shares outstanding (denominator)	**5,355.6**	5,319.2	**5,355.7**	5,325.6
Per share	**$ 0.88**	0.72	**2.45**	2.09

(1) Includes preferred stock dividends of $220 million for both third quarter 2012 and 2011, respectively, and $659 million and $624 million for the first nine months of 2012 and 2011, respectively.

The following table presents the outstanding options and warrants to purchase shares of common stock that were anti-dilutive (the exercise price was higher than the weighted-average market price), and therefore not included in the calculation of diluted earnings per common share.

			Weighted-average shares	
(in millions)	Quarter ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Options	**53.5**	197.0	**57.2**	175.6
Warrants	**-**	39.4	**39.2**	39.4

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Note 17: Other Comprehensive Income

The components of other comprehensive income (OCI) and the related tax effects were:

	Quarter ended September 30,						Nine months ended September 30,					
	2012			2011			**2012**			2011		
(in millions)	**Before tax**	**Tax effect**	**Net of tax**	Before tax	Tax effect	Net of tax	**Before tax**	**Tax effect**	**Net of tax**	Before tax	Tax effect	Net of tax
Foreign currency translation adjustments:												
Net unrealized gains (losses) arising during the period	$ **45**	**(17)**	**28**	(58)	21	(37)	**(1)**	**-**	**(1)**	(29)	10	(19)
Reclassification of net gains included in net income	**-**	**-**	**-**	-	-	-	**(10)**	**4**	**(6)**	-	-	-
Net unrealized gains (losses) arising during the period	**45**	**(17)**	**28**	(58)	21	(37)	**(11)**	**4**	**(7)**	(29)	10	(19)
Securities available for sale:												
Net unrealized gains (losses) arising during the period	**2,892**	**(1,077)**	**1,815**	(2,007)	744	(1,263)	**5,597**	**(2,097)**	**3,500**	(878)	473	(405)
Reclassification of net gains included in net income	**(41)**	**15**	**(26)**	(431)	162	(269)	**(290)**	**109**	**(181)**	(614)	231	(383)
Net unrealized gains (losses) arising during the period	**2,851**	**(1,062)**	**1,789**	(2,438)	906	(1,532)	**5,307**	**(1,988)**	**3,319**	(1,492)	704	(788)
Derivatives and hedging activities:												
Net unrealized gains arising during the period	**24**	**(3)**	**21**	68	(30)	38	**63**	**(19)**	**44**	205	(81)	124
Reclassification of net gains on cash flow hedges included in net income	**(89)**	**38**	**(51)**	(141)	57	(84)	**(295)**	**115**	**(180)**	(454)	174	(280) (1)
Net unrealized losses arising during the period	**(65)**	**35**	**(30)**	(73)	27	(46)	**(232)**	**96**	**(136)**	(249)	93	(156)
Defined benefit plans adjustment:												
Net actuarial gains (losses) arising during the period	**(1)**	**-**	**(1)**	1	-	1	**(18)**	**7**	**(11)**	(2)	1	(1)
Amortization of net actuarial loss and prior service cost included in net income	**35**	**(13)**	**22**	23	(9)	14	**111**	**(42)**	**69**	71	(27)	44
Net gains arising during the period	**34**	**(13)**	**21**	24	(9)	15	**93**	**(35)**	**58**	69	(26)	43
Other comprehensive income (loss)	$ **2,865**	**(1,057)**	**1,808**	(2,545)	945	(1,600)	**5,157**	**(1,923)**	**3,234**	(1,701)	781	(920)
Less: Other comprehensive income (loss) from			**2**			(6)			**6**			(10)

noncontrolling interests, net of tax				
Wells Fargo other comprehensive income (loss), net of tax	**$ 1,806**	(1,594)	**3,228**	(910)

(1) Prior period has been revised to correct previously reported amount.

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Cumulative OCI balances were:

(in millions)		Translation adjustments	Securities available for sale	Derivatives and hedging activities	Defined benefit pension plans	Cumulative other comprehensive income
Quarter ended September 30, 2012						
Balance, beginning of period	**$**	**55**	**5,939**	**384**	**(1,749)**	**4,629**
Net change		**28**	**1,789**	**(30)**	**21**	**1,808**
Less: Other comprehensive income (loss) from noncontrolling interests		**(1)**	**3**	**-**	**-**	**2**
Balance, end of period	**$**	**84**	**7,725**	**354**	**(1,728)**	**6,435**
Quarter ended September 30, 2011						
Balance, beginning of period	$	130	5,814	629	(1,151)	5,422
Net change		(37)	(1,532)	(46)	15	(1,600)
Less: Other comprehensive income (loss) from noncontrolling interests		(1)	(5)	-	-	(6)
Balance, end of period	$	94	4,287	583	(1,136)	3,828
Nine months ended September 30, 2012						
Balance, beginning of period	**$**	**90**	**4,413**	**490**	**(1,786)**	**3,207**
Net change		**(7)**	**3,319**	**(136)**	**58**	**3,234**
Less: Other comprehensive income (loss) from noncontrolling interests		**(1)**	**7**	**-**	**-**	**6**
Balance, end of period	**$**	**84**	**7,725**	**354**	**(1,728)**	**6,435**
Nine months ended September 30, 2011						
Balance, beginning of period	$	112	5,066	739	(1,179)	4,738
Net change		(19)	(788)	(156)	43	(920)
Less: Other comprehensive income (loss) from noncontrolling interests		(1)	(9)	-	-	(10)
Balance, end of period	$	94	4,287	583	(1,136)	3,828

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Note 18: Operating Segments

We have three operating segments for management reporting: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. The results for these operating segments are based on our management accounting process, for which there is no comprehensive, authoritative guidance equivalent to GAAP for financial accounting. The management accounting process measures the performance of the operating segments based on our management structure and is not necessarily comparable with similar information for other financial services companies. We define our operating segments by product type and customer segment. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change. 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.

Community Banking offers a complete line of diversified financial products and services to consumers and small businesses with annual sales generally up to $20 million in which the owner generally is the financial decision maker. Community Banking also offers investment management and other services to retail customers and securities brokerage through affiliates. These products and services include the *Wells Fargo Advantage Funds*SM, a family of mutual funds. Loan products include lines of credit, auto floor plan lines, equity lines and loans, equipment and transportation loans, education loans, origination and purchase of residential mortgage loans and servicing of mortgage loans and credit cards. Other credit products and financial services available to small businesses and their owners include equipment leases, real estate and other commercial financing, Small Business Administration financing, venture capital financing, cash management, payroll services, retirement plans, Health Savings Accounts, credit cards, and merchant payment processing. Community Banking also offers private label financing solutions for retail merchants across the United States and purchases retail installment contracts from auto dealers in the United States and Puerto Rico. Consumer and business deposit products include checking accounts, savings deposits, market rate accounts, Individual Retirement Accounts, time deposits, global remittance and debit cards.

Community Banking serves customers through a complete range of channels, including traditional banking stores, in-store banking centers, business centers, ATMs, Online and Mobile Banking, and *Wells Fargo Customer Connection,* a 24-hours a day, seven days a week telephone service.

Wholesale Banking provides financial solutions to businesses across the United States with annual sales generally in excess of $20 million and to financial institutions globally. Wholesale Banking provides a complete line of commercial, corporate, capital markets, cash management and real estate banking products and services. These include traditional commercial loans and lines of credit, letters of credit, asset-based lending, equipment leasing, international trade facilities, trade financing, collection services, foreign exchange services, treasury

management, investment management, institutional fixed-income sales, interest rate, commodity and equity risk management, online/electronic products such as the *Commercial Electronic Office*® (*CEO*®) portal, insurance, corporate trust fiduciary and agency services, and investment banking services. Wholesale Banking manages customer investments through institutional separate accounts and mutual funds, including the Wells Fargo Advantage Funds and Wells Capital Management. Wholesale Banking also supports the CRE market with products and services such as construction loans for commercial and residential development, land acquisition and development loans, secured and unsecured lines of credit, interim financing arrangements for completed structures, rehabilitation loans, affordable housing loans and letters of credit, permanent loans for securitization, CRE loan servicing and real estate and mortgage brokerage services.

Wealth, Brokerage and Retirement provides a full range of financial advisory services to clients using a planning approach to meet each client s 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.

Other includes corporate items (such as integration expenses related to the Wachovia merger) not specific to a business segment and elimination of certain items that are included in more than one business segment.

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Note 18: Operating Segments *(continued)*

(income/expense in millions, average balances in billions)	Community Banking 2012	Community Banking 2011	Wholesale Banking 2012	Wholesale Banking 2011	Wealth, Brokerage and Retirement 2012	Wealth, Brokerage and Retirement 2011	Other (1) 2012	Other (1) 2011	Consolidated Company 2012	Consolidated Company 2011
Quarter ended September 30,										
Net interest income (2)	**$ 7,247**	7,272	**3,028**	2,897	**680**	716	**(293)**	(343)	**10,662**	10,542
Provision (reversal of provision) for credit losses	**1,627**	1,974	**(57)**	(178)	**30**	48	**(9)**	(33)	**1,591**	1,811
Noninterest income	**5,863**	5,238	**2,921**	2,238	**2,353**	2,172	**(586)**	(562)	**10,551**	9,086
Noninterest expense	**7,402**	6,905	**2,908**	2,689	**2,457**	2,371	**(655)**	(288)	**12,112**	11,677
Income (loss) before income tax expense (benefit)	**4,081**	3,631	**3,098**	2,624	**546**	469	**(215)**	(584)	**7,510**	6,140
Income tax expense (benefit)	**1,250**	1,220	**1,103**	822	**208**	178	**(81)**	(222)	**2,480**	1,998
Net income (loss) before noncontrolling interests	**2,831**	2,411	**1,995**	1,802	**338**	291	**(134)**	(362)	**5,030**	4,142
Less: Net income (loss) from noncontrolling interests	**91**	87	**2**	(1)	**-**	1	**-**	-	**93**	87
Net income (loss) (3)	**$ 2,740**	2,324	**1,993**	1,803	**338**	290	**(134)**	(362)	**4,937**	4,055
Average loans	**$ 485.3**	489.7	**277.1**	253.4	**42.5**	43.1	**(28.2)**	(31.7)	**776.7**	754.5
Average assets	**765.1**	751.8	**490.7**	437.1	**163.8**	158.4	**(65.3)**	(65.9)	**1,354.3**	1,281.4
Average core deposits	**594.5**	556.4	**225.4**	209.3	**136.7**	133.3	**(61.2)**	(62.2)	**895.4**	836.8
Nine months ended September 30,										
Net interest income (2)	**$ 21,879**	22,237	**9,556**	8,545	**2,079**	2,113	**(927)**	(1,024)	**32,587**	31,871
Provision (reversal of provision) for credit losses	**5,078**	5,951	**226**	(141)	**110**	150	**(28)**	(101)	**5,386**	5,859
Noninterest income	**17,744**	15,535	**8,543**	7,607	**6,987**	7,022	**(1,723)**	(1,692)	**31,551**	28,472
Noninterest expense	**22,807**	21,939	**9,075**	8,239	**7,380**	7,414	**(1,760)**	(707)	**37,502**	36,885
Income (loss) before income tax expense (benefit)	**11,738**	9,882	**8,798**	8,054	**1,576**	1,571	**(862)**	(1,908)	**21,250**	17,599
Income tax expense (benefit)	**3,856**	3,020	**3,051**	2,682	**599**	594	**(327)**	(725)	**7,179**	5,571
Net income (loss) before noncontrolling interests	**7,882**	6,862	**5,747**	5,372	**977**	977	**(535)**	(1,183)	**14,071**	12,028
Less: Net income from noncontrolling interests	**259**	238	**5**	21	**-**	7	**-**	-	**264**	266
Net income (loss) (3)	**$ 7,623**	6,624	**5,742**	5,351	**977**	970	**(535)**	(1,183)	**13,807**	11,762
Average loans	**$ 485.1**	498.3	**272.0**	243.7	**42.5**	43.1	**(28.4)**	(31.8)	**771.2**	753.3
Average assets	**750.1**	752.0	**479.0**	417.9	**162.2**	153.3	**(64.9)**	(65.2)	**1,326.4**	1,258.0
Average core deposits	**585.3**	552.3	**222.4**	195.0	**135.5**	128.2	**(61.0)**	(61.6)	**882.2**	813.9

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

(2) Net interest income is the difference between interest earned on assets and the cost of liabilities to fund those assets. Interest earned includes actual interest earned on segment assets and, if the segment has excess liabilities, interest credits for providing funding to other segments. The cost of liabilities includes interest expense on segment liabilities and, if the segment does not have enough liabilities to fund its assets, a funding charge based on the cost of excess liabilities from another segment.

(3) Represents segment net income (loss) for Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement segments and Wells Fargo net income for the consolidated company.

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Note 19: Regulatory and Agency Capital Requirements

The Company and each of its subsidiary banks are subject to regulatory capital adequacy requirements promulgated by federal regulatory agencies. The Federal Reserve establishes capital requirements, including well capitalized standards, for the consolidated financial holding company, and the OCC has similar requirements for the Company s national banks, including Wells Fargo Bank, N.A.

We do not consolidate our wholly-owned trust (the Trust) formed solely to issue trust preferred and preferred purchase securities (the Securities). Securities issued by the Trust includable in Tier 1 capital were $4.8 billion at September 30, 2012. Since December 31, 2011, we have redeemed $2.7 billion of trust preferred securities. Under applicable regulatory capital guidelines issued by bank regulatory agencies, upon notice of redemption, the redeemed trust preferred securities no longer qualify as Tier 1 Capital for the Company. This redemption is

consistent with the Capital Plan the Company submitted to the Federal Reserve Board and the actions the Company previously announced on March 13, 2012.

Certain subsidiaries of the Company are approved seller/servicers, and are therefore required to maintain minimum levels of shareholders equity, as specified by various agencies, including the United States Department of Housing and Urban Development, GNMA, FHLMC and FNMA. At September 30, 2012, each seller/servicer met these requirements. Certain broker-dealer subsidiaries of the Company are subject to SEC Rule 15c3-1 (the Net Capital Rule), which requires that we maintain minimum levels of net capital, as defined. At September 30, 2012, each of these subsidiaries met these requirements.

The following table presents regulatory capital information for Wells Fargo & Company and Wells Fargo Bank, N.A.

	Wells Fargo & Company		Wells Fargo Bank, N.A.		Well-	Minimum capital
(in billions, except ratios)	**Sept. 30, 2012**	Dec. 31, 2011	**Sept. 30, 2012**	Dec. 31, 2011	capitalized ratios (1)	ratios (1)
Regulatory capital:						
Tier 1	**$ 122.7**	114.0	**95.5**	92.6		
Total	**154.9**	148.5	**119.3**	117.9		
Assets:						
Risk-weighted	**$ 1,067.1**	1,005.6	**986.5**	923.2		
Adjusted average (2)	**1,305.4**	1,262.6	**1,162.5**	1,115.4		
Capital ratios:						
Tier 1 capital (3)	**11.50%**	11.33	**9.68**	10.03	6.00	4.00
Total capital (3)	**14.51**	14.76	**12.09**	12.77	10.00	8.00
Tier 1 leverage (2)	**9.40**	9.03	**8.21**	8.30	5.00	4.00

(1) As defined by the regulations issued by the Federal Reserve, OCC and FDIC.
(2) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items. The minimum leverage ratio guideline is 3% for banking organizations that do not anticipate significant growth and that have well-diversified risk, excellent asset quality, high liquidity, good earnings, effective management and monitoring of market risk and, in general, are considered top-rated, strong banking organizations.
(3) The September 30, 2012, capital ratios 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.

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Glossary of Acronyms

ACL	Allowance for credit losses
ALCO	Asset/Liability Management Committee
ARM	Adjustable-rate mortgage
ARS	Auction rate security
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
AVM	Automated valuation model
BCBS	Basel Committee on Bank Supervision
BHC	Bank holding company
CCAR	Comprehensive Capital Analysis and Review
CD	Certificate of deposit
CDO	Collateralized debt obligation
CLO	Collateralized loan obligation
CLTV	Combined loan-to-value
CPP	Capital Purchase Program
CPR	Constant prepayment rate
CRE	Commercial real estate
DOJ	United States Department of Justice
DPD	Days past due
ESOP	Employee Stock Ownership Plan
FAS	Statement of Financial Accounting Standards
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FFELP	Federal Family Education Loan Program
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICO	Fair Isaac Corporation (credit rating)
FNMA	Federal National Mortgage Association
FRB	Board of Governors of the Federal Reserve System
GAAP	Generally accepted accounting principles
GNMA	Government National Mortgage Association

GSE	Government-sponsored entity
G-SIB	Globally systemic important bank
HAMP	Home Affordability Modification Program
HPI	Home Price Index
HUD	Department of Housing and Urban Development
IFRS	International Financial Reporting Standards
LHFS	Loans held for sale
LIBOR	London Interbank Offered Rate
LOCOM	Lower of cost or market value
LTV	Loan-to-value
MBS	Mortgage-backed security
MHA	Making Home Affordable programs
MHFS	Mortgages held for sale
MSR	Mortgage servicing right
MTN	Medium-term note
NAV	Net asset value
NPA	Nonperforming asset
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income
OTC	Over-the-counter
OTTI	Other-than-temporary impairment
PCI Loans	Purchased credit-impaired loans
PTPP	Pre-tax pre-provision profit
RBC	Risk-based capital
ROA	Wells Fargo net income to average total assets
ROE	Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders equity
SEC	Securities and Exchange Commission
S&P	Standard & Poor s
SPE	Special purpose entity
TARP	Troubled Asset Relief Program
TDR	Troubled debt restructuring
VA	Department of Veterans Affairs
VaR	Value-at-risk
VIE	Variable interest entity
WFCC	Wells Fargo Canada Corporation

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

Information in response to this item can be found in Note 11 (Legal Actions) to Financial Statements in this Report which information is incorporated by reference into this item.

Item 1A. Risk Factors

Information in response to this item can be found under the Financial Review Risk Factors section in this Report which information is incorporated by reference into this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table shows Company repurchases of its common stock for each calendar month in the quarter ended September 30, 2012.

Calendar month	Total number of shares repurchased (1)	Weighted-average price paid per share	Maximum number of shares that may yet be purchased under the authorizations
July	694,776	$ 33.90	55,616,751
August	2,031,116	33.76	53,585,635
September (2)	13,813,965	32.81	39,771,670
Total	16,539,857		

(1) All shares were repurchased under an authorization covering up to 200 million shares of common stock approved by the Board of Directors and publicly announced by the Company on March 18, 2011. Unless modified or revoked by the Board, this authorization does not expire.

(2) Includes 10,774,535 shares at a weighted-average price paid per share of $32.48 repurchased in a private transaction.

The following table shows Company repurchases of the warrants for each calendar month in the quarter ended September 30, 2012.

Calendar month	Total number of warrants repurchased (1)	Average price paid per warrant	Maximum dollar value of warrants that may yet be purchased
July	-	$ -	452,254,979
August	-	-	452,254,979
September	-	-	452,254,979
Total	-		

(1) Warrants are purchased under the authorization covering up to $1 billion in warrants approved by the Board of Directors (ratified and approved on June 22, 2010). Unless modified or revoked by the Board, authorization does not expire.

Item 6. Exhibits

A list of exhibits to this Form 10-Q is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated herein by reference.

The Company s SEC file number is 001-2979. On and before November 2, 1998, the Company filed documents with the SEC under the name Norwest Corporation. The former Wells Fargo & Company filed documents under SEC file number 001-6214.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 6, 2012

WELLS FARGO & COMPANY

By: /s/ RICHARD D. LEVY
Richard D. Levy
Executive Vice President and Controller

(Principal Accounting Officer)

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EXHIBIT INDEX

Exhibit Number	Description	Location
3(a)	Restated Certificate of Incorporation, as amended and in effect on the date hereof.	Filed herewith.
3(b)	By-Laws.	Incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K filed January 28, 2011.
4(a)	See Exhibits 3(a) and 3(b).	
4(b)	The Company agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of the Company.	
12(a)	Computation of Ratios of Earnings to Fixed Charges:	Filed herewith.

	Quarter ended Sept. 30,		Nine months ended Sept. 30,	
	2012	2011	**2012**	2011
Including interest on deposits	**6.50**	4.51	**5.99**	4.19
Excluding interest on deposits	**9.05**	6.20	**8.29**	5.73

12(b)	Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends:	Filed herewith.

	Quarter ended Sept. 30,		Nine months ended Sept. 30,	
	2012	2011	**2012**	2011
Including interest on deposits	**5.22**	3.80	**4.83**	3.58
Excluding interest on deposits	**6.66**	4.85	**6.13**	4.58

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Exhibit Number	Description	Location
31(a)	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31(b)	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32(a)	Certification of Periodic Financial Report by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.	Furnished herewith.
32(b)	Certification of Periodic Financial Report by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.	Furnished herewith.
101	XBRL Instance Document	Filed herewith.
101	XBRL Taxonomy Extension Schema Document	Filed herewith.
101	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
101	XBRL Taxonomy Extension Definitions Linkbase Document	Filed herewith.