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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q

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

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

Commission file number 001-2979

WELLS FARGO & COMPANY

(Exact name of registrant as specified in its charter)

Delaware
No. 41-0449260

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

420 Montgomery Street, San Francisco, California 94163

(Address of principal executive offices) (Zip Code)

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

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

Yes þ No ¨

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

Yes þ No ¨

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

Large accelerated filer þ Accelerated filer ¨

Non accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

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

Yes ¨ No þ

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

Shares Outstanding

April 30, 2014

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

FORM 10-Q
CROSS-REFERENCE INDEX

PART I - FINANCIAL INFORMATION

FINANCIAL REVIEW

Summary Financial Data

						% Change		
						Mar. 31, 2014 from		
					Quarter ended			
		Mar. 31,		Dec. 31,	Mar. 31,	Dec. 31,		Mar. 31,
($ in millions, except per share amounts)		**2014**		2013	2013	2013		2013
For the Period								
Wells Fargo net income	$	**5,893**		5,610	5,171	5	%	14
Wells Fargo net income applicable to common stock		**5,607**		5,369	4,931	4		14
Diluted earnings per common share		**1.05**		1.00	0.92	5		14
Profitability ratios (annualized):								
Wells Fargo net income to average assets (ROA) (1)		**1.57**	%	1.48	1.49	6		5
Wells Fargo net income applicable to common stock to average								
Wells Fargo common stockholders' equity (ROE)		**14.35**		13.81	13.59	4		6
Efficiency ratio (2)		**57.9**		58.5	58.3	(1)		(1)
Total revenue	$	**20,625**		20,665	21,259	-		(3)
Pre-tax pre-provision profit (PTPP) (3)		**8,677**		8,580	8,859	1		(2)
Dividends declared per common share		**0.30**		0.30	0.25	-		20
Average common shares outstanding		**5,262.8**		5,270.3	5,279.0	-		-
Diluted average common shares outstanding		**5,353.3**		5,358.6	5,353.5	-		-
Average loans (1)	$	**823,790**		813,318	796,662	1		3
Average assets (1)		**1,525,905**		1,505,766	1,402,922	1		9
Average core deposits (4)		**973,801**		965,828	925,866	1		5
Average retail core deposits (5)		**690,643**		679,355	662,913	2		4
Net interest margin (1)		**3.20**	%	3.27	3.49	(2)		(8)
At Period End								

Investment securities	$	**270,327**		264,353	248,160	2	9
Loans (1)		**826,443**		822,286	798,362	1	4
Allowance for loan losses		**13,695**		14,502	16,711	(6)	(18)
Goodwill		**25,637**		25,637	25,637	-	-
Assets (1)		**1,546,707**		1,523,502	1,435,030	2	8
Core deposits (4)		**994,185**		980,063	939,934	1	6
Wells Fargo stockholders' equity		**175,654**		170,142	162,086	3	8
Total equity		**176,469**		171,008	163,395	3	8
Tier 1 capital (6)		**147,549**		140,735	129,071	5	14
Total capital (6)		**183,559**		176,177	161,551	4	14
Capital ratios:							
Total equity to assets (1)		**11.41**	%	11.22	11.39	2	-
Risk-based capital (6):							
Tier 1 capital		**12.63**		12.33	11.80	2	7
Total capital		**15.71**		15.43	14.76	2	6
Tier 1 leverage (6)		**9.84**		9.60	9.53	3	3
Common Equity Tier 1 (7)		**11.36**		10.82	10.39	5	9
Common shares outstanding		**5,265.7**		5,257.2	5,288.8	-	-
Book value per common share	$	**30.48**		29.48	28.27	3	8
Common stock price:							
High		**49.97**		45.64	38.20	9	31
Low		**44.17**		40.07	34.43	10	28
Period end		**49.74**		45.40	36.99	10	34
Team members (active, full-time equivalent)		**265,300**		264,900	274,300	-	(3)

(1) Prior period financial information has been revised to reflect our determination that certain factoring arrangements did not qualify as loans. Accordingly, we revised our commercial loan balances for year-end 2012 and each of the quarters in 2013 in order to present the Company's lending trends on a comparable basis over this period. This revision, which resulted in a reduction to total commercial loans and a corresponding decrease to other liabilities, did not impact the Company's consolidated net income or total cash flows. We reduced our commercial loans by $3.5 billion, $3.2 billion, $2.1 billion, $1.6 billion and $1.2 billion at December 31, September 30, June 30, and March 31, 2013, and December 31, 2012, respectively, which represented less than 1% of total commercial loans and less than 0.5% of our total loan portfolio. Other affected financial information, including financial guarantees and financial ratios, has been appropriately revised to reflect this revision. See Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report for more information.

(2) The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).

(3) Pre-tax pre-provision profit (PTPP) is total revenue less noninterest expense. Management believes that PTPP is a useful financial measure because it enables investors and others to assess the Company's ability to generate capital to cover credit losses through a credit cycle.

(4) Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits (Eurodollar sweep balances).

(5)

	Retail core deposits are total core deposits excluding Wholesale Banking core deposits and retail mortgage escrow deposits.			
(6)	See Note 19 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.			
(7)	See the "Capital Management" section in this Report for additional information.			

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This Quarterly Report, including the Financial Review and the Financial Statements and related Notes, contains forward-looking statements, which may include forecasts of our financial results and condition, expectations for our operations and business, and our assumptions for those forecasts and expectations. Do not unduly rely on forward-looking statements. Actual results may differ materially from our forward-looking statements due to several factors. Factors that could cause our actual results to differ materially from our forward-looking statements are described in this Report, including in the "Forward-Looking Statements" section, and the "Risk Factors" and "Regulation and Supervision" sections of our Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Form 10-K).

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

Financial Review[1]

Overview

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

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

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

Financial Performance

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

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

- our loans increased $28.1 billion, or 4%, even with the planned runoff in our non-strategic/liquidating portfolios, and our core loan portfolio grew by $41.0 billion, or 6%;

- our deposit franchise continued to generate solid deposit growth, with total deposits up $83.8 billion, or 8%;

- we deepened relationships across our company, achieving record Retail Banking cross-sell of 6.17 products per household (February 2014); Wholesale Banking increased cross-sell to 7.2 products (December 2013); and Wealth, Brokerage and Retirement cross-sell was consistent at 10.42 products (February 2014);

- our credit performance continued to improve with total net charge-offs down $594 million, or 42%, and represented only 41 basis points of average loans;

- noninterest expense was $11.9 billion, down $452 million, or 4%, and we improved our efficiency ratio to 57.9%;

- we grew return on assets (ROA) by 8 basis points to 1.57%, and return on equity (ROE) by 76 basis points to 14.35%; and

- we continued to generate strong capital growth as our estimated Common Equity Tier I ratio under Basel III (Advanced Approach, fully phased-in) was 10.07%.

Balance Sheet and Liquidity

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

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

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

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

Credit Quality

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

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

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

Capital

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

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

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

Earnings Performance

Wells Fargo net income for first quarter 2014 was $5.9 billion ($1.05 diluted earnings per common share) compared with $5.2 billion ($0.92) for first quarter 2013. Our first quarter 2014 earnings reflected continued execution of our business strategy and growth in many of our businesses. The key drivers of our financial performance in first quarter 2014 were balanced net interest and fee income, diversified sources of fee income, a diversified loan portfolio and strong underlying credit performance.

Revenue, the sum of net interest income and noninterest income, was $20.6 billion in first quarter 2014 compared with $21.3 billion in first quarter 2013. The decrease in revenue for first quarter 2014 from the same period a year ago was due to a decline in mortgage banking income and lower gains from trading activities, offset by an increase in trust and investment fees and gains from equity investments. Noninterest income represented 49% of revenue for first quarter 2014 compared with 51% for first quarter 2013. The drivers of our fee income can differ depending on the interest rate and economic environment. For example, net gains on mortgage loan origination/sales activities were 6% of our fee income in first quarter 2014, down from 23% in the same period a year ago when the refinance market was strong. Other businesses, such as equity investments, brokerage, and mortgage servicing, contributed more to fee income this quarter, demonstrating the benefit of our diversified business model.

Net Interest Income

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

While the Company believes that it has the ability to increase net interest income over time, net interest income and the net interest margin in any one period can be significantly affected by a variety of factors including the mix and overall size of our earning asset portfolio and the cost of funding those assets. In addition, some sources of interest income, such as resolutions from purchased credit-impaired (PCI) loans, loan prepayment fees and collection of interest on nonaccrual loans, can vary from period to period. Net interest income growth has been challenged during the prolonged low interest rate environment as higher yielding loans and securities runoff have been replaced with lower yielding assets. The pace of this repricing has slowed in recent periods.

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

Average earning assets increased $130.9 billion in first quarter 2014 from the same period a year ago, as average short-term investments increased $92.3 billion and average investment securities increased $31.8 billion. In addition, an increase in commercial and industrial loans contributed to $27.1 billion higher average loans in first quarter 2014 compared with the same period a year ago.

Core deposits are an important low-cost source of funding and affect both net interest income and the net interest margin. Core deposits include noninterest-bearing deposits, interest-bearing checking, savings certificates, market rate and other savings, and certain foreign deposits (Eurodollar sweep balances). Average core deposits rose to $973.8 billion in first quarter 2014 compared with $925.9 billion in first quarter 2013, and funded 118% of average loans in first quarter 2014 compared with 116% the same period a year ago. Average core deposits decreased to 71% of average earning assets in first quarter 2014 compared with 75% the same period a year ago. The cost of these deposits has continued to decline due to a sustained low interest rate environment and a shift in our deposit mix from higher cost certificates of deposit to lower yielding checking and savings products. About 96% of our average core deposits are in checking and savings deposits, one of the highest industry percentages.

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

	Quarter ended March 31,					
			2014			2013
(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	**$ 213,284**	**0.27 %**	**$ 144**	121,024	0.36 %	$ 107
Trading assets	**48,231**	**3.17**	**381**	42,130	3.17	334
Investment securities (3):						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**6,572**	**1.68**	**28**	7,079	1.56	28
Securities of U.S. states and political subdivisions	**42,600**	**4.37**	**465**	37,584	4.38	410
Mortgage-backed securities:						
Federal agencies	**117,641**	**2.94**	**864**	95,368	2.74	654
Residential and commercial	**28,035**	**6.12**	**429**	32,141	6.46	519
Total mortgage-backed securities	**145,676**	**3.55**	**1,293**	127,509	3.68	1,173
Other debt and equity securities	**49,156**	**3.59**	**438**	53,724	3.58	476
Total available-for-sale securities	**244,004**	**3.65**	**2,224**	225,896	3.70	2,087
Held-to-maturity securities:						
Securities of U.S. Treasury and federal agencies	**1,104**	**2.18**	**6**	-	-	-
Federal agency mortgage-backed securities	**6,162**	**3.11**	**48**	-	-	-
Other debt securities	**6,414**	**1.86**	**29**	-	-	-

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

Net interest margin and net interest income on a taxable-equivalent basis (5)			**3.20**	**%**	**$**	**10,832**		3.49	%	$ 10,675
Noninterest-earning assets										
Cash and due from banks	**$**	**16,363**					16,529			
Goodwill		**25,637**					25,637			
Other		**119,594**					127,336			
Total noninterest-earning assets	**$**	**161,594**					169,502			
Noninterest-bearing funding sources										
Deposits	**$**	**284,069**					274,221			
Other liabilities		**52,955**					62,222			
Total equity		**174,477**					160,415			
Noninterest-bearing funding sources used to fund earning assets		**(349,907)**					(327,356)			
Net noninterest-bearing funding sources	**$**	**161,594**					169,502			
Total assets	**$**	**1,525,905**					1,402,922			

(1) Our average prime rate was 3.25% for the quarters ended March 31, 2014 and 2013. The average three-month London Interbank Offered Rate (LIBOR) was 0.24% and 0.29% for the same quarters, respectively.

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

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

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

(5) Includes taxable-equivalent adjustments of $217 million and $176 million for the quarters ended March 31, 2014 and 2013, 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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Earnings Performance *(continued)*

Noninterest Income

Table 2: Noninterest Income

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

NM - Not meaningful		

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

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

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

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

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

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

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

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

2014, compared with $140 billion in first quarter 2013. The 1-4 family first mortgage unclosed pipeline was $27 billion at March 31, 2014, compared with $74 billion at March 31, 2013. For additional information about our mortgage banking activities and results, see the "Risk Management – Mortgage Banking Interest Rate and Market Risk" section and Note 8 (Mortgage Banking Activities) and Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Net gains on mortgage loan origination/sales activities include the cost of additions to the mortgage repurchase liability. Mortgage loans are repurchased from third parties based on standard representations and warranties, and early payment default clauses in mortgage sale contracts. Additions to the provision for repurchase losses in first quarter 2014 totaled $6 million, compared with $309 million for first quarter 2013. In September and December 2013, we announced agreements with Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA), respectively, which resolved substantially all agency repurchase liabilities for mortgage loans sold or originated prior to 2009. As a result, outstanding repurchase demands were down $1.5 billion from first quarter 2013 and our repurchase liability declined to $799 million. For additional information about mortgage loan repurchases, see the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section and Note 8 (Mortgage Banking Activities) to Financial Statements in this Report.

We engage in trading activities primarily to accommodate the investment activities of our customers, execute economic hedging to manage certain of our balance sheet risks and for a very limited amount of proprietary trading for our own account. Net gains (losses) from trading activities, which reflect unrealized changes in fair value of our trading positions and realized gains and losses, were $432 million in first quarter 2014, compared with $570 million in first quarter 2013. The year-over-year decrease was largely driven by lower trading from customer accommodation activity within our capital markets business. Net gains from trading activities do not include interest and dividend income and expense on trading securities. Those amounts are reported within interest income from trading assets and other interest expense from trading liabilities. Proprietary trading generated $6 million and $4 million of net gains in first quarter 2014 and 2013, respectively. Interest and fees related to proprietary trading are reported in their corresponding income statement line items. Proprietary trading activities are not significant to our client-focused business model. For additional information about proprietary and other trading, see the "Risk Management – Asset and Liability Management – Market Risk – Trading Activities" section in this Report.

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

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

Earnings Performance *(continued)*

Noninterest Expense

Table 3: Noninterest Expense

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

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

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

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

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

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

Income Tax Expense

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

Operating Segment Results

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

Table 4: Operating Segment Results – Highlights

		Community Banking		Wholesale Banking		Wealth, Brokerage and Retirement		Other (1)		Consolidated Company	
(in millions)		**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Quarter ended March 31,											
Revenue	$	**12,593**	12,899	**5,580**	6,086	**3,468**	3,197	**(1,016)**	(923)	**20,625**	21,259
Provision (reversal of provision) for credit losses		**419**	1,262	**(93)**	(58)	**(8)**	14	**7**	1	**325**	1,219
Noninterest expense		**6,774**	7,377	**3,215**	3,091	**2,711**	2,639	**(752)**	(707)	**11,948**	12,400
Net income		**3,844**	2,924	**1,742**	2,045	**475**	337	**(168)**	(135)	**5,893**	5,171
(in billions)											
Average loans		**505.0**	498.9	**301.9**	283.1	**50.0**	43.8	**(33.1)**	(29.1)	**823.8**	796.7
Average core deposits		**626.5**	619.2	**259.0**	224.1	**156.0**	149.4	**(67.7)**	(66.8)	**973.8**	925.9

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

Community Banking offers a complete line of diversified financial products and services for consumers and small businesses. These products include investment, insurance and trust services in 39 states and D.C., and mortgage and home equity loans in all 50 states and D.C. through its Regional Banking and Wells Fargo Home Lending business units. Cross-sell of our products is an important part of our strategy to achieve our vision to satisfy all our customers' financial needs. Our retail bank household cross-sell was 6.17 products per household in February 2014, up from 6.10 in February 2013. We believe there is more opportunity for cross-sell as we continue to earn more business from our customers. Our goal is eight products per household, which is approximately one-half of our estimate of potential demand for an average U.S. household. In February 2014, one of every four of our retail banking households had eight or more of our products.

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

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

Wholesale Banking reported net income of $1.7 billion, down $303 million, or 15%, from first quarter 2013 driven by lower revenues. Revenue declined $506 million, or 8%, from first quarter 2013 on both lower net interest income and noninterest income. Net interest income declined as strong loan and deposit growth was more than offset by lower PCI resolution income. Noninterest income declined on lower market sensitive revenues driven by lower customer accommodation trading. Average loans of $301.9 billion increased $18.8 billion, or 7%, from first quarter 2013, driven by broad based growth across most customer segments. Average core deposits of $259.0 billion increased $34.9 billion, or 16%, from first quarter 2013 reflecting continued customer liquidity. Noninterest expense increased $124 million, or 4%, from first quarter 2013 due to higher personnel expenses and support costs related to business growth. The provision for credit losses decreased $35 million from first quarter 2013 due to a reduction in credit losses which was partially offset by a lower level of allowance release. The first quarter 2014 provision included a $34 million allowance release, compared with a $50 million allowance release a year ago.

Wealth, Brokerage and Retirement provides a full range of financial advisory services to clients using a planning approach to meet each client's financial needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions, including financial planning, private banking, credit, investment management and fiduciary services. Abbot Downing, a Wells Fargo business, provides comprehensive wealth management services to ultra-high net worth families and individuals as well as endowments and foundations. Brokerage serves customers' advisory, brokerage and financial needs as part of one of the largest full-service brokerage firms in the United States. Retirement is a national leader in providing institutional retirement and trust services (including 401(k) and pension plan record keeping) for businesses, retail retirement solutions for individuals, and reinsurance services for the life insurance industry. Wealth, Brokerage and Retirement cross-sell was 10.42

Earnings Performance ***(continued)***

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

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

Balance Sheet Analysis

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

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

Investment Securities

Table 5: Investment Securities – Summary

					March 31, 2014				December 31, 2013		
						Net				Net	
						unrealized	**Fair**			unrealized	Fair

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

(1) Available-for-sale securities are carried on the balance sheet at fair value. Held-to-maturity securities are carried on the balance sheet at amortized cost.

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

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

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

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

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

Table 6: Mortgage-Backed Securities

(in billions)			Fair value	Net unrealized gain (loss)	Expected remaining maturity (in years)
At March 31, 2014					
	Actual	$	148.4	1.9	6.2
	Assuming a 200 basis point:				
	Increase in interest rates		133.6	(12.9)	7.4
	Decrease in interest rates		157.1	10.6	3.2

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

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Balance Sheet Analysis *(continued)*

Loan Portfolio

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

- a $4.3 billion increase in the commercial segment largely due to growth in commercial and industrial loans; and

- a $2.7 billion increase in consumer loans, predominantly from growth in the nonconforming mortgage and automobile portfolios offset by lower home equity and seasonally lower credit card portfolios.

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

Table 7: Loan Portfolios

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

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

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

Table 8: Maturities for Selected Commercial Loan Categories

			March 31, 2014					December 31, 2013
		After				After		
	Within	**one year**	**After**		Within	one year	After	
	one	**through**	**five**		one	through	five	

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

Deposits

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

Table 9: Deposits

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

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

Fair Value of Financial Instruments

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

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

Table 10: Fair Value Level 3 Summary

		March 31, 2014			December 31, 2013	
($ in billions)		**Total balance**		**Level 3 (1)**	Total balance	Level 3 (1)
Assets carried at fair value	**$**	**356.1**		**36.0**	353.1	37.2
As a percentage of total assets		**23**	**%**	**2**	23	2
Liabilities carried at fair value	**$**	**22.2**		**3.1**	22.7	3.7
As a percentage of total liabilities		**2**	**%**	*****	2	*

* Less than 1%.

(1) Before derivative netting adjustments.

See Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information regarding our use of fair valuation of financial instruments, our related measurement techniques for our Level 1, 2 and 3 fair value hierarchy and the impact to our financial statements.

Equity

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

Off-Balance Sheet Arrangements

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

Commitments to Lend

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

Transactions with Unconsolidated Entities

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

Guarantees and Certain Contingent Arrangements

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

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

Derivatives

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

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

Other Commitments

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

Risk Management

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

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, or resulting from external events or third parties. Information security is a significant operational risk for financial institutions such as Wells Fargo, and includes the risk of losses resulting from cyber attacks. Wells Fargo and reportedly other financial institutions continue to be the target of various evolving and adaptive cyber attacks, including malware and denial-of-service, as part of an effort to disrupt the operations of financial institutions, potentially test their cybersecurity capabilities, or obtain confidential, proprietary or other information. Wells Fargo has not experienced any material losses relating to these or other cyber attacks. Cybersecurity and the continued development and enhancement of our controls, processes and systems to protect our networks, computers, software, and data from attack, damage or unauthorized access remain a priority for Wells Fargo. See the "Risk Factors" section in our 2013 Form 10-K for additional information regarding the risks associated with a failure or breach of our operational or security systems or infrastructure, including as a result of cyber attacks.

Credit Risk Management

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

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

		March 31,		Dec. 31,
(in millions)		**2014**		2013
Commercial:				
Commercial and industrial	**$**	**196,768**		193,811

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

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

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Risk Management – Credit Risk Management *(continued)*

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

- Nonaccrual loans decreased to $3.0 billion and $11.6 billion in our commercial and consumer portfolios, respectively, at March 31, 2014, from $3.5 billion and $12.2 billion at December 31, 2013. Nonaccrual loans represented 1.77% of total loans at March 31, 2014, compared with 1.91% at December 31, 2013.

- First quarter 2014 net charge-offs (annualized) as a percentage of average total loans improved to 0.41% in first quarter 2014 compared with 0.72% in first quarter 2013 and were 0.01% and 0.75% in our commercial and consumer portfolios, respectively, compared with 0.10% and 1.23% in first quarter 2013.

- Loans that are not government insured/guaranteed and 90 days or more past due and still accruing decreased to $95 million and $855 million in our commercial and consumer portfolios, respectively, at March 31, 2014, from $143 million and $902 million at December 31, 2013.

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

- Our provision for credit losses decreased to $325 million in first quarter 2014 from $1.2 billion in first quarter 2013.

- The allowance for credit losses decreased to $14.4 billion at March 31, 2014 from $15.0 billion at December 31, 2013.

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

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

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

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

Table 12: Non-Strategic and Liquidating Loan Portfolios

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

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

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

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

Table 13: Changes in Nonaccretable Difference for PCI Loans

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

	Net recoveries from loan resolutions and write-downs (4)		**-**	**-**	**21**	**21**
Balance, March 31, 2014		**$**	**145**	**4,704**	**212**	**5,061**

(1) Release of the nonaccretable difference for settlement with borrower, on individually accounted PCI loans, increases interest income in the period of settlement. Pick-a-Pay and Other consumer PCI loans do not reflect nonaccretable difference releases for settlements with borrowers due to pool accounting for those loans, which assumes that the amount received approximates the pool performance expectations.

(2) Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the period of the sale.

(3) Reclassification of nonaccretable difference to accretable yield for loans with increased cash flow estimates will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.

(4) Write-downs to net realizable value of PCI loans are absorbed by the nonaccretable difference when severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan. Also includes foreign exchange adjustments related to underlying principal for which the nonaccretable difference was established.

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Risk Management – Credit Risk Management *(continued)*

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

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

For additional information on PCI loans, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2013 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

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

(in millions)		Commercial	Pick-a-Pay	Other consumer	Total
Release of nonaccretable difference due to:					
Loans resolved by settlement with borrower (1)	$	1,517	-	-	1,517
Loans resolved by sales to third parties (2)		322	-	85	407
Reclassification to accretable yield for loans with improving credit-related cash flows (3)		1,706	3,897	832	6,435
Total releases of nonaccretable difference due to better than expected losses		3,545	3,897	917	8,359
Provision for losses due to credit deterioration (4)		(1,636)	-	(108)	(1,744)
Actual and projected losses on PCI loans less than originally expected	$	1,909	3,897	809	6,615

(1) Release of the nonaccretable difference for settlement with borrower, on individually accounted PCI loans, increases interest income in the period of settlement. Pick-a-Pay and Other consumer PCI loans do not reflect nonaccretable difference releases for settlements with borrowers due to pool accounting for those loans, which assumes that the amount received approximates the pool performance expectations.

(2) Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the period of the sale.

(3) Reclassification of nonaccretable difference to accretable yield for loans with increased cash flow estimates will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.

(4) Provision for additional losses is recorded as a charge to income when it is estimated that the cash flows expected to be collected for a PCI loan or pool of loans may not support full realization of the carrying value.

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

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

The commercial and industrial loans and lease financing portfolio, which totaled $208.6 billion, or 25%, of total loans at March 31, 2014, generally experienced credit improvement in first quarter 2014. The annualized net charge-off rate for this portfolio declined to 0.09% in first quarter 2014 from 0.21% in fourth quarter 2013, and 0.19% in first quarter 2013. At March 31, 2014, 0.32% of this portfolio was nonaccruing compared with 0.37% at December 31, 2013. However, $16.2 billion of this portfolio was rated as criticized in accordance with regulatory guidance at March 31, 2014, compared with $15.5 billion at December 31, 2013.

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

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

	March 31, 2014					
					% of	
		Nonaccrual	Total		total	
(in millions)		loans	portfolio	(1)	loans	
Investors	$	11	19,433		2	%
Oil & Gas		43	15,067		2	
Food and beverage		12	13,009		2	
Cyclical Retailers		25	12,779		2	
Real Estate Lessor		23	11,563		1	
Financial Institutions		38	11,522		1	
Healthcare		37	11,272		1	
Industrial Equipment		6	10,635		1	

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

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

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

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

Risk Management – Credit Risk Management *(continued)*

Commercial Real Estate (CRE) The CRE portfolio totaled $124.6 billion, or 15% of total loans at March 31, 2014, and consisted of $108.0 billion of mortgage loans and $16.6 billion of construction loans. Table 16 summarizes CRE loans by state and property type with the related nonaccrual totals. The portfolio is diversified both geographically and by property type. The largest geographic concentrations of combined CRE loans are in California (28% of the total CRE portf0lio) and in Texas and Florida (8% in each state). By property type, the largest concentrations are office buildings at 28% and apartments at 13% of the portfolio. CRE nonaccrual loans totaled 1.9% of the CRE outstanding balance at March 31, 2014, compared with 2.2% at December 31, 2013. At March 31, 2014, we had $10.6 billion of criticized CRE mortgage loans, down from $11.8 billion at December 31, 2013, and $1.7 billion of criticized CRE construction loans, down from $2.0 billion at December 31, 2013.

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

Table 16: CRE Loans by State and Property Type

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

Institutional		77	3,183	-	315	77	3,498	1	
Land (excluding 1-4 family)		6	103	69	2,723	75	2,826	*	
Agriculture		43	2,235	-	31	43	2,266	*	
Other		205	7,174	200	2,802	405	9,976	1	
Total	$	2,030	107,969	296	16,615	2,326	124,584	15	%

* Less than 1%.

(1) Includes a total of $1.5 billion PCI loans, consisting of $1.1 billion of real estate mortgage and $392 million of real estate construction, which are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

(2) Includes 40 states; no state had loans in excess of $3.1 billion.

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

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

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

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

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

Risk Management – Credit Risk Management *(continued)*

Table 17: Select Country Exposures

	Lending (1)		Securities (2)		Derivatives and other (3)		Total exposur		
(in millions)	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign (4)	Tota
March 31, 2014									
Top 20 country exposures:									
United Kingdom	$ 2,884	11,183	-	6,629	-	300	2,884	18,112	20,996
Canada	-	6,890	-	4,750	-	579	-	12,219	12,219
China	-	5,384	-	57	4	-	4	5,441	5,445
Brazil	-	2,653	-	12	-	-	-	2,665	2,665
Germany	89	1,411	-	882	-	107	89	2,400	2,489
Switzerland	-	1,297	-	379	-	447	-	2,123	2,123
India	-	1,961	-	143	-	-	-	2,104	2,104
Netherlands	-	1,704	-	329	-	43	-	2,076	2,076
Bermuda	-	1,886	-	81	-	21	-	1,988	1,988
Turkey	-	1,633	-	-	-	-	-	1,633	1,633
Australia	-	949	-	561	-	16	-	1,526	1,526
France	-	225	-	1,149	-	82	-	1,456	1,456
South Korea	-	1,224	-	135	15	-	15	1,359	1,374
Chile	-	1,279	-	17	-	48	-	1,344	1,344
Mexico	-	1,197	-	41	3	-	3	1,238	1,241
Luxembourg	-	999	-	110	-	7	-	1,116	1,116
Cayman Islands	-	975	-	-	-	63	-	1,038	1,038
Ireland	49	777	-	175	5	18	54	970	1,024
Taiwan	-	862	-	1	-	3	-	866	866
Colombia	-	809	-	3	-	-	-	812	812
Total top 20 country exposures	$ 3,022	45,298	-	15,454	27	1,734	3,049	62,486	65,535
Eurozone exposure:									
Eurozone countries	$ 138	5,116	-	2,645	5	257	143	8,018	8,161

included in Top 20 above (5)										
Spain		-	695	-	70	-	-	-	765	765
Austria		105	355	-	2	-	2	105	359	464
Italy		-	248	-	93	-	-	-	341	341
Other Eurozone countries (6)		24	164	-	71	8	3	32	238	270
Total Eurozone exposure	$	267	6,578	-	2,881	13	262	280	9,721	10,001

(1) Lending exposure includes funded loans and unfunded commitments, leveraged leases, and money market placements presented on a gross basis prior to the deduction of impairment allowance and collateral received under the terms of the credit agreements. For the countries listed above, includes $276 million in PCI loans, predominantly to customers in Germany and the United Kingdom, and $2.0 billion in defeased leases secured largely by U.S. Treasury and government agency securities, or government guaranteed.

(2) Represents issuer exposure on cross-border debt and equity securities.

(3) Represents counterparty exposure on foreign exchange and derivative contracts, and securities resale and lending agreements. This exposure is presented net of counterparty netting adjustments and reduced by the amount of cash collateral. It includes credit default swaps (CDS) predominantly used to manage our U.S. and London-based cash credit trading businesses, which sometimes results in selling and purchasing protection on the identical reference entity. Generally, we do not use market instruments such as CDS to hedge the credit risk of our investment or loan positions, although we do use them to manage risk in our trading businesses. At March 31, 2014, the gross notional amount of our CDS sold that reference assets in the Top 20 or Eurozone countries was $4.3 billion, which was offset by the notional amount of CDS purchased of $4.4 billion. We did not have any CDS purchased or sold that reference pools of assets that contain sovereign debt or where the reference asset was solely the sovereign debt of a foreign country.

(4) For countries presented in the table, total non-sovereign exposure comprises $30.7 billion exposure to financial institutions and $33.5 billion to non-financial corporations at March 31, 2014.

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

(6) Includes non-sovereign exposure to Portugal in the amount of $54 million and less that $1 million each to Greece and Cyprus. We had no sovereign debt exposure to these countries at March 31, 2014.

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

Our underwriting and periodic review of loans secured by residential real estate collateral includes appraisals or estimates from automated valuation models (AVMs) to support property values. Additional information about AVMs and our policy for their use can be found in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report and the “Risk Management – Credit Risk Management – Real Estate 1-4 Family First and Junior Lien Mortgage Loans” section in our 2013 Form 10-K.

Some of our real estate 1-4 family first and junior lien mortgage loans include an interest-only feature as part of the loan terms. These interest-only loans were approximately 15% of total loans at both March 31, 2014 and December

31, 2013.

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

We continue to modify real estate 1-4 family mortgage loans to assist homeowners and other borrowers experiencing financial difficulties. For more information on our participation in the U.S. Treasury's Making Home Affordable (MHA) programs, see the "Risk Management – Credit Risk Management – Real Estate 1-4 Family First and Junior Lein Mortgage Loans" section in our 2013 Form 10-K.

Real estate 1-4 family first and junior lien mortgage loans by state are presented in Table 18. Our real estate 1-4 family mortgage loans to borrowers in California represented approximately 13% of total loans at March 31, 2014, located mostly within the larger metropolitan areas, with no single California metropolitan area consisting of more than 4% of total loans. We monitor changes in real estate values and underlying economic or market conditions for all geographic areas of our real estate 1-4 family mortgage portfolio as part of our credit risk management process.

We monitor the credit performance of our junior lien mortgage portfolio for trends and factors that influence the frequency and severity of loss. A junior lien is reported as a nonaccrual loan if the related first lien is 120 days past due or is in the process of foreclosure, regardless of delinquency status. Additionally, consumer loans discharged in bankruptcy are written down to net realizable collateral value and classified as TDRs, regardless of their delinquency status.

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

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

* Less than 1%.

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

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

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

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

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

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

The Pick-a-Pay portfolio includes loans that offer payment options (Pick-a-Pay option payment loans), and also includes loans that were originated without the option payment feature, loans that no longer offer the option feature as a result of our modification efforts since the acquisition, and loans where the customer voluntarily converted to a fixed-rate product. The Pick-a-Pay portfolio is included in the consumer real estate 1-4 family first mortgage class of loans throughout this Report. Real estate 1-4 family junior lien mortgages and lines of credit associated with Pick-a-Pay loans are reported in the home equity portfolio. Table 19 provides balances by types of loans as of March 31, 2014, as a result of modification efforts, compared to the types of loans included in the portfolio at acquisition. Total adjusted unpaid principal balance of PCI Pick-a-Pay loans was $28.2 billion at March 31, 2014, compared with $61.0 billion at acquisition. Modification efforts have largely involved option payment PCI loans, which, based on adjusted unpaid principal balance, have declined to 16% of the total Pick-a-Pay portfolio at March 31, 2014, compared with 51% at acquisition.

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

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

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

Pick-a-Pay loans may have fixed or adjustable rates with payment options that include a minimum payment, an interest-only payment or fully amortizing payment (both 15 and 30 year options). Total interest deferred due to negative amortization on Pick-a-Pay loans was $814 million at March 31, 2014, and $902 million at December 31, 2013. Approximately 94% of the Pick-a-Pay customers making a minimum payment in March 2014 did not defer interest, compared with 93% in December 2013.

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

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

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

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

	March 31, 2014					
			PCI loans		All other loans	
(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	$ 19,459	88 %	$ 16,029	71 %	$ 12,781	64 %
Florida	2,329	97	1,813	69	2,667	78
New Jersey	995	86	878	69	1,710	74
New York	596	83	542	68	776	72
Texas	258	69	229	60	1,040	55
Other states	4,587	88	3,801	71	7,267	74
Total Pick-a-Pay loans	$ 28,224		$ 23,292		$ 26,241	

(1) The individual states shown in this table represent the top five states based on the total net carrying value of the Pick-a-Pay loans at the beginning of 2014.

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

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

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

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

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

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

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

Due to better than expected performance observed on the Pick-a-Pay PCI portfolio compared with the original acquisition estimates, we have reclassified $3.9 billion from the nonaccretable difference to the accretable yield since acquisition. Our cash flows expected to be collected have been favorably affected by lower expected defaults and losses as a result of observed and forecasted economic strengthening, particularly in housing prices, and our loan modification efforts. These factors are expected to reduce the frequency and severity of defaults and keep these loans performing for a longer period, thus increasing future principal and interest cash flows. The resulting increase in the accretable yield will be realized over the remaining life of the portfolio, which is estimated to have a weighted-average remaining life of approximately 12.5 years at March 31, 2014. The weighted average remaining life decreased slightly from December 31, 2013 due to the passage of time. The accretable yield percentage at March 31, 2014, was 4.98%, unchanged from the end of 2013. Fluctuations in the accretable yield are driven by changes in interest rate indices for variable rate PCI loans, prepayment assumptions, and expected principal and interest payments over the estimated life of the portfolio, which will be affected by the pace and degree of improvements in the U.S. economy and housing markets and projected lifetime performance resulting from loan modification activity. Changes in the projected timing of cash flow events, including loan liquidations, modifications and short sales, can also affect the accretable yield rate and the estimated weighted-average life of the portfolio.

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

Risk Management – Credit Risk Management *(continued)*

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

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

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

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

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

Table 21: Home Equity Portfolios Payment Schedule

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

Junior loans (4)		**7,976**		7	92	126	130	14	1,394		6,213
Total	**$**	**81,846**		3,465	7,240	8,530	8,605	5,245	38,432		10,329
% of portfolios		**100**	**%**	4	9	10	11	6	47		13

(1) The annual scheduled end of draw or term ranges from $1.9 billion to $10.6 billion per year for 2019 and thereafter. Loans that convert in 2025 and thereafter have draw periods that generally extend to 15 or 20 years.

(2) Lines in their draw period are predominantly interest-only. The unfunded credit commitments totaled $73.1 billion at March 31, 2014.

(3) Includes scheduled end-of-term balloon payments totaling $680 million, $594 million, $468 million, $557 million, $594 million and $2.7 billion for 2014, 2015, 2016, 2017, 2018, 2019 and thereafter, respectively. Amortizing lines include $148 million of end-of-term balloon payments, which are past due. At March 31, 2014, $305 million, or 8% of outstanding lines of credit that are amortizing, are 30 or more days past due compared to $1.4 billion, or 2% for lines in their draw period.

(4) Junior loans within the term period predominantly represent principal and interest products that require a balloon payment upon the end of the loan term. Amortizing junior loans include $64 million of balloon loans that have reached end of term and are now past due.

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

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

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

	Outstanding balance (2)		% of loans two payments or more past due		Loss rate (annualized) quarter ended				
	Mar. 31,	Dec. 31,	**Mar. 31,**	Dec. 31,	**Mar. 31,**	Dec. 31,	Sept. 30,	June 30,	Mar. 31,
(in millions)	**2014**	2013	**2014**	2013	**2014**	2013	2013	2013	2013
Junior lien mortgages and lines behind:									
Wells Fargo owned or serviced first lien	$ **31,656**	32,683	**2.31** %	2.37	**1.16**	1.35	1.60	2.08	2.46
Third party first lien	**32,205**	33,121	**2.46**	2.54	**1.27**	1.38	1.65	2.00	2.48
Total junior lien mortgages and lines	**63,861**	65,804	**2.39**	2.45	**1.21**	1.36	1.62	2.04	2.47
First lien lines	**17,985**	18,326	**3.05**	3.00	**0.31**	0.41	0.41	0.56	0.61

			Total	**$**	**81,846**	84,130		**2.53**		2.57		**1.02**	1.16	1.36	1.72	2.08

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

(2) Includes $1.2 billion at both March 31, 2014, and December 31, 2013, associated with the Pick-a-Pay portfolio.

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

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

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

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

Table 23: Home Equity Portfolios (1)

	Outstanding balance		% of loans two payments or more past due		Loss rate (annualized) quarter ended				
	Mar. 31,	Dec. 31,	**Mar. 31,**	Dec. 31,	**Mar. 31,**	Dec. 31,	Sept. 30,	June 30,	Mar. 31,
(in millions)	**2014**	2013	**2014**	2013	**2014**	2013	2013	2013	2013
Core portfolio (2)									
California	$ **19,601**	20,198	**2.10** %	2.08	**0.60**	1.34	1.06	1.47	2.01
Florida	**8,479**	8,699	**3.35**	3.57	**1.41**	1.99	1.67	2.13	2.61
New Jersey	**6,598**	6,734	**3.45**	3.57	**1.23**	1.47	1.44	1.43	1.70
Virginia	**4,252**	4,328	**1.99**	1.96	**0.73**	1.00	0.79	1.03	1.36
Pennsylvania	**4,201**	4,282	**2.78**	2.79	**0.83**	1.07	1.00	1.18	1.36
Other	**35,210**	36,194	**2.34**	2.37	**0.97**	1.44	1.20	1.60	1.80
Total	**78,341**	80,435	**2.49**	2.53	**0.92**	1.43	1.20	1.56	1.89
Liquidating portfolio	**3,505**	3,695	**3.54**	3.49	**3.09**	4.80	4.61	5.05	5.87
Total core and liquidating portfolios	$ **81,846**	84,130	**2.53**	2.57	**1.02**	1.59	1.36	1.72	2.08

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

(2) Includes $1.2 billion at both March 31, 2014, and December 31, 2013, associated with the Pick-a-Pay portfolio.

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

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

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

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

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

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

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

mortgage								
Automobile	**161**	**0.31**	173	0.34	188	0.38	200	0.41
Other revolving credit and installment	**33**	**0.08**	33	0.08	36	0.08	33	0.08
Total consumer	**11,623**	**2.61**	12,193	2.74	13,007	2.95	13,460	3.07
Total nonaccrual loans (3)(4)(5)	**14,650**	**1.77**	15,668	1.91	16,893	2.09	17,915	2.24
Foreclosed assets:								
Government insured/guaranteed (6)	**2,302**		2,093		1,781		1,026	
Non-government insured/guaranteed	**1,813**		1,844		2,021		2,114	
Total foreclosed assets	**4,115**		3,937		3,802		3,140	
Total nonperforming assets	**$ 18,765**	**2.27 %**	$ 19,605	2.38 %	$ 20,695	2.56 %	$ 21,055	2.63 %
Change in NPAs from prior quarter	**$ (840)**		(1,090)		(360)		(1,821)	

(1) Includes LHFS of $1 million, $1 million, $26 million and $15 million at March 31, 2014 and December 31, September 30, and June 30, 2013, respectively.

(2) Includes MHFS of $227 million, $227 million, $288 million and $293 million at March 31, 2014 and December 31, September 30, and June 30, 2013, respectively.

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

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

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

(6) Consistent with regulatory reporting requirements, foreclosed real estate resulting from government insured/guaranteed loans are classified as nonperforming. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA. Foreclosed assets in the latter half of 2013 were elevated due to an increase in completed foreclosures, as enhancements to loan modification programs and an FHA foreclosure moratorium, which previously slowed new foreclosures, were resolved. The increase in balance at March 31, 2014, reflects a slowdown in processing the elevated levels of foreclosed properties through the U.S. Department of Housing and Urban Development (HUD) conveyance requirements as a result of industry resource constraints to deal with the elevated levels, as well as other factors, including an increase in foreclosures in states with longer redemption periods, longer occupant evacuation periods, increased maintenance required for aging foreclosures and longer

	repair authorization periods.	

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

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

Table 25: Analysis of Changes in Nonaccrual Loans

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

(1) Other outflows include the effects of VIE deconsolidations and adjustments for loans carried at fair value.

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

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

- 97% of total commercial nonaccrual loans and 99% of total consumer nonaccrual loans are secured. Of the consumer nonaccrual loans, 98% are secured by real estate and 66% have a combined LTV (CLTV) ratio of 80% or less.

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

- 67% of commercial nonaccrual loans were current on interest.

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

- $2.2 billion of consumer loans discharged in bankruptcy and classified as nonaccrual were 60 days or less past due, of which $2.1 billion were current.

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

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

Table 26: Foreclosed Assets

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

Commercial			**736**	759	944	1,012	1,060
Consumer			**439**	439	393	378	501
Total all other loans			**1,175**	1,198	1,337	1,390	1,561
Total foreclosed assets		$	**4,115**	3,937	3,802	3,140	3,350
Analysis of changes in foreclosed assets							
Balance, beginning of quarter		$	**3,937**	3,802	3,140	3,350	4,023
Net change in government insured/guaranteed (1)(2)			**209**	312	755	57	(540)
Additions to foreclosed assets (3)			**448**	428	459	406	559
Reductions:							
Sales			**(490)**	(823)	(545)	(647)	(658)
Write-downs and gains (losses) on sales			**11**	218	(7)	(26)	(34)
Total reductions			**(479)**	(605)	(552)	(673)	(692)
Balance, end of quarter		$	**4,115**	3,937	3,802	3,140	3,350

(1) Consistent with regulatory reporting requirements, foreclosed real estate resulting from government insured/guaranteed loans are classified as nonperforming. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA. Foreclosed assets in the latter half of 2013 were elevated due to an increase in completed foreclosures, as enhancements to loan modification programs and an FHA foreclosure moratorium, which previously slowed new foreclosures, were resolved. The increase in balance at March 31, 2014, reflects a slowdown in processing the elevated levels of foreclosed properties through the HUD conveyance requirements as a result of industry resource constraints to deal with the elevated levels, as well as other factors, including an increase in foreclosures in states with longer redemption periods, longer occupant evacuation periods, increased maintenance required for aging foreclosures and longer repair authorization periods.

(2) Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as servicer, until reimbursement is received from FHA or VA. The net change in government insured/guaranteed foreclosed assets is made up of inflows from mortgages held for investment and MHFS, and outflows when we are reimbursed by FHA/VA. Transfers from government insured/guaranteed loans to foreclosed assets amounted to $801 million, $892 million, $1.3 billion, $639 million and $71 million for the quarter ended March 31, 2014 and December 31, September 30, June 30, and March 31, 2013, respectively. Transfer amounts for the quarter ended September 30, June 30 and March 31, 2013 have been revised to conform with the current period presentation.

(3) Predominantly include loans moved into foreclosure from nonaccrual status, PCI loans transitioned directly to foreclosed assets and repossessed automobiles.

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Foreclosed assets at March 31, 2014, included $3.1 billion of foreclosed residential real estate that had collateralized commercial and consumer loans, of which 74% is predominantly FHA insured or VA guaranteed and expected to have minimal or no loss content. The remaining balance of $1.0 billion of foreclosed assets has been written down to estimated net realizable value. Foreclosed assets at March 31, 2014 have increased slightly, compared with December 31, 2013. At March 31, 2014, 69% of foreclosed assets of $4.1 billion have been in the foreclosed assets portfolio one year or less.

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

Risk Management – Credit Risk Management *(continued)*

TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 27: Troubled Debt Restructurings (TDRs)

(in millions)		**Mar. 31, 2014**	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013	Mar. 31, 2013
Commercial TDRs						
Commercial and industrial	$	**1,081**	1,032	1,153	1,238	1,493
Real estate mortgage		**2,233**	2,248	2,457	2,605	2,556
Real estate construction		**454**	475	598	680	735
Lease financing		**6**	8	9	11	17
Foreign		**7**	2	2	17	17
Total commercial TDRs		**3,781**	3,765	4,219	4,551	4,818
Consumer TDRs						
Real estate 1-4 family first mortgage		**19,043**	18,925	18,974	19,093	18,928
Real estate 1-4 family junior lien mortgage		**2,460**	2,468	2,399	2,408	2,431
Credit Card		**399**	431	455	477	501
Automobile		**169**	189	212	246	279
Other revolving credit and installment		**34**	33	32	29	27
Trial modifications		**593**	650	717	716	723
Total consumer TDRs (1)		**22,698**	22,696	22,789	22,969	22,889
Total TDRs	$	**26,479**	26,461	27,008	27,520	27,707
TDRs on nonaccrual status	$	**7,774**	8,172	8,609	9,030	10,332
TDRs on accrual status (1)		**18,705**	18,289	18,399	18,490	17,375
Total TDRs	$	**26,479**	26,461	27,008	27,520	27,707

(1) TDR loans include $2.6 billion, $2.5 billion, $2.4 billion, $2.5 billion and $2.5 billion at March 31, 2014, and December 31, September 30, June 30 and March 31, 2013, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and are accruing.

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

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

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

Table 28: Analysis of Changes in TDRs

		Quarter ended				
(in millions)		**Mar. 31, 2014**	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013	Mar. 31, 2013
Commercial TDRs						
Balance, beginning of quarter	$	**3,765**	4,219	4,551	4,818	5,146
Inflows		**442**	292	534	468	500
Outflows						
Charge-offs		**(23)**	(44)	(24)	(24)	(40)
Foreclosures		**(3)**	(16)	(16)	(26)	(30)
Payments, sales and other (1)		**(400)**	(686)	(826)	(685)	(758)
Balance, end of quarter		**3,781**	3,765	4,219	4,551	4,818
Consumer TDRs						
Balance, beginning of quarter		**22,696**	22,789	22,969	22,889	21,768
Inflows		**1,104**	1,248	1,282	1,352	2,076
Outflows						
Charge-offs		**(157)**	(155)	(183)	(241)	(280)
Foreclosures		**(325)**	(417)	(519)	(240)	(114)
Payments, sales and other (1)		**(563)**	(701)	(761)	(785)	(579)
Net change in trial modifications (2)		**(57)**	(68)	1	(6)	18
Balance, end of quarter		**22,698**	22,696	22,789	22,969	22,889
Total TDRs	$	**26,479**	26,461	27,008	27,520	27,707

(1) Other outflows include normal amortization/accretion of loan basis adjustments and loans transferred to held-for-sale. It also includes $1 million, $29 million, $40 million and $15 million of loans refinanced or restructured as new loans and removed from TDR classification for the quarters ended March 31, 2014, September 30, June 30, and March 31, 2013, respectively. No loans were removed from TDR classification for the quarter ended December 31, 2013, as a result of being refinanced or restructured as new loans.

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

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Risk Management – Credit Risk Management *(continued)*

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

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

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

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

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

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

		Real estate 1-4 family junior lien mortgage (3)			**88**	86	89	92	112
		Credit card			**308**	321	285	263	306
		Automobile			**41**	55	48	32	33
		Other revolving credit and installment			**85**	86	78	75	81
			Total consumer		**855**	902	883	938	1,095
				Total, not government insured/guaranteed	**$ 950**	1,045	1,050	1,154	1,360

(1) PCI loans totaled $4.3 billion, $4.5 billion, $4.9 billion, $5.4 billion and $5.8 billion at March 31, 2014 and December 31, September 30, June 30 and March 31, 2013, respectively.

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

(3) Includes mortgages held for sale 90 days or more past due and still accruing.

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

NET CHARGE-OFFS

Table 30: Net Charge-offs

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

Other revolving credit and installment	**137**	**1.29**		161	1.50		154	1.46		145	1.38		140	1.37
Total consumer	**820**	**0.75**		910	0.82		956	0.86		1,108	1.01		1,329	1.23
Total	**$ 825**	**0.41 %**		$ 963	0.47 %		$ 975	0.48 %		$ 1,152	0.58 %		$ 1,419	0.72 %

(1) Quarterly net charge-offs (recoveries) as a percentage of average respective loans are annualized.

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

Due to higher dollar amounts associated with individual commercial and industrial and CRE loans, loss recognition tends to be irregular and varies more, compared with consumer loan portfolios. We continued to have improvement in our residential real estate secured portfolios.

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

We apply a disciplined process and methodology to establish our allowance for credit losses each quarter. This process takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific characteristics. The process involves subjective and complex judgments. In addition, we review a variety of credit metrics and trends. These credit metrics and trends, however, do not solely determine the amount of the allowance as we use several analytical tools. Our estimation approach for the commercial portfolio reflects the estimated probability of default in accordance with the borrower's financial strength, and the severity of loss in the event of default, considering the quality of any underlying collateral. Probability of default and severity at the time of default are statistically derived through historical observations of defaults and losses after default within each credit risk rating. Our estimation approach for the consumer portfolio uses forecasted losses that represent our best estimate of inherent loss based on historical experience, quantitative and other mathematical techniques over the loss emergence period. For additional information on our allowance for credit losses, see the "Critical Accounting Policies – Allowance for Credit Losses" section in our 2013 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

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

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

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

(in millions)	Mar. 31, 2014 ACL	Mar. 31, 2014 Loans as % of total loans	Dec. 31, 2013 ACL	Dec. 31, 2013 Loans as % of total loans	Dec. 31, 2012 ACL	Dec. 31, 2012 Loans as % of total loans	Dec. 31, 2011 ACL	Dec. 31, 2011 Loans as % of total loans	Dec. 31, 2010 ACL	Dec. 31, 2010 Loans as % of total loans
Commercial:										
Commercial and industrial	$ 2,981	24 %	$ 2,775	24 %	$ 2,543	23 %	$ 2,649	22 %	$ 3,299	20 %
Real estate mortgage	1,846	13	2,102	13	2,283	13	2,550	14	3,072	13
Real estate construction	1,019	2	770	2	552	2	893	2	1,387	4
Lease financing	159	1	127	1	85	2	82	2	173	2
Foreign	349	6	329	6	251	5	184	5	238	4
Total commercial	6,354	46	6,103	46	5,714	45	6,358	45	8,169	43
Consumer:										
Real estate 1-4 family first mortgage	3,750	32	4,087	32	6,100	31	6,934	30	7,603	30
Real estate 1-4 family										
junior lien mortgage	2,059	8	2,534	8	3,462	10	3,897	11	4,557	13
Credit card	1,218	3	1,224	3	1,234	3	1,294	3	1,945	3
Automobile	482	6	475	6	417	6	555	6	771	6
Other revolving	551	5	548	5	550	5	630	5	418	5

credit and installment															
Total consumer	8,060	54			8,868	54			11,763	55			13,310	55		15,294	57	
Total	$ 14,414	100	%	$	14,971	100	%	$	17,477	100	%	$	19,668	100	% $	23,463	100	%

	Mar. 31, 2014		Dec. 31, 2013		Dec. 31, 2012		Dec. 31, 2011		Dec. 31, 2010
Components:									
Allowance for loan losses	$ 13,695		14,502		17,060		19,372		23,022
Allowance for unfunded credit commitments	719		469		417		296		441
Allowance for credit losses	$ 14,414		14,971		17,477		19,668		23,463
Allowance for loan losses as a percentage of total loans	1.66	%	1.76		2.13		2.52		3.04
Allowance for loan losses as a percentage of total net charge-offs (1)	409		322		189		171		130
Allowance for credit losses as a percentage of total loans	1.74		1.82		2.19		2.56		3.10
Allowance for credit losses as a percentage of total nonaccrual	98		96		85		92		89

	loans
(1)	Total net charge-offs are annualized for quarter ended March 31, 2014.

In addition to the allowance for credit losses, there was $5.1 billion at March 31, 2014, and $5.2 billion at December 31, 2013, of nonaccretable difference to absorb losses for PCI loans. The allowance for credit losses is lower than otherwise would have been required without PCI loan accounting. As a result of PCI loans, certain ratios of the Company may not be directly comparable with credit-related metrics for other financial institutions. For additional information on PCI loans, see the "Risk Management – Credit Risk Management – Purchased Credit-Impaired Loans" section and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

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

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

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

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

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

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

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

Table 32: Unresolved Repurchase Demands and Mortgage Insurance Rescissions

	Government sponsored entities (1)			Private			Mortgage insurance rescissions with no demand (2)			Total		
($ in millions)	Number of loans		Original loan balance (3)	Number of loans		Original loan balance (3)	Number of loans		Original loan balance (3)	Number of loans		Original loan balance (3)
2014												
March 31,	**599**	**$**	**126**	**391**	**$**	**89**	**409**	**$**	**90**	**1,399**	**$**	**305**
2013												
	674	$	124	2,260	$	497	394	$	87	3,328		708

December 31,															
September 30,	4,422	$	958		1,240	$	264		385	$	87		6,047		1,309
June 30,	6,313	$	1,413		1,206	$	258		561	$	127		8,080		1,798
March 31,	5,910	$	1,371		1,278	$	278		652	$	145		7,840		1,794

(1) Includes unresolved repurchase demands of 25 and $3 million, 42 and $6 million, 1,247 and $225 million, 942 and $190 million, and 674 and $147 million at March 31, 2014, and December 31, September 30, June 30 and March 31, 2013, respectively, received from investors on mortgage servicing rights acquired from other originators. We generally have the right of recourse against the seller and may be able to recover losses related to such repurchase demands subject to counterparty risk associated with the seller.

(2) As part of our representations and warranties in our loan sales contracts, we typically represent to GSEs and private investors that certain loans have mortgage insurance to the extent there are loans that have loan to value ratios in excess of 80% that require mortgage insurance. To the extent the mortgage insurance is rescinded by the mortgage insurer due to a claim of breach of a contractual representation or warranty, the lack of insurance may result in a repurchase demand from an investor. Similar to repurchase demands, we evaluate mortgage insurance rescission notices for validity and appeal for reinstatement if the rescission was not based on a contractual breach. When investor demands are received due to lack of mortgage insurance, they are reported as unresolved repurchase demands based on the applicable investor category for the loan (GSE or private).

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

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

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

Table 33: Changes in Mortgage Repurchase Liability

					Quarter ended
	Mar. 31,	Dec. 31,	Sept. 30,	June 30,	Mar. 31,
(in millions)	**2014**	2013	2013	2013	2013
Balance, beginning of period	$ **899**	1,421	2,222	2,317	2,206
Provision for repurchase losses:					
Loan sales	**10**	16	28	40	59
Change in estimate (1)	**(4)**	10	-	25	250
Total additions	**6**	26	28	65	309
Losses (2)	**(106)**	(548)	(829)	(160)	(198)
Balance, end of period	$ **799**	899	1,421	2,222	2,317

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

(2) Quarter ended September 30, 2013, reflects $746 million as a result of the agreement with Freddie Mac that substantially resolves all repurchase liabilities related to loans sold to Freddie Mac prior to January 1, 2009. Quarter ended December 31, 2013, reflects $508 million as a result of the agreement with Fannie Mae that substantially resolves all repurchase liabilities related to loans sold to Fannie Mae that were originated prior to January 1, 2009.

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

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

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

Report.

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

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

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

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

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

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

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

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Asset/Liability Management

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

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

- assets and liabilities may mature or reprice at different times (for example, if assets reprice faster than liabilities and interest rates are generally falling, earnings will initially decline);

- assets and liabilities may reprice at the same time but by different amounts (for example, when the general level of interest rates is falling, we may reduce rates paid on checking and savings deposit accounts by an amount that is less than the general decline in market interest rates);

- short-term and long-term market interest rates may change by different amounts (for example, the shape of the yield curve may affect new loan yields and funding costs differently);

- the remaining maturity of various assets or liabilities may shorten or lengthen as interest rates change (for example, if long-term mortgage interest rates decline sharply, MBS held in the investment securities portfolio may prepay significantly earlier than anticipated, which could reduce portfolio income); or

- interest rates may also have a direct or indirect effect on loan demand, collateral values, credit losses, mortgage origination volume, the fair value of MSRs and other financial instruments, the value of the pension liability and other items affecting earnings.

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

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

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

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

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

	Most		Lower rates				Higher rates	
	likely		Scenario 1		Scenario 2		Scenario 3	Scenario 4
Ending rates:								
Federal funds	1.00	%	0.25		0.50		1.75	4.50
10-year treasury (1)	3.56		1.70		3.06		4.06	5.40
Earnings relative to								
most likely	N/A		(3)-(4)	%	(2)-(3)		0-5	>5

(1) U.S. Constant Maturity Treasury Rate

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

- to convert a major portion of our long-term fixed-rate debt, which we issue to finance the Company, from fixed-rate payments to floating-rate payments by entering into receive-fixed swaps;

- to convert the cash flows from selected asset and/or liability instruments/portfolios from fixed-rate payments to floating-rate payments or vice versa; and

- to economically hedge our mortgage origination pipeline, funded mortgage loans and MSRs using interest rate swaps, swaptions, futures, forwards and options.

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

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

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

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

Table 35 presents total revenue from trading activities.

Table 35: Income from Trading Activities

		Quarter ended March 31,	
(in millions)		**2014**	2013
Interest income (1)	**$**	**374**	327
Less: Interest expense (2)		**87**	65
Net interest income		**287**	262
Noninterest income:			
Net gains from trading activities (3):			
Customer accommodation		**360**	467
Economic hedges and other (4)		**66**	99
Proprietary trading		**6**	4
Total net trading gains		**432**	570
Total trading-related net interest and noninterest income	**$**	**719**	832

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

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

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

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

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

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

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

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

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

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

Table 37: Daily Trading-Related Revenues

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 38 shows the results of the Company's Trading VaR by risk category. As presented in the table, average Trading VaR was $23 million for the quarter ended March 31, 2014, compared with $21 million for the quarter ended December 31, 2013. The increase was primarily driven by changes in portfolio composition.

Table 38: Trading 1-Day 99% VaR Metrics

									Quarter ended
				March 31, 2014					December 31, 2013
		Period				Period			
(in millions)		end	Average	Low	High	end	Average	Low	High
VaR Risk Categories									
Credit	$	**33**	**32**	**31**	**35**	32	33	30	36
Interest rate		**23**	**24**	**16**	**32**	20	19	13	25
Equity		**7**	**7**	**7**	**9**	9	6	4	9
Commodity		**1**	**1**	**1**	**2**	1	2	1	3
Foreign exchange		**2**	**2**	**1**	**3**	-	1	-	2
Diversification benefit (1)		**(44)**	**(43)**			(38)	(40)		
Total VaR	$	**22**	**23**			24	21		

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

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

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

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

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

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

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

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

Table 39: Market Risk Regulatory Capital and RWA

		March 31, 2014		December 31, 2013	
(in millions)		**Risk-based capital**	**Risk-weighted assets**	Risk-based capital	Risk-weighted assets
Total VaR Measure	$	**173**	**2,164**	252	3,149
Total Stressed VaR Measure		**1,059**	**13,238**	921	11,512
Incremental Risk Charge (IRC)		**376**	**4,692**	393	4,913
Total Modeled Capital (1)		**1,608**	**20,094**	1,566	19,574
Comprehensive Risk Charge (CRC)		**-**	**-**	-	-
Securitized Product Charge		**799**	**9,990**	633	7,913
Standard Specific Risk Charge		**1,288**	**16,104**	583	7,289
De minimus Charges		**155**	**1,939**	125	1,563
Total	$	**3,850**	**48,127**	2,907	36,339

(1) Includes the capital multiplier.

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

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

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

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

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Regulatory VaR The Regulatory VaR measures include:

- General VaR – measures the risk of broad market movements such as changes in the level of interest rates, credit spreads, equity prices, foreign exchange rates, and commodity prices. General VaR uses historical simulation analysis based on 99% confidence level and a 10-day time horizon.

- Specific Risk VaR – measures the risk of loss that could result from factors other than broad market movement or name specific market risk. Specific Risk VaR uses Monte Carlo simulation analysis based on a 99% confidence level and a 10-day time horizon.

- Total VaR Measure – composed of General VaR and Specific Risk VaR and uses the previous 12 months of historical market data to comply with regulatory requirements.

- Total Stressed VaR Measure – uses a historical period of significant financial stress over a continuous 12 month period using historically available market data and is composed of General Stressed VaR and Specific Risk Stressed VaR. Stressed VaR uses the same methodology and models as the Total VaR measure.

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

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

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

Table 40: 10-Day 99% Regulatory General VaR Categories

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

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

Table 41: Regulatory Modeled Components Used to Calculate RWA

	Quarter ended							
	March 31, 2014				December 31, 2013			
(in millions)	**Period end**	**Average**	**Low**	**High**	Period end	Average	Low	High
Total VaR Measure	$ **57**	**58**	**46**	**73**	84	84	67	103
Total Stressed VaR Measure	**364**	**353**	**270**	**449**	328	307	245	420
Incremental Risk Charge (IRC)	**339**	**375**	**307**	**469**	425	393	354	442
Comprehensive Risk Charge (CRC)	**-**	**-**	**-**	**-**	-	-	-	-
Total Modeled Capital	$ **760**	**786**			837	784		

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

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

Table 42: Covered Securitization Positions by Exposure Type (Market Value)

			March 31, 2014				December 31, 2013		
(in millions)		**ABS**	**CMBS**	**RMBS**	**CLO/CDO**	ABS	CMBS	RMBS	CLO/CDO
Securitization Exposure									
Securities	**$**	**1,037**	**530**	**547**	**431**	604	559	479	561
Derivatives		**3**	**5**	**15**	**(60)**	(2)	2	16	(72)
Total	**$**	**1,040**	**535**	**562**	**371**	602	561	495	489

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 44: Nonmarketable and Marketable Equity Investments

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

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

	Cost	$	**1,935**	2,039
	Net unrealized gains		**1,526**	1,346
	Total marketable equity securities (4)	$	**3,461**	3,385

(1) Represents low income housing tax credit investments.

(2) Represents nonmarketable equity investments for which we have elected the fair value option. See Note 6 (Other Assets) and Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information.

(3) Included in other assets on the balance sheet. See Note 6 (Other Assets) to Financial Statements in this Report for additional information.

(4) Included in available-for-sale securities. See Note 4 (Investment Securities) to Financial Statements in this Report for additional information.

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

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

Table 45: Primary Sources of Liquidity

		March 31, 2014					December 31, 2013	
(in millions)		**Total**	**Encumbered**	**Unencumbered**		Total	Encumbered	Unencumbered
Cash on deposit	**$**	**194,100**	**-**	**194,100**	$	186,249	-	186,249
Securities of U.S. Treasury and federal agencies (1)		**12,194**	**810**	**11,384**		6,280	571	5,709
Mortgage-backed securities of federal agencies (2)		**124,258**	**56,602**	**67,656**		123,796	60,605	63,191
Total	**$**	**330,552**	**57,412**	**273,140**	$	316,325	61,176	255,149

(1) Included in encumbered securities were securities with a fair value of $209 million which were purchased in March 2014, but settled in April 2014.

(2) Included in encumbered securities at March 31, 2014, were securities with a fair value of $347 million, which were purchased in March, but settled in April 2014. Included in encumbered securities at December 31, 2013, were securities with a fair value of $653 million, which were purchased in December 2013, but settled in January 2014.

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

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

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

Table 46: Short-Term Borrowings

					Quarter ended
	Mar. 31,	Dec. 31,	Sept. 30,	June 30,	Mar. 31,

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

(1) Highest month-end balance in each of the last five quarters was in February 2014 and December, September, May and March 2013.

(2) Highest month-end balance in each of the last five quarters was in March 2014 and December, September, May and March 2013.

(3) Highest month-end balance in each of the last five quarters was in March 2014 and December, July, April and March 2013.

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

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

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

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

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

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

Table 47: Credit Ratings

	Wells Fargo & Company		Wells Fargo Bank, N.A.	
	Senior debt	Short-term borrowings	Long-term deposits	Short-term borrowings
Moody's	A2	P-1	Aa3	P-1
S&P	A+	A-1	AA-	A-1+
Fitch Ratings	AA-	F1+	AA	F1+
DBRS	AA	R-1*	AA**	R-1**

* middle **high

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

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

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

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

Table 48: Medium-Term Note (MTN) Programs

				March 31, 2014	
(in billions)		Date established		Debt issuance authority	Available for issuance
MTN program:					
	Series L & M (1)	May 2012	$	25.0	7.6
	Series K (1)(3)	April 2010		25.0	22.2
	European (2)(4)	December 2009		25.0	16.6
	European (2)(5)	August 2013		10.0	10.0
	Australian (2)(6)	June 2005	AUD	10.0	5.6

(1) SEC registered.

(2) Not registered with the SEC. May not be offered in the United States without applicable exemptions from registration.

(3) As amended in April 2012.

(4) As amended in April 2012, April 2013 and April 2014. For securities to be admitted to listing on the Official List of the United Kingdom Financial Conduct Authority and to trade on the Regulated Market of the London Stock Exchange.

(5) As amended in May 2014, for securities that will not be admitted to listing, trading and/or quotation by any stock exchange or quotation system, or will be admitted to listing, trading and/or quotation by a stock exchange or quotation system that is not considered to be a regulated market.

(6) As amended in October 2005, March 2010 and September 2013.

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

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

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

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

Capital Management

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

Regulatory Capital Guidelines

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

Report for additional information.

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

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

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

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

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

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

Capital Management ***(continued)***

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