WELLS FARGO & COMPANY/MN
Form 10-Q
August 06, 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 June 30, 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
	July 31, 2014
Common stock, $1-2/3 par value	5,220,407,047

FORM 10-Q

CROSS-REFERENCE INDEX

PART I - FINANCIAL INFORMATION

FINANCIAL REVIEW

Summary Financial Data

	Quarter ended			% Change June 30, 2014 from		Six months ended		
($ in millions, except per share amounts)	**June 30, 2014**	March 31, 2014	June 30, 2013	March 31, 2014	June 30, 2013	**June 30, 2014**	June 30, 2013	% Change
For the Period								
Wells Fargo net income	$ **5,726**	5,893	5,519	(3) %	4	**11,619**	10,690	9 %
Wells Fargo net income applicable to common stock	**5,424**	5,607	5,272	(3)	3	**11,031**	10,203	8
Diluted earnings per common share	**1.01**	1.05	0.98	(4)	3	**2.06**	1.90	8
Profitability ratios (annualized):								
Wells Fargo net income to average assets (ROA)	**1.47** %	1.57	1.55	(6)	(5)	**1.52**	1.52	-

(1)															
Wells Fargo net income applicable															
to common stock to average															
Wells Fargo common															
stockholders' equity (ROE)		**13.40**		14.35		14.02		(7)		(4)		**13.86**		13.81	-
Efficiency ratio (2)		**57.9**		57.9		57.3		-		1		**57.9**		57.8	-
Total revenue	$	**21,066**		20,625		21,378		2		(1)		**41,691**		42,637	(2)
Pre-tax pre-provision profit (PTPP) (3)		**8,872**		8,677		9,123		2		(3)		**17,549**		17,982	(2)
Dividends declared per common share		**0.35**		0.30		0.30		17		17		**0.65**		0.55	18
Average common shares outstanding		**5,268.4**		5,262.8		5,304.7		-		(1)		**5,265.6**		5,291.9	-
Diluted average common shares outstanding		**5,350.8**		5,353.3		5,384.6		-		(1)		**5,353.2**		5,369.9	-
Average loans (1)	$	**831,043**		823,790		798,386		1		4		**827,436**		797,528	4
Average assets (1)		**1,564,003**		1,525,905		1,427,150		2		10		**1,545,060**		1,415,105	9
Average core deposits (4)		**991,727**		973,801		936,090		2		6		**982,814**		931,006	6
Average retail core deposits (5)		**698,763**		690,643		666,043		1		5		**694,726**		664,487	5
		3.15	%	3.20		3.47		(2)		(9)		**3.17**		3.48	(9)

Net interest margin (1)												
At Period End												
Investment securities	$	**279,069**		270,327		249,439	3		12	**279,069**	249,439	12
Loans (1)		**828,942**		826,443		799,867	-		4	**828,942**	799,867	4
Allowance for loan losses		**13,101**		13,695		16,144	(4)		(19)	**13,101**	16,144	(19)
Goodwill		**25,705**		25,637		25,637	-		-	**25,705**	25,637	-
Assets (1)		**1,598,874**		1,546,707		1,438,456	3		11	**1,598,874**	1,438,456	11
Core deposits (4)		**1,007,485**		994,185		941,158	1		7	**1,007,485**	941,158	7
Wells Fargo stockholders' equity		**180,859**		175,654		162,421	3		11	**180,859**	162,421	11
Total equity		**181,549**		176,469		163,777	3		11	**181,549**	163,777	11
Tier 1 capital (6)		**151,679**		147,549		132,969	3		14	**151,679**	132,969	14
Total capital (6)		**189,480**		183,559		164,998	3		15	**189,480**	164,998	15
Capital ratios:												
Total equity to assets (1)		**11.35**	%	11.41		11.39	-		-	**11.35**	11.39	-
Risk-based capital (6):												
Tier 1 capital		**12.72**		12.63		12.12	1		5	**12.72**	12.12	5
Total capital		**15.89**		15.71		15.03	1		6	**15.89**	15.03	6
Tier 1 leverage (6)		**9.86**		9.84		9.63	-		2	**9.86**	9.63	2
Common Equity Tier 1 (7)		**11.31**		11.36		10.71	-		6	**11.31**	10.71	6
Common shares outstanding		**5,249.9**		5,265.7		5,302.2	-		(1)	**5,249.9**	5,302.2	(1)
Book value per common share	$	**31.18**		30.48		28.26	2		10	**31.18**	28.26	10

Common stock price:								
High	**53.05**	49.97	41.74	6	27	**53.05**	41.74	27
Low	**46.72**	44.17	36.19	6	29	**44.17**	34.43	28
Period end	**52.56**	49.74	41.27	6	27	**52.56**	41.27	27
Team members (active, full-time equivalent)	**263,500**	265,300	274,300	(1)	(4)	**263,500**	274,300	(4)

(1) Financial information for certain periods prior to 2014 was 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.

2

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 $1.6 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, 12,500 ATMs and the internet (wellsfargo.com), and we have offices in 36 countries to support customers who conduct business in the global economy. With approximately 265,000 active, full-time equivalent team members, we serve one in three households in the United States and rank No. 29 on *Fortune's* 2014 rankings of America's largest corporations. We ranked fourth in assets and first in the market value of our common stock among all U.S. banks at June 30, 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 financial 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 six 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. Sixth, we strive to make risk management a competitive advantage by working hard to ensure that appropriate controls are in place to reduce risks to our customers, maintain and increase our competitive market position, and protect Wells Fargo's long-term safety, soundness and reputation.

Financial Performance

Wells Fargo net income was $5.7 billion in second quarter 2014 with diluted earnings per share (EPS) of $1.01 as we continued our focus on creating long-term shareholder value through meeting our customers' financial needs including growing loans and deposits. Our results demonstrated our ability to consistently achieve strong financial performance across a variety of economic and interest-rate environments and the benefit of our diversified business model. Compared with a year ago:

- our loans increased $29.1 billion, or 4%, even with the planned runoff in our non-strategic/liquidating portfolios and a $9.7 billion transfer of government guaranteed student loans at the end of the quarter to loans held for sale, and our core loan portfolio grew by $51.3 billion, or 7%;

- our deposit franchise continued to generate solid deposit growth, with total deposits up $97.0 billion, or 9%;

- our credit performance continued to improve with total net charge-offs down $435 million, or 38%, and represented only 35 basis points (annualized) of average loans;

- noninterest expense was $12.2 billion, down $61 million, while we continued to invest in our businesses including strengthening our risk management infrastructure; and

- we continued to deepen our solid customer relationships across our company, with Retail Banking cross-sell of 6.17 products per household (May 2014); Wholesale Banking cross-sell of 7.2 products (March 2014); and Wealth, Brokerage and Retirement cross-sell of 10.44 products (May 2014).

Balance Sheet and Liquidity

Our balance sheet continued to strengthen in second quarter 2014 with further core loan and deposit growth. We have been able to grow our loans on a year-over-year basis for 12 consecutive quarters (for the past nine 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 $12.7 billion during the quarter and our core loan portfolio increased $15.1 billion. Our investment securities increased by $8.7 billion during the quarter, which reflected our purchases of U.S. Treasuries and federal agency debt.

Deposit growth remained strong with period-end deposits up $39.4 billion, or 4%, from December 31, 2013. This increase reflected solid growth across both our commercial and consumer businesses. Average deposits have grown while deposit costs have declined for 15

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[1] Financial information for certain periods prior to 2014 was 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.

consecutive quarters. We grew our primary consumer checking customers by a net 4.6% from a year ago (May 2014 compared with May 2013). Our ability to grow primary customers is important to our results because these customers have more interactions with us, have higher cross-sell and are more than twice as profitable as non-primary customers.

Credit Quality

Credit quality continued to improve in second 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. Net charge-offs were $717 million, or 0.35% (annualized) of average loans, in second quarter 2014, compared with $1.2 billion a year ago (0.58%), a 38% year-over-year decrease in losses. Net losses in our commercial portfolio were only $31 million, or 3 basis points of average commercial loans. Net consumer losses declined to 62 basis points from 101 basis points in second quarter 2013. Our commercial real estate portfolios were in a net recovery position for the sixth consecutive quarter, reflecting our conservative risk discipline and improved market conditions. Losses on our consumer real estate portfolios declined $390 million from a year ago, down 57%. 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 $217 million provision for credit losses this quarter was $435 million less than a year ago. This provision reflected a release of $500 million from the allowance for credit losses, which was equal to the release a year ago. We continue to expect future allowance releases absent a significant deterioration in the economy, but expect a lower level of future releases as the rate of credit improvement slows and the loan portfolio continues to grow.

In addition to lower net charge-offs and provision expense, NPAs also improved and were down $686 million, or 4%, from March 31, 2014, the seventh consecutive quarter of decline. Nonaccrual loans declined $678 million from the prior quarter while foreclosed assets were down $8 million.

Capital

We continued to maintain strong capital ratios while returning more capital to shareholders, increasing total equity to $181.5 billion at June 30, 2014, up $5.1 billion from the prior quarter. In second quarter 2014, we increased our common stock dividend by 17% to $0.35 per share and continued to reduce our common share count through the repurchase of 39.4 million common shares and the execution of a $1 billion forward repurchase contract that settled in July 2014 for 19.5 million shares. In addition, in July 2014 we entered into a $1.0 billion forward repurchase contract with an unrelated third party that is expected to settle in fourth quarter 2014 for approximately 21 million shares. We expect our share count to continue to decline in 2014 as a result of anticipated net share repurchases. Our net payout ratio (which is the ratio of (i) common stock dividends and share repurchases less issuances, divided by (ii) net income applicable to common stock) in second quarter 2014 was 66%, in line with our recent guidance of 55-75%.

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 10.14% in second quarter 2014.

Our regulatory capital ratios under Basel III (General Approach) remained strong with a total risk-based capital ratio of 15.89%, Tier 1 risk-based capital ratio of 12.72% and Tier 1 leverage ratio of 9.86% at June 30, 2014, compared with 15.71%, 12.63% and 9.84%, respectively, at March 31, 2014. 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 second quarter 2014 was $5.7 billion ($1.01 diluted earnings per common share) compared with $5.5 billion ($0.98) for second quarter 2013. Net income for the first half of 2014 was $11.6 billion ($2.06) compared with $10.7 billion ($1.90) for the same period a year ago. Our second 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 the second quarter and first half of 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 $21.1 billion in second quarter 2014, compared with $21.4 billion in second quarter 2013. Revenue for the first half of 2014 was $41.7 billion, down 2% from the first half of 2013. The decrease in revenue for the second quarter and first half of 2014 from the same periods a year ago was primarily due to a decline in mortgage banking revenue, partially offset by an increase in deposit service charges, trust and investment fees, and market sensitive revenue (net gains from trading activities, debt securities and equity investments). Noninterest income represented 49% of revenue for the second quarter 2014 and first half of 2014 compared with 50% for the same periods a year ago. 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 7% of our fee income in second 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 $11.0 billion and $21.8 billion in the second quarter and first half of 2014, up from $10.9 billion and $21.6 billion, respectively, for the same periods a year ago. The net interest margin was 3.15% and 3.17% for the second quarter and first half of 2014, down from 3.47% and 3.48% in the same periods a year ago. The increase in net interest income in the second quarter and first half of 2014 from the same periods a year ago was largely driven by reduced deposit costs 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 second quarter and first half of 2014, compared with the same periods 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 $138.5 billion in the second quarter and $134.7 billion in the first half of 2014 from the same periods a year ago, as average federal funds sold and other short-term investments increased $93.3 billion in the second quarter and $92.8 billion in the first half of 2014 from the same periods a year ago, and average investment securities increased $29.1 billion in the second quarter and $30.4 billion in the first half of 2014 from the same periods a year ago. In addition, an increase in commercial and industrial loans contributed to $32.7 billion and $29.9 billion higher average loans in the second quarter and first half of 2014, respectively, compared with the same periods 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 $991.7 billion in second quarter 2014 ($982.8 billion in the first half of 2014), compared with $936.1 billion in second quarter 2013 ($931.0 billion in the first half of 2013), and funded 119% of average loans in second quarter 2014 (117% for the first half of 2014), compared with 117% the same period a year ago (117% for the first half of 2013). Average core deposits decreased to 71% of average earning assets in both the second quarter and first half of 2014, compared with 74% in second quarter 2013 and 75% for the first half of 2013. 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 June 30,							
					2014						2013
					Interest						Interest
		Average	**Yields/**			**income/**		Average	Yields/			income/
(in millions)		**balance**	**rates**			**expense**		balance	rates			expense
Earning assets												
Federal funds sold, securities purchased under												
resale agreements and other short-term investments	**$**	**229,770**	**0.28**	**%**	**$**	**161**		136,484	0.33	%	$	113
Trading assets		**54,347**	**3.05**			**414**		46,622	2.98			347
Investment securities (3):												
Available-for-sale securities:												
Securities of U.S. Treasury and federal agencies		**6,580**	**1.78**			**29**		6,684	1.73			29
Securities of U.S. states and political subdivisions		**42,721**	**4.26**			**456**		39,267	4.42			434
Mortgage-backed securities:												
Federal agencies		**116,475**	**2.85**			**831**		102,007	2.79			711
Residential and commercial		**27,252**	**6.11**			**416**		31,315	6.50			509
Total mortgage-backed securities		**143,727**	**3.47**			**1,247**		133,322	3.66			1,220
Other debt and equity securities		**48,734**	**3.76**			**457**		55,533	3.84			531
Total available-for-sale securities		**241,762**	**3.62**			**2,189**		234,806	3.77			2,214
Held-to-maturity securities:												
Securities of U.S. Treasury and federal agencies		**10,829**	**2.20**			**59**		-	-			-
Securities of U.S. states and political subdivisions		**8**	**6.00**			**-**		-	-			-
Federal agency mortgage-backed securities		**6,089**	**2.74**			**42**		-	-			-
Other debt securities		**5,206**	**1.90**			**25**		-	-			-

Total held-to-maturity securities	**22,132**	**2.28**	**126**	-	-	-
Total investment securities	**263,894**	**3.51**	**2,315**	234,806	3.77	2,214
Mortgages held for sale (4)	**18,824**	**4.16**	**195**	43,422	3.48	378
Loans held for sale (4)	**157**	**2.55**	**1**	177	7.85	4
Loans:						
Commercial:						
Commercial and industrial	**199,246**	**3.39**	**1,687**	184,306	3.73	1,714
Real estate mortgage	**107,673**	**3.56**	**955**	105,261	3.92	1,029
Real estate construction	**17,249**	**4.17**	**179**	16,458	5.02	206
Lease financing	**11,824**	**5.70**	**169**	12,338	6.66	206
Foreign	**48,847**	**2.39**	**290**	42,242	2.23	235
Total commercial	**384,839**	**3.42**	**3,280**	360,605	3.77	3,390
Consumer:						
Real estate 1-4 family first mortgage	**259,974**	**4.20**	**2,729**	252,558	4.23	2,671
Real estate 1-4 family junior lien mortgage	**63,273**	**4.31**	**680**	71,376	4.29	764
Credit card	**26,431**	**11.97**	**789**	24,023	12.55	752
Automobile	**53,480**	**6.34**	**845**	47,942	7.05	842
Other revolving credit and installment	**43,046**	**5.07**	**544**	41,882	4.74	495
Total consumer	**446,204**	**5.02**	**5,587**	437,781	5.05	5,524
Total loans (4)	**831,043**	**4.28**	**8,867**	798,386	4.47	8,914
Other	**4,535**	**5.74**	**65**	4,151	5.55	57
Total earning assets	**$ 1,402,570**	**3.43 %**	**$ 12,018**	1,264,048	3.81 %	$ 12,027
Funding sources						
Deposits:						
Interest-bearing checking	**$ 40,193**	**0.07 %**	**$ 7**	40,422	0.06 %	$ 6
Market rate and other savings	**583,907**	**0.07**	**101**	541,843	0.08	111
Savings certificates	**38,754**	**0.86**	**82**	52,552	1.23	161
Other time deposits	**48,512**	**0.41**	**50**	26,045	0.76	50
Deposits in foreign offices	**94,232**	**0.15**	**35**	68,871	0.15	25
Total interest-bearing deposits	**805,598**	**0.14**	**275**	729,733	0.19	353
Short-term borrowings	**58,845**	**0.10**	**14**	57,812	0.14	21
Long-term debt	**159,233**	**1.56**	**620**	125,496	2.02	632
Other liabilities	**13,589**	**2.73**	**93**	13,315	2.25	75
Total interest-bearing liabilities	**1,037,265**	**0.39**	**1,002**	926,356	0.47	1,081
Portion of noninterest-bearing funding sources	**365,305**	**-**	**-**	337,692	-	-

Total funding sources	$	**1,402,570**	**0.28**			**1,002**		1,264,048	0.34			1,081
Net interest margin and net interest income on												
a taxable-equivalent basis (5)			**3.15**	**%**	**$**	**11,016**			3.47	%	$	10,946
Noninterest-earning assets												
Cash and due from banks	$	**15,956**						16,214				
Goodwill		**25,699**						25,637				
Other		**119,778**						121,251				
Total noninterest-earning assets	$	**161,433**						163,102				
Noninterest-bearing funding sources												
Deposits	$	**295,875**						280,029				
Other liabilities		**51,184**						56,104				
Total equity		**179,679**						164,661				
Noninterest-bearing funding sources used to fund earning assets		**(365,305)**						(337,692)				
Net noninterest-bearing funding sources	$	**161,433**						163,102				
Total assets	**$**	**1,564,003**						1,427,150				

(1) Our average prime rate was 3.25% for the quarters ended June 30, 2014 and 2013, and 3.25% for the first six months of both 2014 and 2013. The average three-month London Interbank Offered Rate (LIBOR) was 0.23% and 0.28% for the quarters and six months ended June 30, 2014 and 2013, 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 $225 million and $196 million for the quarters ended June 30, 2014 and 2013, respectively, and $442 million and $373 million for the first six months of 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.

6

Earnings Performance ***(continued)***

	Six months ended June 30,									
					2014					2013
					Interest					Interest
		Average	**Yields/**		**income/**	Average	Yields/			income/
(in millions)		**balance**	**rates**		**expense**	balance	rates			expense
Earning assets										
Federal funds sold, securities purchased under										
resale agreements and other short-term investments	**$**	**221,573**	**0.28**	**%**	**$ 305**	128,797	0.35	%	$	221
Trading assets		**51,306**	**3.10**		**795**	44,388	3.07			681
Investment securities (3):										
Available-for-sale securities:										
Securities of U.S. Treasury and federal agencies		**6,576**	**1.73**		**57**	6,880	1.65			56
Securities of U.S. states and political subdivisions		**42,661**	**4.32**		**921**	38,430	4.40			844
Mortgage-backed securities:										
Federal agencies		**117,055**	**2.90**		**1,695**	98,705	2.77			1,365
Residential and commercial		**27,641**	**6.12**		**845**	31,726	6.48			1,028
Total mortgage-backed securities		**144,696**	**3.51**		**2,540**	130,431	3.67			2,393
Other debt and equity securities		**48,944**	**3.68**		**895**	54,634	3.71			1,008
Total available-for-sale securities		**242,877**	**3.64**		**4,413**	230,375	3.74			4,301
Held-to-maturity securities:										
Securities of U.S. Treasury and federal agencies		**5,993**	**2.20**		**65**	-	-			-
Securities of U.S. states and political subdivisions		**4**	**5.97**		**-**	-	-			-
Federal agency mortgage-backed securities		**6,125**	**2.93**		**90**	-	-			-
Other debt securities		**5,807**	**1.88**		**54**	-	-			-
Total held-to-maturity		**17,929**	**2.34**		**209**	-	-			-

securities									
Total investment securities		**260,806**	**3.55**			**4,622**	230,375	3.74	4,301
Mortgages held for sale (4)		**17,696**	**4.13**			**365**	43,367	3.45	749
Loans held for sale (4)		**134**	**4.08**			**3**	159	8.28	7
Loans:									
Commercial:									
Commercial and industrial		**196,570**	**3.41**			**3,328**	183,715	3.74	3,414
Real estate mortgage		**107,735**	**3.54**			**1,892**	105,738	3.88	2,035
Real estate construction		**17,065**	**4.27**			**361**	16,508	4.93	404
Lease financing		**11,879**	**5.92**			**352**	12,381	6.72	416
Foreign		**48,364**	**2.30**			**552**	41,069	2.20	448
Total commercial		**381,613**	**3.42**			**6,485**	359,411	3.76	6,717
Consumer:									
Real estate 1-4 family first mortgage		**259,727**	**4.19**			**5,434**	252,305	4.26	5,374
Real estate 1-4 family junior lien mortgage		**64,122**	**4.31**			**1,372**	72,715	4.29	1,548
Credit card		**26,352**	**12.14**			**1,587**	24,060	12.58	1,502
Automobile		**52,642**	**6.42**			**1,676**	47,258	7.12	1,668
Other revolving credit and installment		**42,980**	**5.03**			**1,073**	41,779	4.72	977
Total consumer		**445,823**	**5.02**			**11,142**	438,117	5.08	11,069
Total loans (4)		**827,436**	**4.28**			**17,627**	797,528	4.48	17,786
Other		**4,595**	**5.73**			**131**	4,203	5.37	112
Total earning assets	**$**	**1,383,546**	**3.46**	**%**	**$**	**23,848**	1,248,817	3.84 %	$ 23,857
Funding sources									
Deposits:									
Interest-bearing checking	**$**	**38,506**	**0.07**	**%**	**$**	**13**	36,316	0.06 %	$ 11
Market rate and other savings		**581,489**	**0.07**			**206**	539,708	0.09	233
Savings certificates		**39,639**	**0.87**			**171**	53,887	1.23	328
Other time deposits		**47,174**	**0.42**			**98**	21,003	0.95	99
Deposits in foreign offices		**92,650**	**0.14**			**66**	69,968	0.15	51
Total interest-bearing deposits		**799,458**	**0.14**			**554**	720,882	0.20	722
Short-term borrowings		**56,686**	**0.10**			**27**	56,618	0.16	44
Long-term debt		**156,528**	**1.59**			**1,239**	126,299	2.11	1,329
Other liabilities		**13,226**	**2.72**			**180**	12,467	2.24	140
Total interest-bearing liabilities		**1,025,898**	**0.39**			**2,000**	916,266	0.49	2,235
Portion of noninterest-bearing funding sources		**357,648**	**-**			**-**	332,551	-	-
Total funding sources	**$**	**1,383,546**	**0.29**			**2,000**	1,248,817	0.36	2,235

Net interest margin and net interest income on a taxable-equivalent basis (5)			**3.17**	**%**	**$**	**21,848**			3.48	%	$	21,622
Noninterest-earning assets												
Cash and due from banks	**$**	**16,159**						16,372				
Goodwill		**25,668**						25,637				
Other		**119,687**						124,279				
Total noninterest-earning assets	**$**	**161,514**						166,288				
Noninterest-bearing funding sources												
Deposits	**$**	**290,004**						277,141				
Other liabilities		**52,065**						59,148				
Total equity		**177,093**						162,550				
Noninterest-bearing funding sources used to fund earning assets		**(357,648)**						(332,551)				
Net noninterest-bearing funding sources	**$**	**161,514**						166,288				
Total assets	**$**	**1,545,060**						1,415,105				

7

Noninterest Income

Table 2: Noninterest Income

(in millions)		Quarter ended June 30, 2014	2013	% Change			Six months ended June 30, 2014	2013	% Change	
Service charges on deposit accounts	$	**1,283**	1,248	3	%	$	**2,498**	2,462	1	%
Trust and investment fees:										
Brokerage advisory, commissions and other fees		**2,280**	2,127	7			**4,521**	4,177	8	
Trust and investment management		**838**	829	1			**1,682**	1,628	3	
Investment banking		**491**	538	(9)			**818**	891	(8)	
Total trust and investment fees		**3,609**	3,494	3			**7,021**	6,696	5	
Card fees		**847**	813	4			**1,631**	1,551	5	
Other fees:										
Charges and fees on loans		**342**	387	(12)			**709**	771	(8)	
Merchant processing fees		**183**	174	5			**355**	328	8	
Cash network fees		**128**	125	2			**248**	242	2	
Commercial real estate brokerage commissions		**99**	73	36			**171**	118	45	
Letters of credit fees		**92**	102	(10)			**188**	211	(11)	
All other fees		**244**	228	7			**464**	453	2	
Total other fees		**1,088**	1,089	-			**2,135**	2,123	1	
Mortgage banking:										
Servicing income, net		**1,035**	393	163			**1,973**	707	179	
Net gains on mortgage loan origination/sales activities		**688**	2,409	(71)			**1,260**	4,889	(74)	
Total mortgage banking		**1,723**	2,802	(39)			**3,233**	5,596	(42)	
Insurance		**453**	485	(7)			**885**	948	(7)	
Net gains from trading activities		**382**	331	15			**814**	901	(10)	
Net gains (losses) on debt securities		**71**	(54)	NM			**154**	(9)	NM	
Net gains from equity investments		**449**	203	121			**1,296**	316	310	
Lease income		**129**	225	(43)			**262**	355	(26)	
Life insurance investment income		**138**	142	(3)			**270**	287	(6)	
All other		**103**	(150)	NM			**86**	162	(47)	
Total	$	**10,275**	10,628	(3)		$	**20,285**	21,388	(5)	

NM - Not meaningful

Noninterest income was $10.3 billion and $10.6 billion for second quarter 2014 and 2013, respectively, and $20.3 billion and $21.4 billion for the first half of 2014 and 2013, respectively. This income represented 49% of revenue for both the second quarter and first half of 2014, compared with 50% for the same periods a year ago. The decrease in noninterest income in the second quarter and first half of 2014 from the same periods a year ago reflected a decline in mortgage banking origination volume, partially offset by growth in many of our other businesses, including debit card, merchant card processing, small business lending, equipment finance, corporate trust, international, asset management, wealth management, retail brokerage, and retirement. Excluding mortgage banking, noninterest income increased $726 million and $1.3 billion in the second quarter and first half of 2014, respectively, from the same periods a year ago.

Service charges on deposit accounts increased $35 million in second quarter 2014, or 3%, from second quarter 2013, and $36 million in the first half of 2014, or 1%, from the first half of 2013, due to account growth, new product sales and continued customer adoption of overdraft services.

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 asset based fees, which are based on the market value of the customer's assets, and transactional commissions based on the number of transactions executed at the customer's direction. These fees increased to $2.3 billion and $4.5 billion in the second quarter and first half of 2014, respectively, from $2.1 billion and $4.2 billion for the same periods in 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 June 30, 2014, an increase from $1.3 trillion at June 30, 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 $838 million and $1.7 billion in the second quarter and first half of 2014, respectively, from $829 million and $1.6 billion for the same periods in 2013, primarily due to growth in assets under management reflecting higher market values. At June 30, 2014, these assets totaled $2.5 trillion, an increase from $2.3 trillion at June 30, 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 $491

Earnings Performance ***(continued)***

million and $818 million in the second quarter and first half of 2014, respectively, from $538 million and $891 million for the same periods a year ago, primarily due to lower syndication volume.

Card fees were $847 million in second quarter 2014 compared with $813 million in second quarter 2013 and $1.6 billion in both the first half of 2014 and 2013. Card fees increased in second quarter 2014, compared with the same period a year ago, primarily due to account growth and increased purchase activity.

Mortgage banking noninterest income, consisting of net servicing income and net gains on loan origination/sales activities, totaled $1.7 billion in second quarter 2014 compared with $2.8 billion in second quarter 2013, and totaled $3.2 billion for the first half of 2014 compared with $5.6 billion for the same period a year ago.

Net mortgage loan servicing income includes amortization of commercial mortgage servicing rights (MSRs), changes in the fair value of residential MSRs during the period, as well as changes in the value of derivatives (economic hedges) used to hedge the residential MSRs. Net servicing income for second quarter 2014 included a $475 million net MSR valuation gain ($835 million decrease in the fair value of the MSRs offset by a $1.3 billion hedge gain) and for second quarter 2013 included a $68 million net MSR valuation gain ($1.9 billion increase in the fair value of the MSRs offset by a $1.8 billion hedge loss). For the first half of 2014, net servicing income included an $882 million net MSR valuation gain ($1.3 billion decrease in the fair value of the MSRs offset by a $2.2 billion hedge gain) and for the same period of 2013, included a $197 million net MSR valuation gain ($2.6 billion increase in the fair value of MSRs offset by a $2.4 billion hedge loss). The increase in net MSR valuation gains in the second quarter and first half of 2014, compared with the same periods in 2013, was attributable to higher valuation adjustments, which reduced the value of MSRs in 2013 primarily associated with higher prepayments and increases in servicing and foreclosure costs. Our portfolio of loans serviced for others was $1.88 trillion at June 30, 2014, and $1.90 trillion at December 31, 2013. At June 30, 2014, the ratio of MSRs to related loans serviced for others was 0.80% compared with 0.88% at December 31, 2013. See the "Risk Management – Mortgage Banking Interest Rate and Market Risk" section of this Report for additional information regarding our MSRs risks and hedging approach.

Net gains on mortgage loan origination/sale activities were $688 million and $1.3 billion in the second quarter and first half of 2014, respectively, down from $2.4 billion and $4.9 billion for the same periods a year ago. The year-over-year decreases for both periods were driven by lower margins and origination volumes. Mortgage loan originations were $47 billion for second quarter 2014, of which 74% were for home purchases, compared with $112 billion and 44% for the same period a year ago. Mortgage applications were $72 billion and $132 billion in the second quarter and first half of 2014, respectively, compared with $146 billion and $286 billion for the same periods a year ago. The real estate 1-4 family first mortgage unclosed pipeline was $30 billion at June 30, 2014, and $63 billion at June 30, 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 adjustments 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. For the first half of 2014, we released a net $20 million from the repurchase liability, including $26 million in second quarter 2014, compared with a provision of $374 million for the first half of 2013, including $65 million in second quarter 2013. 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 from trading activities, which reflect unrealized changes in fair value of our trading positions and realized gains and losses, were $382 million and $814 million in the second quarter and first half of 2014, respectively, while the same periods a year ago were $331 million and $901 million, respectively. The second quarter year-over-year increase was primarily driven by higher deferred compensation gains (offset in employee benefits expense). The first half 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. 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 $520 million for second quarter 2014 and $149 million for second quarter 2013 ($1.5 billion and $307 million for the first half of 2014 and 2013, respectively), net of other-than-temporary impairment (OTTI) write-downs of $82 million and $111 million for second quarter 2014 and 2013, respectively, and $217 million and $189 million for the first half of 2014 and 2013, respectively. 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 $103 million for second quarter 2014, compared with a $150 million loss in second quarter 2013 and $86 million for the first half of 2014, compared with $162 million for the same period a year ago. All other income includes ineffectiveness recognized on derivatives that qualify for hedge accounting, losses on low income housing tax credit investments, foreign currency adjustments, and income from investments accounted for under the equity accounting method, any of which can cause other income losses. Higher other income for second quarter 2014, compared with 2013, reflected a gain on sale of 40 insurance offices. Lower other income for the first half of 2014, compared with the same period a year ago, reflected lower income from equity method investments.

Noninterest Expense

Table 3: Noninterest Expense

		Quarter ended June 30,		%			Six months ended June 30,		%	
(in millions)		**2014**	2013	Change			**2014**	2013	Change	
Salaries	$	**3,795**	3,768	1	%	$	**7,523**	7,431	1	%
Commission and incentive compensation		**2,445**	2,626	(7)			**4,861**	5,203	(7)	
Employee benefits		**1,170**	1,118	5			**2,542**	2,701	(6)	
Equipment		**445**	418	6			**935**	946	(1)	
Net occupancy		**722**	716	1			**1,464**	1,435	2	
Core deposit and other intangibles		**349**	377	(7)			**690**	754	(8)	
FDIC and other deposit assessments		**225**	259	(13)			**468**	551	(15)	
Outside professional services		**646**	607	6			**1,205**	1,142	6	
Outside data processing		**259**	235	10			**500**	468	7	
Contract services		**249**	226	10			**483**	433	12	

Travel and entertainment			**243**	229	6			**462**	442	5	
Operating losses			**364**	288	26			**523**	445	18	
Postage, stationery and supplies			**170**	184	(8)			**361**	383	(6)	
Advertising and promotion			**187**	183	2			**305**	288	6	
Foreclosed assets			**130**	146	(11)			**262**	341	(23)	
Telecommunications			**111**	125	(11)			**225**	248	(9)	
Insurance			**140**	143	(2)			**265**	280	(5)	
Operating leases			**54**	49	10			**104**	97	7	
All other			**490**	558	(12)			**964**	1,067	(10)	
	Total	**$**	**12,194**	12,255	-		**$**	**24,142**	24,655	(2)	

9

Noninterest expense was $12.2 billion in second quarter 2014, down slightly from $12.3 billion a year ago, driven predominantly by lower personnel expenses ($7.4 billion, down from $7.5 billion a year ago) and lower Federal Deposit Insurance Corporation (FDIC) and other deposit assessments ($225 million, down from $259 million a year ago), partially offset by higher operating losses ($364 million, up from $288 million a year ago). For the first half of 2014, noninterest expense was down 2% from the same period a year ago, predominantly due to lower personnel expenses ($14.9 billion, down from $15.3 billion a year ago), lower FDIC and other deposit assessments ($468 million, down from $551 million a year ago), and lower foreclosed assets expense ($262 million, down from $341 million a year ago), partially offset by higher operating losses ($523 million, up from $445 million a year ago).

Personnel expenses, which include salaries, commissions, incentive compensation and employee benefits, were down $102 million, or 1%, in second quarter 2014 compared with the same quarter last year, predominantly due to lower volume-related compensation and reduced staffing in our mortgage business. These decreases were partially offset by higher deferred compensation (offset in trading income), annual salary increases and increased staffing in some of our non-mortgage businesses. Personnel expenses were down $409 million, or 3%, for the first half of 2014 compared with the same period in 2013, mostly due to lower volume-related compensation in our mortgage business and lower employee benefit costs, partially offset by annual salary increases.

FDIC and other deposit assessments were down 13% and 15% in the second quarter and first half of 2014, respectively, compared with the same periods a year ago, predominantly due to lower FDIC assessment rates related to improved credit performance and the Company’s liquidity position.

Operating losses were up 26% and 18% in the second quarter and first half of 2014, respectively, compared with the same periods a year ago. The increase for both periods was primarily due to litigation accruals.

Foreclosed assets expense was down 11% in second quarter 2014 compared with the same quarter last year and down 23% in the first half of 2014 compared with the same period in 2013, reflecting lower expenses associated with foreclosed properties and lower write-downs, partially offset by lower gains on sale of foreclosed properties.

The Company continued to operate within its targeted efficiency ratio of 55 to 59%, with a ratio of 57.9% in second quarter 2014, compared with 57.3% in second quarter 2013. We expect to operate within our targeted efficiency ratio range of 55 to 59% in third quarter 2014.

Earnings Performance *(continued)*

Income Tax Expense

Our effective tax rate was 33.4% and 34.2% for second quarter 2014 and 2013, respectively. Our effective tax rate was 30.7% in the first half of 2014, down from 33.1% in the first half of 2013. The lower effective tax rate in the first half of 2014 reflects a net $423 million discrete tax benefit recognized in first quarter 2014 primarily from a reduction in the reserve for uncertain tax positions due to the resolution of prior period matters with state taxing authorities.

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

(income/expense in millions, average balances in billions)		Community Banking		Wholesale Banking		Wealth, Brokerage and Retirement		Other (1)		Consolidated Company	
		2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Quarter ended June 30,											
Revenue	$	**12,606**	12,942	**5,946**	6,135	**3,550**	3,261	**(1,036)**	(960)	**21,066**	21,378
Provision (reversal of provision) for credit losses		**279**	763	**(49)**	(118)	**(25)**	19	**12**	(12)	**217**	652
Noninterest expense		**7,020**	7,213	**3,203**	3,183	**2,695**	2,542	**(724)**	(683)	**12,194**	12,255
Net income		**3,431**	3,245	**1,952**	2,004	**544**	434	**(201)**	(164)	**5,726**	5,519

Average loans	**505.4**	498.2	**308.1**	285.1	**51.0**	45.4	**(33.5)**	(30.3)	**831.0**	798.4
Average core deposits	**639.8**	623.0	**265.8**	230.5	**153.0**	146.4	**(66.9)**	(63.8)	**991.7**	936.1
Six months ended June 30,										
Revenue	$ **25,199**	25,841	**11,526**	12,221	**7,018**	6,458	**(2,052)**	(1,883)	**41,691**	42,637
Provision (reversal of provision) for credit losses	**698**	2,025	**(142)**	(176)	**(33)**	33	**19**	(11)	**542**	1,871
Noninterest expense	**13,794**	14,590	**6,418**	6,274	**5,406**	5,181	**(1,476)**	(1,390)	**24,142**	24,655
Net income	**7,275**	6,169	**3,694**	4,049	**1,019**	771	**(369)**	(299)	**11,619**	10,690
Average loans	**505.2**	498.5	**305.0**	284.1	**50.5**	44.6	**(33.3)**	(29.7)	**827.4**	797.5
Average core deposits	**633.2**	621.1	**262.4**	227.3	**154.5**	147.9	**(67.3)**	(65.3)	**982.8**	931.0

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

Community Banking offers a complete line of diversified financial products and services for consumers and small businesses. These products include investment, insurance and trust services in 39 states and D.C., and mortgage and home equity loans in all 50 states and D.C. through its Regional Banking and Wells Fargo Home Lending business units. Cross-sell of our products is an important part of our strategy to achieve our vision to satisfy all our customers' financial needs. Our retail bank household cross-sell was 6.17 products per household in May 2014, up from 6.14 in May 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 May 2014, one of every four of our retail banking households had eight or more of our products.

Community Banking had net income of $3.4 billion, up $186 million, or 6%, from second quarter 2013, and $7.3 billion for the first half of 2014, up $1.1 billion, or 18%, compared with the same period a year ago. Revenue of $12.6 billion, decreased $336 million, or 3%, from second quarter 2013, and was $25.2 billion for the first half of 2014, a decrease of $642 million, or 2%, compared with the same period last year. The decrease in revenue was due to lower mortgage banking revenue, partially offset by higher net interest income, and growth in multiple fee income categories including equity gains, card fees, trust and investment fees, and merchant card processing fees. Average core deposits increased $16.8 billion, or 3%, from second quarter 2013 and $12.1 billion, or 2%, from the first half of 2013. Primary consumer checking customers as of May 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 4.6% from May 2013. Noninterest expense declined 3% from second quarter 2013 and 5% for the first half of 2013, largely driven by lower mortgage volume-related expenses and lower foreclosed assets expense, partially offset by higher operating losses. The provision for credit losses was $484 million lower than second quarter 2013, and $1.3 billion lower than the first half of 2013, due to 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 7.2 products per relationship in second quarter 2014, up from 6.9 a year ago.

Wholesale Banking had net income of $2.0 billion in second quarter 2014, down $52 million, or 3%, from second quarter 2013. In the first half of 2014, net income of $3.7 billion decreased $355 million, or 9%, from the same period a year ago. The lower results for both second quarter and the first half of 2014 were driven by decreased revenues and increased expenses. Revenue declined $189 million, or 3%, from second quarter of 2013 and $695 million, or 6%, from the first half of 2013 on both lower net interest income and noninterest income. Net interest income declined as the income benefit of strong loan and deposit growth was more than offset by lower PCI resolution income. Noninterest income declined on lower market sensitive revenue driven by lower customer accommodation trading partially offset by the gain on the sale of 40 insurance offices and increased asset management fees. Average loans of $308.1 billion in second quarter 2014 increased $23.0 billion, or 8%, from second quarter 2013, driven by broad based growth across most customer segments. Average core deposits of $265.8 billion increased $35.3 billion, or 15%, from second quarter 2013 reflecting continued customer liquidity. Noninterest expense increased 1% from second quarter 2013 and 2% from the first half of 2013, primarily due to higher non-personnel expenses related to growth initiatives and increased compliance and regulatory requirements. The provision for credit losses remained in a net recovery position for the second quarter and first half of 2014 compared with the same periods for 2013, but the amount of reversal decreased $69 million from second quarter 2013 and $34 million from the first half of 2013 driven by lower net credit recoveries and lower allowance release.

Wealth, Brokerage and Retirement provides a full range of financial advisory services to clients using a planning approach to meet each client's 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 10.44 products per household in May 2014, up from 10.35 in May 2013.

Wealth, Brokerage and Retirement reported net income of $544 million in second quarter 2014, up 25% from second quarter 2013. Net income for the first half of 2014 was $1.0 billion, up 32% compared with the same period a year ago. Net income growth was driven by strong revenue and lower credit losses. Revenue increased 9% from both second quarter 2013 and from the first half of 2013, predominantly due to strong growth in asset-based fees and higher net interest income, partially offset by a decrease in brokerage transaction revenue. Average core deposits of $153.0 billion in second quarter 2014 increased 5% from second quarter 2013. Noninterest expense for second quarter 2014 was up 6% from second quarter 2013 and up 4% from the first half of 2013 largely due to increased broker commissions and other expenses. Total provision for credit losses decreased $44 million and $66 million from the second quarter and first half of 2013, respectively, driven primarily by lower net charge-offs.

Balance Sheet Analysis

At June 30, 2014, our assets totaled $1.6 trillion, up $75.4 billion from December 31, 2013. The predominant areas of asset growth were in federal funds sold and other short-term investments, which increased $24.9 billion, investment securities, which increased $14.7 billion, trading assets, which increased $8.9 billion, and loans, which increased $6.7 billion ($16.4 billion excluding the transfer of $9.7 billion of government guaranteed student loans to loans held for sale at June 30, 2014). Deposit growth of $39.4 billion, an increase in long-term debt of $14.9 billion, total equity growth of $10.5 billion and an increase in short-term borrowings of $8.0 billion from December 31, 2013, were the predominant sources that funded our asset growth for the first half of 2014. Equity growth benefited from $7.6 billion in earnings net of dividends paid. The strength of our business model produced solid 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 12.72%, total capital increased to 15.89%, Tier 1 leverage increased to 9.86%, and Common Equity Tier 1 (General Approach) increased to 11.31% at June 30, 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

		June 30, 2014			December 31, 2013		
		Net unrealized	**Fair**			Net unrealized	Fair
(in millions)		**Cost**	**gain**	**value**	Cost	gain (loss)	value
Available-for-sale securities:							
Debt securities	$	**238,809**	**7,037**	**245,846**	246,048	2,574	248,622
Marketable equity securities		**1,935**	**1,180**	**3,115**	2,039	1,346	3,385
Total available-for-sale securities		**240,744**	**8,217**	**248,961**	248,087	3,920	252,007
Held-to-maturity debt securities		**30,108**	**278**	**30,386**	12,346	(99)	12,247
Total investment securities (1)	$	**270,852**	**8,495**	**279,347**	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 $14.7 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 $8.2 billion at June 30, 2014, up from net unrealized gains of $3.9 billion at December 31, 2013, due primarily to a decrease in long-term interest rates and modest tightening of credit spreads.

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 primarily of high quality U.S. Treasury debt, agency MBS, ABS primarily collateralized by auto loans and leases, and collateralized loan obligations, 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 $217 million in OTTI write-downs recognized in earnings in the first half of 2014, $20 million related to debt securities and $2 million related to marketable equity securities, which are each included in available-for-sale securities. Another $195 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 June 30, 2014, investment securities included $44.8 billion of municipal bonds, of which 89% 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 6.9 years at June 30, 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 June 30, 2014					
	Actual	$	146.3	3.7	5.6
	Assuming a 200 basis point:				
	Increase in interest rates		132.3	(10.3)	7.1
	Decrease in interest rates		152.7	10.1	2.9

The weighted-average expected maturity of held-to-maturity debt securities was 6.0 years at June 30, 2014. See Note 4 (Investment Securities) to Financial Statements in this Report for a summary of investment securities by security type.

14

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

Loan Portfolio

Total loans were $828.9 billion at June 30, 2014, up $6.7 billion from December 31, 2013. This growth was reduced by the transfer of $9.7 billion of government guaranteed student loans to loans held for sale at the end of the second quarter, which were previously included in the non-strategic/liquidating loan portfolio. Excluding this transfer, total loans would have increased $16.4 billion from December 31, 2013. Table 7 provides a summary of total outstanding loans by non-strategic/liquidating and core loan portfolios. The decrease in the non-strategic/liquidating portfolios including the government guaranteed student loan transfer was $15.5 billion, while loans in the core portfolio grew $22.2 billion from December 31, 2013. Our core loan growth during the first half of 2014 included:

- a $14.7 billion increase in the commercial segment predominantly due to growth in commercial and industrial and commercial real estate loans; and

- a $7.5 billion increase in consumer loans, predominantly from growth in the nonconforming mortgage, automobile, credit card and other revolving credit and installment loan portfolios offset by a decrease in the real estate 1-4 family junior lien mortgage portfolio.

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

		June 30, 2014				December 31, 2013		
(in millions)		**Core**	**Liquidating**	**Total**		Core	Liquidating	Total
Commercial	**$**	**389,905**	**1,499**	**391,404**		375,230	2,013	377,243
Consumer		**373,693**	**63,845**	**437,538**		366,190	78,853	445,043
Total loans	**$**	**763,598**	**65,344**	**828,942**		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

	June 30, 2014				December 31, 2013			
(in millions)	**Within one year**	**After one year through five years**	**After five years**	**Total**	Within one year	After one year through five years	After five years	Total
Selected loan maturities:								
Commercial and industrial	**$ 43,651**	**142,298**	**20,106**	**206,055**	41,402	131,745	20,664	193,811
Real estate mortgage	**17,864**	**59,768**	**30,786**	**108,418**	17,746	60,004	29,350	107,100
Real estate construction	**5,947**	**9,807**	**1,302**	**17,056**	6,095	9,207	1,445	16,747
Foreign	**32,586**	**13,100**	**2,281**	**47,967**	33,567	11,602	2,382	47,551
Total selected loans	**$ 100,048**	**224,973**	**54,475**	**379,496**	98,810	212,558	53,841	365,209
Distribution of loans to changes in interest rates:								
Loans at fixed interest rates	**$ 13,230**	**25,131**	**18,039**	**56,400**	14,896	23,891	14,684	53,471
Loans at floating/variable interest rates	**86,818**	**199,842**	**36,436**	**323,096**	83,914	188,667	39,157	311,738
Total selected loans	**$ 100,048**	**224,973**	**54,475**	**379,496**	98,810	212,558	53,841	365,209

Deposits

Deposits totaled $1.1 trillion at both June 30, 2014, and December 31, 2013. Table 9 provides additional information regarding deposits. Deposit growth of $39.4 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 $1.0 trillion at June 30, 2014, up $27.4 billion from $980.1 billion at December 31, 2013.

Table 9: Deposits

($ in millions)		June 30, 2014	% of total deposits			Dec. 31, 2013	% of total deposits		% Change
Noninterest-bearing	$	**308,097**	**28**	%	$	288,116	27	%	7
Interest-bearing checking		**42,556**	**4**			37,346	3		14
Market rate and other savings		**563,788**	**50**			556,763	52		1
Savings certificates		**38,228**	**3**			41,567	4		(8)
Foreign deposits (1)		**54,816**	**5**			56,271	5		(3)
Core deposits		**1,007,485**	**90**			980,063	91		3
Other time and savings deposits		**69,815**	**6**			64,477	6		8
Other foreign deposits		**41,277**	**4**			34,637	3		19
Total deposits	$	**1,118,577**	**100**	%	$	1,079,177	100	%	4

(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 (excluding 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

		June 30, 2014			December 31, 2013	
($ in billions)		**Total balance**		**Level 3 (1)**	Total balance	Level 3 (1)
Assets carried at fair value	$	**363.9**		**34.9**	353.1	37.2
As a percentage of total assets		**23**	%	**2**	23	2
Liabilities carried at fair value	$	**24.2**		**2.9**	22.7	3.7
As a percentage of total liabilities		**2**	%	*	2	*

* Less than 1%.

(1) Excludes derivative netting adjustments.

See Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information on fair value measurements.

Equity

Total equity was $181.5 billion at June 30, 2014, compared with $171.0 billion at December 31, 2013. The increase was predominantly driven by a $7.6 billion increase in retained earnings from earnings net of dividends paid and a $2.7 billion increase in cumulative other comprehensive income (OCI). The increase in OCI was primarily due to a $4.3 billion ($2.6 billion after tax) increase in net unrealized gains on our investment securities portfolio resulting from a decrease in long-term interest rates and modest tightening of credit spreads. 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

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

		June 30,		Dec. 31,
(in millions)		**2014**		2013
Commercial:				
Commercial and industrial	**$**	**206,055**		193,811

Real estate mortgage		**108,418**	107,100
Real estate construction		**17,056**	16,747
Lease financing		**11,908**	12,034
Foreign (1)		**47,967**	47,551
Total commercial		**391,404**	377,243
Consumer:			
Real estate 1-4 family first mortgage		**260,104**	258,497
Real estate 1-4 family junior lien mortgage		**62,455**	65,914
Credit card		**27,215**	26,870
Automobile		**54,095**	50,808
Other revolving credit and installment		**33,669**	42,954
Total consumer		**437,538**	445,043
Total loans	**$**	**828,942**	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.

18

Risk Management – Credit Risk Management *(continued)*

Credit Quality Overview Credit quality continued to improve during second quarter 2014 due in part to improving economic conditions, in particular the housing market, 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 $2.8 billion and $11.2 billion in our commercial and consumer portfolios, respectively, at June 30, 2014, from $3.5 billion and $12.2 billion at December 31, 2013. Nonaccrual loans represented 1.69% of total loans at June 30, 2014, compared with 1.91% at December 31, 2013.

- Net charge-offs (annualized) as a percentage of average total loans improved to 0.35% and 0.38% in second quarter and first half of 2014, respectively, compared with 0.58% and 0.65% respectively, for the same periods a year ago. The net charge-offs (annualized) in our commercial and consumer portfolios were 0.03% and 0.62% in second quarter and 0.02% and 0.68% in the first half of 2014, respectively, compared with 0.05% and 1.01% in second quarter, and 0.08% and 1.12%, respectively, in the first half of 2013.

- Loans that are not government insured/guaranteed and 90 days or more past due and still accruing decreased to $122 million and $775 million in our commercial and consumer portfolios, respectively, at June 30, 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 $217 million in second quarter 2014 and $542 million during the first half of 2014, compared with $652 million and $1.9 billion, respectively, for the same periods a year ago.

- The allowance for credit losses decreased to $13.8 billion at June 30, 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, which have continued to decline since the 2008 merger with Wachovia. 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. We transferred the government guaranteed student loan portfolio to loans held for sale at the end of second quarter 2014.

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

Table 12: Non-Strategic and Liquidating Loan Portfolios

	Outstanding balance		
	June 30,	December 31,	
(in millions)	**2014**	2013	2008
Commercial:			
Legacy Wachovia commercial and industrial, CRE and foreign PCI loans (1)	**$ 1,499**	2,013	18,704
Total commercial	**1,499**	2,013	18,704
Consumer:			
Pick-a-Pay mortgage (1)	**47,965**	50,971	95,315
Liquidating home equity	**3,290**	3,695	10,309
Legacy Wells Fargo Financial indirect auto	**85**	207	18,221
Legacy Wells Fargo Financial debt consolidation	**12,169**	12,893	25,299
Education Finance - government guaranteed (2)	**-**	10,712	20,465
Legacy Wachovia other PCI loans (1)	**336**	375	2,478
Total consumer	**63,845**	78,853	172,087
Total non-strategic and liquidating loan portfolios	**$ 65,344**	80,866	190,791

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

(2) The change from prior quarter was predominantly due to the transfer of government guaranteed student loans to held for sale.

19

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 $25.0 billion at June 30, 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 the first half of 2014, we recognized as income $32 million released from the nonaccretable difference related to commercial PCI loans due to payoffs and other resolutions. We also transferred $2.1 billion from the nonaccretable difference to the accretable yield for PCI loans with improving credit-related cash flows and recovered $37 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		**13**	**-**	**-**	**13**
Release of nonaccretable difference due to:					
Loans resolved by settlement with borrower (1)		**(18)**	**-**	**-**	**(18)**
Loans resolved by sales to third parties (2)		**(14)**	**-**	**-**	**(14)**
Reclassification to accretable yield for loans with improving credit-related cash flows (3)		**(103)**	**(1,954)**	**(19)**	**(2,076)**
Use of nonaccretable difference due to:					

Net recoveries (losses) from loan resolutions and write-downs (4)		(3)	21	19	37
Balance, June 30, 2014	$	140	2,771	200	3,111
Balance, March 31, 2014	$	145	4,704	212	5,061
Addition of nonaccretable difference due to acquisitions		13	-	-	13
Release of nonaccretable difference due to:					
Loans resolved by settlement with borrower (1)		(13)	-	-	(13)
Loans resolved by sales to third parties (2)		-	-	-	-
Reclassification to accretable yield for loans with improving credit-related cash flows (3)		(2)	(1,954)	(10)	(1,966)
Use of nonaccretable difference due to:					
Net recoveries (losses) from loan resolutions and write-downs (4)		(3)	21	(2)	16
Balance, June 30, 2014	$	140	2,771	200	3,111

(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 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.

20

Risk Management – Credit Risk Management *(continued)*

Since December 31, 2008, we have released $10.3 billion in nonaccretable difference, including $8.4 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 $8.6 billion reduction from December 31, 2008, through June 30, 2014, in our initial projected losses of $41.0 billion on all PCI loans.

At June 30, 2014, the allowance for credit losses on certain PCI loans was $8 million. The allowance is to absorb credit-related decreases in cash flows expected to be collected and primarily relates to individual PCI commercial loans. Table 14 analyzes the actual and projected loss results on PCI loans since acquisition through June 30, 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)	$	1,530	-	-	1,530
Loans resolved by sales to third parties (2)		322	-	85	407
Reclassification to accretable yield for loans with improving credit-related cash flows (3)		1,708	5,851	842	8,401
Total releases of nonaccretable difference due to better than expected losses		3,560	5,851	927	10,338
Provision for losses due to credit deterioration (4)		(1,622)	-	(108)	(1,730)
Actual and projected losses on PCI loans less than originally expected	$	1,938	5,851	819	8,608

(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 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.

21

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 $218.0 billion, or 26% of total loans, at June 30, 2014, generally experienced credit improvement in second quarter 2014. The annualized net charge-off rate for this portfolio was 0.10% in second quarter 2014, up slightly from 0.09% in first quarter 2014, and down from 0.19% in second quarter 2013. At June 30, 2014, 0.33% of this portfolio was nonaccruing compared with 0.37% at December 31, 2013. In addition, $15.3 billion of this portfolio was rated as criticized in accordance with regulatory guidance at June 30, 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

					June 30, 2014	
					% of	
		Nonaccrual	Total		total	
(in millions)		loans	portfolio	(1)	loans	
Investors	$	12	21,289		3	%
Oil and gas		42	15,411		2	
Food and beverage		9	13,460		2	
Cyclical retailers		26	13,001		1	
Financial institutions		35	11,783		1	
Healthcare		37	11,640		1	
Real estate lessor		21	11,541		1	
Industrial equipment		7	11,453		1	

Public administration		16	7,283		1	
Technology		53	7,180		1	
Business services		28	6,383		1	
Transportation		4	6,286		1	
Other		431	81,253	(2)	10	
Total	$	721	217,963		26	%

(1) Includes $192 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 $5.0 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 $125.5 billion, or 15% of total loans, at June 30, 2014, and consisted of $108.4 billion of mortgage loans and $17.1 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 (29% 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 1.6% of the CRE outstanding balance at June 30, 2014, compared with 2.2% at December 31, 2013. At June 30, 2014, we had $9.6 billion of criticized CRE mortgage loans, down from $11.8 billion at December 31, 2013, and $1.4 billion of criticized CRE construction loans, down from $2.0 billion at December 31, 2013.

At June 30, 2014, the recorded investment in PCI CRE loans totaled $1.3 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

											June 30, 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	$	437	32,655		23	3,653		460	36,308		4	%
Texas		107	8,713		1	1,656		108	10,369		1	
Florida		248	8,397		22	1,510		270	9,907		1	
New York		45	5,813		5	1,178		50	6,991		1	
North Carolina		118	4,060		11	890		129	4,950		1	
Arizona		90	3,782		5	423		95	4,205		1	
Washington		28	3,378		1	483		29	3,861		1	
Virginia		50	2,775		5	1,078		55	3,853		*	
Georgia		121	3,116		34	441		155	3,557		*	
Colorado		33	2,865		6	550		39	3,415		*	
Other		525	32,864		126	5,194		651	38,058	(2)	5	
Total	$	1,802	108,418		239	17,056		2,041	125,474		15	%
By property:												
Office buildings	$	458	32,845		-	2,041		458	34,886		4	%
Apartments		91	11,545		2	5,183		93	16,728		2	
Industrial/warehouse		293	12,122		-	842		293	12,964		2	
Retail (excluding shopping center)		239	11,744		2	858		241	12,602		2	
Real estate - other		231	10,671		4	370		235	11,041		1	
Hotel/motel		83	8,433		-	915		83	9,348		1	
Shopping center		109	7,856		-	924		109	8,780		1	

Institutional		77	3,315		-	365		77	3,680		1	
Land (excluding 1-4 family)		6	93		66	2,807		72	2,900		*	
Agriculture		36	2,283		-	25		36	2,308		*	
Other		179	7,511		165	2,726		344	10,237		1	
Total	$	1,802	108,418		239	17,056		2,041	125,474		15	%

* Less than 1%.

(1) Includes a total of $1.3 billion PCI loans, consisting of $1.0 billion of real estate mortgage and $305 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 $3.3 billion.

FOREIGN Loans and country risk exposure We classify loans for financial statement and certain regulatory purposes as foreign primarily based on whether the borrower's primary address is outside of the United States. At June 30, 2014, foreign loans totaled $48.0 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 June 30, 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 June 30, 2014, was the United Kingdom, which totaled $22.3 billion, or approximately 1% of our total assets, and included $3.5 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 exposure		
(in millions)	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign (4)	Total
June 30, 2014									
Top 20 country exposures:									
United Kingdom	$ 3,507	11,749	-	6,210	-	862	3,507	18,821	22,328
Canada	-	7,354	-	4,716	-	626	-	12,696	12,696
China	-	5,207	-	77	14	1	14	5,285	5,299
Brazil	-	2,515	-	18	-	-	-	2,533	2,533
Germany	91	1,395	-	632	-	79	91	2,106	2,197
Netherlands	-	1,682	-	335	-	41	-	2,058	2,058
India	-	1,920	-	128	-	-	-	2,048	2,048
Bermuda	-	1,947	-	80	-	17	-	2,044	2,044
Switzerland	-	1,266	-	365	-	379	-	2,010	2,010
France	-	378	-	1,209	-	85	-	1,672	1,672
Turkey	-	1,625	-	-	-	1	-	1,626	1,626
Australia	-	948	-	597	-	18	-	1,563	1,563
Chile	-	1,392	-	13	-	45	-	1,450	1,450
Cayman Islands	-	1,249	-	-	-	63	-	1,312	1,312
South Korea	-	1,111	3	36	13	-	16	1,147	1,163
Ireland	52	899	-	162	-	22	52	1,083	1,135
Luxembourg	-	975	-	127	-	6	-	1,108	1,108
Mexico	-	1,017	-	30	2	1	2	1,048	1,050
Spain	-	740	-	63	-	2	-	805	805
Taiwan	-	795	-	1	-	5	-	801	801
Total top 20 country exposures	$ 3,650	46,164	3	14,799	29	2,253	3,682	63,216	66,898
Eurozone exposure:									
Eurozone countries included in	$ 143	6,069	-	2,528	-	235	143	8,832	8,975

Top 20 above (5)										
Austria		73	396	-	-	-	2	73	398	471
Belgium		-	137	-	26	-	7	-	170	170
Italy		-	65	-	97	-	-	-	162	162
Other Eurozone exposure (6)		23	34	-	27	21	1	44	62	106
Total Eurozone exposure	$	239	6,701	-	2,678	21	245	260	9,624	9,884

(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 $203 million in PCI loans, predominantly to customers in Germany and the United Kingdom, and $1.3 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 June 30, 2014, the gross notional amount of our CDS sold that reference assets in the Top 20 or Eurozone countries was $4.1 billion, which was offset by the notional amount of CDS purchased of $4.2 billion. We did not have any CDS purchased or sold that reference pools of assets that contain sovereign debt or where the reference asset was solely the sovereign debt of a foreign country.

(4) For countries presented in the table, total non-sovereign exposure comprises $28.9 billion exposure to financial institutions and $35.1 billion to non-financial corporations at June 30, 2014.

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

(6) Includes non-sovereign exposure to Portugal and Greece in the amount of $51 million and $2 million respectively, and less than $1 million to Cyprus. We had no sovereign debt exposure to these countries at June 30, 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, as presented in Table 18, include the Pick-a-Pay portfolio acquired from Wachovia which is 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).

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

		June 30, 2014				December 31, 2013		
			% of				% of	
(in millions)		Balance	portfolio			Balance	portfolio	
Real estate 1-4 family first mortgage								
Core portfolio	$	199,841	62	%	$	194,488	60	%
Non-strategic and liquidating loan portfolios:								
Pick-a-Pay mortgage		47,965	15			50,971	16	
Other PCI and liquidating first mortgage		12,298	4			13,038	4	
Total non-strategic and liquidating loan portfolios		60,263	19			64,009	20	
Total real estate 1-4 family first mortgage loans		260,104	81			258,497	80	
Real estate 1-4 family junior lien mortgage								
Core portfolio		58,969	18			62,001	19	
Non-strategic and liquidating loan portfolios		3,486	1			3,913	1	
Total real estate 1-4 family junior lien mortgage loans		62,455	19			65,914	20	
Total real estate 1-4 family mortgage loans	$	322,559	100	%	$	324,411	100	%

The portfolio includes some loans with adjustable-rate features and some with an interest-only feature as part of the loan terms. Interest-only loans were approximately 14% and 15% of total loans at June 30, 2014 and December 31, 2013, respectively. 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. The option ARMs we do have are included in the Pick-a-Pay portfolio which was acquired from Wachovia and are part of our liquidating loan portfolios. Since our acquisition of the Pick-a-Pay loan portfolio at the end of 2008, the option payment portion of the portfolio has reduced from 86% to 42% at June 30, 2014, as a result of our modification activities and customers exercising their option to convert to fixed payments. For more information, see the “Pick-a-Pay Portfolio” section in this Report. We continue to modify real estate 1-4 family mortgage loans to assist homeowners and other borrowers experiencing financial difficulties. For more information on our participation in the U.S. Treasury’s Making Home Affordable (MHA) programs, see the “Risk Management – Credit Risk Management – Real Estate 1-4 Family First and Junior Lien Mortgage Loans” section in our 2013 Form 10-K.

Part of our credit monitoring includes tracking delinquency, FICO scores and collateral values (LTV/CLTV) on the entire real estate 1-4 family mortgage loan portfolio. These credit risk indicators, which exclude government insured/guaranteed loans, continued to improve in second quarter 2014 on the non-PCI mortgage portfolio. Loans 30 days or more delinquent at June 30, 2014, totaled $10.9 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 $28.5 billion at June 30, 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 $27.4 billion at June 30, 2014, or 9% of total non-PCI mortgages, compared with $34.3 billion, or 11%, at December 31, 2013. Information regarding credit risk indicators, including PCI credit risk indicators, can be found in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Real estate 1-4 family first and junior lien mortgage loans by state are presented in Table 19. Our real estate 1-4 family mortgage loans to borrowers in California represented approximately 13% of total loans at June 30, 2014, located mostly within the larger metropolitan areas, with no single California metropolitan area consisting of more than 4% of total loans. 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. 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. 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.

Risk Management – Credit Risk Management *(continued)*

Table 19: Real Estate 1-4 Family First and Junior Lien Mortgage Loans by State						
					June 30, 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	
Real estate 1-4 family loans (excluding PCI):						
California	$	75,973	17,291	93,264	11	%
Florida		14,600	5,615	20,215	3	
New York		15,806	2,722	18,528	2	
New Jersey		10,497	4,920	15,417	2	
Virginia		7,055	3,391	10,446	1	
Pennsylvania		5,912	3,031	8,943	1	
Texas		7,898	894	8,792	1	
North Carolina		6,001	2,710	8,711	1	
Georgia		4,881	2,472	7,353	1	
Other (2)		62,146	19,297	81,443	10	
Government insured/ guaranteed loans (3)		26,447	-	26,447	3	
Total	$	237,216	62,343	299,559	36	%
Real estate 1-4 family PCI loans:						
California	$	15,686	29	15,715	2	%
Florida		1,755	18	1,773	-	
New Jersey		863	15	878	-	
Other (1)		4,584	50	4,634	1	
Total	$	22,888	112	23,000	3	%
Total	$	260,104	62,455	322,559	39	%

* Less than 1%.

(1) Consists of 45 states; no state had loans in excess of $553 million.

(2) Consists of 41 states; no state had loans in excess of $7.2 billion.

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

First Lien Mortgage Portfolio The credit performance associated with our real estate 1-4 family first lien mortgage portfolio continued to improve in second quarter 2014, as measured through net charge-offs and nonaccrual loans. Net charge-offs (annualized) as a percentage of average total loans improved to 0.21% and 0.24% in the second quarter and first half of 2014, respectively, compared with 0.52% and 0.61%, respectively, for the same periods a year ago. Nonaccrual loans were $9.0 billion at June 30, 2014, compared with $9.8 billion at December 31, 2013. Improvement in the credit performance was driven by both an improving economic and housing environment and declining balances in non-strategic and liquidating loans, which have been replaced with higher quality assets originated after 2008 utilizing tighter underwriting standards. Real estate 1-4 family first lien mortgage loans originated after 2008 have resulted in minimal losses to date and are approximately 55% of our total real estate 1-4 family first lien mortgage portfolio as of June 30, 2014.

In second quarter 2014, we continued to grow our real estate 1-4 family first lien mortgage portfolio through the retention of high-quality non-conforming mortgages. Substantially all non-conforming loans originated in second quarter 2014 were classified as non-conforming due to the loan amount exceeding conventional conforming loan amount limits established by the GSEs. Our total real estate 1-4 family first lien mortgage portfolio increased $626 million in second quarter 2014 and $1.6 billion in the first half of 2014. The growth in this portfolio has been largely offset by runoff in our real estate 1-4 family first lien mortgage non-strategic and liquidating portfolios. Excluding this runoff, our core real estate 1-4 family first lien mortgage portfolio increased $2.6 billion in second quarter 2014 and $5.4 billion in the first half of 2014 as we retained $11.0 billion and $19.2 billion in non-conforming originations in the second quarter and first half of 2014, respectively.

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. Table 20 provides balances by types of loans as of June 30, 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 $27.6 billion at June 30, 2014, compared with $61.0 billion at acquisition. Primarily due to modification efforts, the adjusted unpaid principal balance of option payment PCI loans has declined to 16% of the total Pick-a-Pay portfolio at June 30, 2014, compared with 51% at acquisition.

Table 20: Pick-a-Pay Portfolio - Comparison to Acquisition Date

					December 31,						
		June 30, 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	**$**	**22,228**	**42**	**%**	$	24,420	44	%	$	99,937	86 %
Non-option payment adjustable-rate and fixed-rate loans		**7,331**	**14**			7,892	14			15,763	14
Full-term loan modifications		**23,250**	**44**			23,509	42			-	-
Total adjusted unpaid principal balance	**$**	**52,809**	**100**	**%**	$	55,821	100	%	$	115,700	100 %
Total carrying value	**$**	**47,965**				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 $736 million at June 30, 2014, and $902 million at December 31, 2013. Approximately 94% of the Pick-a-Pay customers making a minimum payment in June 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: $25 million for the remainder of 2014, $54 million in 2015 and $24 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: $117 million for the remainder of 2014, $358 million in 2015 and $410 million in 2016. In second quarter 2014, the amount of loans reaching their recast anniversary date and also having a payment change over the annual 7.5% reset was $22 million.

Table 21 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.

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

Table 21: Pick-a-Pay Portfolio (1)

	June 30, 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	$ 19,078	85 %	$ 15,673	69 %	$ 12,317	62 %
Florida	2,253	94	1,705	66	2,561	76
New Jersey	953	85	832	67	1,650	73
New York	585	80	534	66	753	70
Texas	250	67	222	59	998	53
Other states	4,483	86	3,698	69	7,022	72
Total Pick-a-Pay loans	$ 27,602		$ 22,664		$ 25,301	

(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 certain cases we may offer principal forgiveness to customers with substantial property value declines based on affordability needs.

In second quarter 2014, we completed more than 1,200 proprietary and Home Affordability Modification Program (HAMP) Pick-a-Pay loan modifications. We have completed more than 126,800 modifications since the Wachovia acquisition, resulting in $6.0 billion of principal forgiveness to our Pick-a-Pay customers as well as an additional $123 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 $5.9 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 12.1 years at June 30, 2014. The weighted average remaining life decreased slightly from December 31, 2013 due to updated expectations for prepayments. The accretable yield percentage at June 30, 2014, was 4.98%, unchanged from the end of 2013. The accretable yield balance increased to $17.6 billion during second quarter 2014 as a result of a $2.0 billion reclassification from the nonaccretable difference due to favorable changes in the expected timing and composition of cash flows resulting from improving credit and prepayment expectations. Accordingly, the accretable yield percentage is expected to be 6.15% for third quarter 2014. 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 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.

Junior Lien Mortgage Portfolio The junior lien mortgage portfolio consists of residential mortgage lines and loans that are subordinate in rights to an existing lien on the same property. It is not unusual for these lines and loans to have draw periods, interest only payments, balloon payments, adjustable rates and similar features. The majority of our junior lien loan products are amortizing payment loans with fixed interest rates and repayment periods between five to 30 years.

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 the frequency of delinquency is typically lower when we own or service the first lien 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 any observed differences in delinquency and loss 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 by the holder of the first lien.

Table 22: Junior Lien Mortgage Portfolios Performance by Holder of 1st Lien (1)

		Outstanding balance		% of loans two payments or more past due			Loss rate (annualized) quarter ended				
		June 30,	Dec. 31,	**June 30,**		Dec. 31,	**June 30,**	Mar. 31,	Dec. 31,	Sept. 30,	June 30,
(in millions)		**2014**	2013	**2014**		2013	**2014**	2014	2013	2013	2013
Junior lien mortgages behind:											
Wells Fargo owned or											
serviced first lien	**$**	**30,787**	32,681	**2.21**	**%**	2.37	**1.08**	1.16	1.34	1.59	2.07

	Third party first lien		**31,556**	33,110		**2.46**		2.53		**0.96**	1.23	1.35	1.58	1.95
		Total junior lien mortgages	**$**	**62,343**	65,791		**2.33**		2.45		**1.02**	1.20	1.35	1.58	2.01
(1)	Excludes PCI loans because their losses were generally reflected in PCI accounting adjustments at the date of acquisition.													

We monitor the number of borrowers paying the minimum amount due on a monthly basis. In June 2014, approximately 94% of our borrowers with a junior lien mortgage outstanding balance paid the minimum amount due or more, including approximately 47% who paid only the minimum amount due.

30

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

Table 23 shows the credit attributes of the core and liquidating junior lien mortgage 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 June 30, 2014, 24% of the outstanding balance of the junior lien mortgage 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 (the outstanding amount that was in excess of the most recent property collateral value) of the outstanding balances of these loans totaled 11% of the junior lien mortgage portfolio at June 30, 2014.

Table 23: Junior Lien Mortgage Portfolios (1)

				% of loans two payments			Loss rate (annualized)				
		Outstanding balance		or more past due			quarter ended				
		June 30,	Dec. 31,	**June 30,**		Dec. 31,	**June 30,**	Mar. 31,	Dec. 31,	Sept. 30,	June 30,
(in millions)		**2014**	2013	**2014**		2013	**2014**	2014	2013	2013	2013
Core portfolio											
California	$	**16,167**	17,003	**1.96**	%	2.03	**0.47**	0.67	0.86	1.20	1.68
Florida		**5,510**	5,811	**2.84**		3.16	**1.23**	1.86	1.85	2.12	2.82
New Jersey		**4,837**	5,019	**3.26**		3.43	**1.45**	1.49	1.50	1.81	1.68
Virginia		**3,256**	3,378	**1.98**		2.02	**0.86**	0.87	0.93	0.93	1.26
Pennsylvania		**3,018**	3,137	**2.52**		2.64	**1.24**	1.01	0.96	1.17	1.43
Other		**26,181**	27,653	**2.04**		2.18	**1.05**	1.15	1.34	1.43	1.87
Total		**58,969**	62,001	**2.22**		2.35	**0.94**	1.09	1.23	1.42	1.84
Liquidating portfolio		**3,374**	3,790	**4.32**		4.10	**2.46**	2.94	3.20	4.12	4.65
Total core and liquidating portfolios	$	**62,343**	65,791	**2.33**		2.45	**1.02**	1.20	1.35	1.58	2.01

(1) Excludes PCI loans because their losses were generally reflected in PCI accounting adjustments at the date of acquisition.

31

Our junior lien, as well as first 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 24 reflects the outstanding balance of our portfolio of junior lien lines and loans and senior lien lines 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 $145 million, because their losses were generally reflected in our nonaccretable difference established at the date of acquisition.

Table 24: Junior Lien Mortgage Line and Loan and Senior Lien Mortgage Line Portfolios Payment Schedule

				Scheduled end of draw / term						
(in millions)		**Outstanding balance June 30, 2014**		Remainder of 2014	2015	2016	2017	2018	2019 and thereafter (1)	Amortizing
Junior residential lines	$	**54,716**		1,755	5,559	7,084	7,197	3,914	25,424	3,783
Junior loans (2)		**7,627**		5	83	117	121	13	1,323	5,966
Total junior lien (3)(4)		**62,343**		1,760	5,642	7,201	7,318	3,927	26,747	9,749
First lien lines		**17,721**		540	1,267	1,015	1,002	1,135	11,839	924
Total (3)(4)	$	**80,065**		2,300	6,909	8,216	8,320	5,062	38,586	10,672
% of portfolios		**100**	%	3	9	10	10	6	48	13

(1) The annual scheduled end of draw or term ranges from $1.9 billion to $10.4 billion and averages $5.5 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)

	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 $60 million of balloon loans that have reached end of term and are now past due.
(3)	Lines in their draw period are predominantly interest-only. The unfunded credit commitments for junior and first lien lines totaled $71.7 billion at June 30, 2014.
(4)	Includes scheduled end-of-term balloon payments totaling $399 million, $557 million, $438 million, $541 million, $570 million and $2.6 billion for 2014, 2015, 2016, 2017, 2018, 2019 and thereafter, respectively. Amortizing lines include $157 million of end-of-term balloon payments, which are past due. At June 30, 2014, $318 million, or 7% of outstanding lines of credit that are amortizing, are 30 or more days past due compared to $1.3 billion, or 2% for lines in their draw period.

Credit Cards Our credit card portfolio totaled $27.2 billion at June 30, 2014, which represented 3% of our total outstanding loans. The net charge-off rate (annualized) for our credit card portfolio was 3.20% for second quarter 2014, compared with 3.90% for second quarter 2013 and 3.39% and 3.93% for the first half of 2014 and 2013, respectively.

AUTOmobile Our automobile portfolio, predominantly composed of indirect loans, totaled $54.1 billion at June 30, 2014. The net charge-off rate (annualized) for our automobile portfolio was 0.35% for second quarter 2014, compared with 0.35% for second quarter 2013 and 0.52% and

0.50% for the first half of 2014 and 2013, respectively.

Other revolving Credit and installment Other revolving credit and installment loans totaled $33.7 billion at June 30, 2014, and primarily included student and security-based margin loans. Student loans totaled $11.6 billion at June 30, 2014. Government guaranteed student loans of $9.7 billion were transferred to loans held for sale at June 30, 2014. The net charge-off rate (annualized) for other revolving credit and installment loans was 1.22% for second quarter 2014, compared with 1.38% for second quarter 2013 and 1.26% and 1.38% for the first half of 2014 and 2013, respectively.

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

nonperforming assets (Nonaccrual Loans and Foreclosed assets) Table 25 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 25: Nonperforming Assets (Nonaccrual Loans and Foreclosed Assets)

		June 30, 2014				March 31, 2014				December 31, 2013				September 30, 2013		
($ in millions)		**Balance**	**% of total loans**			Balance	% of total loans			Balance	% of total loans			Balance	% of total loans	
Nonaccrual loans:																
Commercial:																
Commercial and industrial	$	**693**	**0.34**	%	$	630	0.32	%	$	738	0.38	%	$	809	0.43	%
Real estate mortgage		**1,802**	**1.66**			2,030	1.88			2,252	2.10			2,496	2.36	
Real estate construction		**239**	**1.40**			296	1.78			416	2.48			517	3.15	
Lease financing		**28**	**0.24**			31	0.26			29	0.24			17	0.15	
Foreign		**36**	**0.08**			40	0.08			40	0.08			47	0.10	
Total commercial (1)		**2,798**	**0.71**			3,027	0.79			3,475	0.92			3,886	1.05	
Consumer:																
Real estate 1-4 family																
first mortgage (2)		**9,026**	**3.47**			9,357	3.61			9,799	3.79			10,450	4.10	
Real estate 1-4 family																
junior lien		**1,964**	**3.14**			2,072	3.24			2,188	3.32			2,333	3.45	

mortgage																
Automobile		**150**	**0.28**			161	0.31			173	0.34			188	0.38	
Other revolving credit and installment		**34**	**0.10**			33	0.08			33	0.08			36	0.08	
Total consumer		**11,174**	**2.55**			11,623	2.61			12,193	2.74			13,007	2.95	
Total nonaccrual loans (3)(4)(5)		**13,972**	**1.69**			14,650	1.77			15,668	1.91			16,893	2.09	
Foreclosed assets:																
Government insured/guaranteed (6)		**2,359**				2,302				2,093				1,781		
Non-government insured/guaranteed		**1,748**				1,813				1,844				2,021		
Total foreclosed assets		**4,107**				4,115				3,937				3,802		
Total nonperforming assets	**$**	**18,079**	**2.18**	**%**	$	18,765	2.27	%	$	19,605	2.38	%	$	20,695	2.56	%
Change in NPAs from prior quarter	**$**	**(686)**				(840)				(1,090)				(360)		

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

(2) Includes MHFS of $238 million, $227 million, $227 million and $288 million at June 30 and March 31, 2014, and December 31, and September 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 June 30, 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.

33

Table 26 provides an analysis of the changes in nonaccrual loans.

Table 26: Analysis of Changes in Nonaccrual Loans

		Quarter ended				
(in millions)		**June 30, 2014**	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013
Commercial nonaccrual loans						
Balance, beginning of quarter	$	**3,027**	3,475	3,886	4,455	5,242
Inflows		**433**	367	520	490	557
Outflows:						
Returned to accruing		**(81)**	(98)	(67)	(192)	(128)
Foreclosures		**(32)**	(79)	(34)	(77)	(120)
Charge-offs		**(120)**	(116)	(191)	(150)	(193)
Payments, sales and other (1)		**(429)**	(522)	(639)	(640)	(903)
Total outflows		**(662)**	(815)	(931)	(1,059)	(1,344)
Balance, end of quarter		**2,798**	3,027	3,475	3,886	4,455
Consumer nonaccrual loans						
Balance, beginning of quarter		**11,623**	12,193	13,007	13,460	14,284
Inflows		**1,673**	1,650	1,691	2,015	2,071
Outflows:						
Returned to accruing		**(1,107)**	(1,104)	(953)	(997)	(1,156)
Foreclosures		**(132)**	(146)	(162)	(167)	(95)
Charge-offs		**(348)**	(400)	(437)	(480)	(651)
Payments, sales and other (1)		**(535)**	(570)	(953)	(824)	(993)
Total outflows		**(2,122)**	(2,220)	(2,505)	(2,468)	(2,895)
Balance, end of quarter		**11,174**	11,623	12,193	13,007	13,460
Total nonaccrual loans	$	**13,972**	14,650	15,668	16,893	17,915

(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 June 30, 2014:

• 96% 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 68% have a combined LTV (CLTV) ratio of 80% or less.

• losses of $751 million and $3.7 billion have already been recognized on 31% of commercial nonaccrual loans and 55% 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.

• 68% 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 $2.0 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 in certain states, including New York, New Jersey and Florida, the foreclosure timeline has significantly increased due to backlogs in an already complex process. Therefore, loans remain on nonaccrual status for longer periods.

Table 27 provides a summary and an analysis of changes in foreclosed assets.

Table 27: Foreclosed Assets

(in millions)		**June 30, 2014**	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013
Summary by loan segment						
Government insured/guaranteed (1)	$	**2,359**	2,302	2,093	1,781	1,026
PCI loans:						
Commercial		**457**	461	497	559	597
Consumer		**208**	177	149	125	127
Total PCI loans		**665**	638	646	684	724
All other loans:						
Commercial		**634**	736	759	944	1,012

Consumer		**449**	439	439	393	378
Total all other loans		**1,083**	1,175	1,198	1,337	1,390
Total foreclosed assets	$	**4,107**	4,115	3,937	3,802	3,140
Analysis of changes in foreclosed assets						
Balance, beginning of quarter	$	**4,115**	3,937	3,802	3,140	3,350
Net change in government insured/guaranteed (1)(2)		**57**	209	312	755	57
Additions to foreclosed assets (3)		**421**	448	428	459	406
Reductions:						
Sales		**(493)**	(490)	(823)	(545)	(647)
Write-downs and gains (losses) on sales		**7**	11	218	(7)	(26)
Total reductions		**(486)**	(479)	(605)	(552)	(673)
Balance, end of quarter	$	**4,107**	4,115	3,937	3,802	3,140

(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 June 30, 2014, reflects a continued 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 $654 million, $801 million, $892 million, $1.3 billion, and $639 million for the quarter ended June 30 and March 31, 2014 and December 31, September 30 and June 30, 2013, respectively.

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

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

Foreclosed assets at June 30, 2014, included $3.0 billion of foreclosed residential real estate that had collateralized commercial and consumer loans, of which 79% is predominantly FHA insured or VA guaranteed and expected to have minimal or no loss content. The remaining foreclosed assets balance of $1.1 billion has been written down to estimated net realizable value. Foreclosed assets at June 30, 2014 have increased slightly, compared with December 31, 2013. At June 30, 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.

TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 28: Troubled Debt Restructurings (TDRs)

(in millions)		**June 30, 2014**	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013
Commercial TDRs						
Commercial and industrial	$	**948**	1,081	1,032	1,153	1,238
Real estate mortgage		**2,179**	2,233	2,248	2,457	2,605
Real estate construction		**391**	454	475	598	680
Lease financing		**5**	6	8	9	11
Foreign		**2**	7	2	2	17
Total commercial TDRs		**3,525**	3,781	3,765	4,219	4,551
Consumer TDRs						
Real estate 1-4 family first mortgage		**18,582**	19,043	18,925	18,974	19,093
Real estate 1-4 family junior lien mortgage		**2,463**	2,460	2,468	2,399	2,408
Credit Card		**379**	399	431	455	477
Automobile		**151**	169	189	212	246
Other revolving credit and installment		**38**	34	33	32	29
Trial modifications		**469**	593	650	717	716
Total consumer TDRs (1)		**22,082**	22,698	22,696	22,789	22,969
Total TDRs	$	**25,607**	26,479	26,461	27,008	27,520
TDRs on nonaccrual status	$	**7,638**	7,774	8,172	8,609	9,030
TDRs on accrual status (1)		**17,969**	18,705	18,289	18,399	18,490
Total TDRs	$	**25,607**	26,479	26,461	27,008	27,520

(1) TDR loans include $2.2 billion, $2.6 billion, $2.5 billion, $2.4 billion and $2.5 billion at June 30, and 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 28 provides information regarding the recorded investment of loans modified in TDRs. The allowance for loan losses for TDRs was $4.0 billion and $4.5 billion at June 30, 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 29 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.

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

Table 29: Analysis of Changes in TDRs

							Quarter ended
		June 30,	Mar. 31,	Dec. 31,	Sept. 30,	June 30,
(in millions)		**2014**	2014	2013	2013	2013
Commercial TDRs						
Balance, beginning of quarter	$	**3,781**	3,765	4,219	4,551	4,818
Inflows		**276**	442	292	534	468
Outflows						
Charge-offs		**(28)**	(23)	(44)	(24)	(24)
Foreclosures		**(8)**	(3)	(16)	(16)	(26)
Payments, sales and other (1)		**(496)**	(400)	(686)	(826)	(685)
Balance, end of quarter		**3,525**	3,781	3,765	4,219	4,551
Consumer TDRs						
Balance, beginning of quarter		**22,698**	22,696	22,789	22,969	22,889
Inflows		**1,003**	1,104	1,248	1,282	1,352
Outflows						
Charge-offs		**(139)**	(157)	(155)	(183)	(241)
Foreclosures		**(283)**	(325)	(417)	(519)	(240)
Payments, sales and other (1)		**(1,073)**	(563)	(701)	(761)	(785)
Net change in trial modifications (2)		**(124)**	(57)	(68)	1	(6)
Balance, end of quarter		**22,082**	22,698	22,696	22,789	22,969
Total TDRs	$	**25,607**	26,479	26,461	27,008	27,520

(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 and $40 million of loans refinanced or restructured as new loans and removed from TDR classification for the quarters ended March 31, 2014, and September 30 and June 30, 2013, respectively. No loans were removed from TDR classification for the quarters ended June 30, 2014 and 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.

37

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

Excluding insured/guaranteed loans, loans 90 days or more past due and still accruing at June 30, 2014, were down $148 million, or 14%, 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 $17.7 billion at June 30, 2014, down from $22.2 billion at December 31, 2013. The decrease since December 31, 2013, reflected the effects of modification activities and improving delinquency trends.

Table 30 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 30: Loans 90 Days or More Past Due and Still Accruing

(in millions)		**June 30, 2014**	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013
Loans 90 days or more past due and still accruing:						
Total (excluding PCI (1)):	$	**18,582**	21,215	23,219	22,181	22,197
Less: FHA insured/VA guaranteed (2)(3)		**16,978**	19,405	21,274	20,214	20,112
Less: Student loans guaranteed under the FFELP (4)		**707**	860	900	917	931
Total, not government insured/guaranteed	$	**897**	950	1,045	1,050	1,154
By segment and class, not government insured/guaranteed:						
Commercial:						
Commercial and industrial	$	**51**	11	11	125	37
Real estate mortgage		**53**	13	35	40	175
Real estate construction		**16**	69	97	1	4
Foreign		**2**	2	-	1	-
Total commercial		**122**	95	143	167	216
Consumer:						

Real estate 1-4 family first mortgage (3)			**311**	333	354	383	476
Real estate 1-4 family junior lien mortgage (3)			**70**	88	86	89	92
Credit card			**266**	308	321	285	263
Automobile			**48**	41	55	48	32
Other revolving credit and installment			**80**	85	86	78	75
	Total consumer		**775**	855	902	883	938
		Total, not government insured/guaranteed	**$**	**897**	950	1,045	1,050	1,154

(1) PCI loans totaled $4.0 billion, $4.3 billion, $4.5 billion, $4.9 billion, and $5.4 billion at June 30 and March 31, 2014 and December 31, September 30, and June 30, 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. In second quarter 2014, all government guaranteed student loans were transferred to loans held for sale.

38

Risk Management – Credit Risk Management *(continued)*

NET CHARGE-OFFS

Table 31: Net Charge-offs

	Quarter ended									
	June 30, 2014		Mar. 31, 2014		Dec. 31, 2013		Sept. 30, 2013		June 30, 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	**$ 54**	**0.11 %**	$ 45	0.09 %	$ 107	0.22 %	$ 58	0.12 %	$ 77	0.17 %
Real estate mortgage	**(10)**	**(0.04)**	(22)	(0.08)	(41)	(0.15)	(20)	(0.08)	(5)	(0.02)
Real estate construction	**(20)**	**(0.47)**	(23)	(0.55)	(13)	(0.32)	(17)	(0.41)	(45)	(1.10)
Lease financing	**1**	**0.05**	1	0.03	-	-	-	-	18	0.57
Foreign	**6**	**0.05**	4	0.03	-	-	(2)	(0.02)	(1)	(0.01)
Total commercial	**31**	**0.03**	5	0.01	53	0.06	19	0.02	44	0.05
Consumer:										
Real estate 1-4 family first mortgage	**137**	**0.21**	170	0.27	195	0.30	242	0.38	328	0.52
Real estate 1-4 family junior lien mortgage	**160**	**1.02**	192	1.20	226	1.34	275	1.58	359	2.02
Credit card	**211**	**3.20**	231	3.57	220	3.38	207	3.28	234	3.90
Automobile	**46**	**0.35**	90	0.70	108	0.85	78	0.63	42	0.35
Other revolving										

credit and installment		**132**	**1.22**			137	1.29			161	1.50			154	1.46			145	1.38	
Total consumer		**686**	**0.62**			820	0.75			910	0.82			956	0.86			1,108	1.01	
Total	**$**	**717**	**0.35**	**%**	$	825	0.41	%	$	963	0.47	%	$	975	0.48	%	$	1,152	0.58	%

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

Table 31 presents net charge-offs for second quarter 2014 and the previous four quarters. Net charge-offs in second quarter 2014 were $717 million (0.35% of average total loans outstanding) compared with $1.2 billion (0.58%) in second 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 32 presents the allocation of the allowance for credit losses by loan segment and class for the most recent quarter end and last four year ends.

Table 32: Allocation of the Allowance for Credit Losses (ACL)

	June 30, 2014		Dec. 31, 2013		Dec. 31, 2012		Dec. 31, 2011		Dec. 31, 2010	
(in millions)	**ACL**	**Loans as % of total loans**	ACL	Loans as % of total loans	ACL	Loans as % of total loans	ACL	Loans as % of total loans	ACL	Loans as % of total loans
Commercial:										
Commercial and industrial	**$ 3,069**	**25 %**	$ 2,775	24 %	$ 2,543	23 %	$ 2,649	22 %	$ 3,299	20 %
Real estate mortgage	**1,767**	**13**	2,102	13	2,283	13	2,550	14	3,072	13
Real estate construction	**1,041**	**2**	770	2	552	2	893	2	1,387	4
Lease financing	**162**	**1**	127	1	85	2	82	2	173	2
Foreign	**361**	**6**	329	6	251	5	184	5	238	4
Total commercial	**6,400**	**47**	6,103	46	5,714	45	6,358	45	8,169	43
Consumer:										
Real estate 1-4 family first mortgage	**3,348**	**31**	4,087	32	6,100	31	6,934	30	7,603	30
Real estate 1-4 family junior lien mortgage	**1,827**	**8**	2,534	8	3,462	10	3,897	11	4,557	13
Credit card	**1,240**	**3**	1,224	3	1,234	3	1,294	3	1,945	3
Automobile	**478**	**7**	475	6	417	6	555	6	771	6
Other revolving	**541**	**4**	548	5	550	5	630	5	418	5

credit and installment															
Total consumer	7,434	53		8,868	54		11,763	55		13,310	55		15,294	57	
Total	$ 13,834	100	% $	14,971	100	% $	17,477	100	% $	19,668	100	% $	23,463	100	%
	June 30, 2014			Dec. 31, 2013			Dec. 31, 2012			Dec. 31, 2011			Dec. 31, 2010		
Components:															
Allowance for loan losses	$ **13,101**			14,502			17,060			19,372			23,022		
Allowance for unfunded credit commitments	**733**			469			417			296			441		
Allowance for credit losses	$ **13,834**			14,971			17,477			19,668			23,463		
Allowance for loan losses as a percentage of total loans	**1.58**	%		1.76			2.13			2.52			3.04		
Allowance for loan losses as a percentage of total net charge-offs (1)	**456**			322			189			171			130		
Allowance for credit losses as a percentage of total loans	**1.67**			1.82			2.19			2.56			3.10		
Allowance for credit losses as a percentage of total nonaccrual	**99**			96			85			92			89		

	loans
(1)	Total net charge-offs are annualized for quarter ended June 30, 2014.

In addition to the allowance for credit losses, there was $3.1 billion at June 30, 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 June 30, 2014.

Total provision for credit losses was $217 million in second quarter 2014, compared with $652 million in second quarter 2013. The decline in the allowance for credit losses in second quarter 2014 reflected continued improvement, particularly in residential real estate portfolios primarily associated with continued improvement in the housing market.

We believe the allowance for credit losses of $13.8 billion at June 30, 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, but expect a lower level of future releases as the rate of credit improvement slows and the loan portfolio continues to grow. 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

Risk Management – Credit Risk Management *(continued)*

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 June 30, 2014, 94% was current and less than 2% was subprime at origination. Our combined delinquency and foreclosure rate on this portfolio was 5.64% at June 30, 2014, compared with 5.56% at March 31, 2014, and 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 June 30, 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 from December 31, 2013, primarily due to settlements with two private investors in first quarter 2014 that resolved many of the increased demands we experienced from 2012 through 2013, with a significant increase experienced in fourth quarter 2013.

Table 33 provides the number of unresolved repurchase demands and mortgage insurance rescissions.

Table 33: 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												
June 30,	**678**	**$**	**149**	**362**	**$**	**80**	**305**	**$**	**66**	**1345**	**$**	**295**
March 31,	599		126	391		89	409		90	1,399		305
2013												

December 31,	674	124	2,260	497	394	87	3,328	708
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 14 and $3 million, 25 and $3 million, 42 and $6 million, 1,247 and $225 million, and 942 and $190 million at June 30 and March 31, 2014, and December 31, September 30, and June 30, 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. If 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.

Table 34 summarizes the changes in our mortgage repurchase liability. We incurred net losses on repurchased loans and investor reimbursements totaling $7 million in second quarter 2014, compared with $160 million a year ago.

Table 34: Changes in Mortgage Repurchase Liability

		Quarter ended					Six months ended	
		June 30,	Mar. 31,	Dec. 31,	Sept. 30,	June 30,	**June 30,**	June 30,
(in millions)		**2014**	2014	2013	2013	2013	**2014**	2013
Balance, beginning of period	$	**799**	899	1,421	2,222	2,317	**899**	2,206
Provision for repurchase losses:								
Loan sales		**12**	10	16	28	40	**22**	99
Change in estimate (1)		**(38)**	(4)	10	-	25	(42)	275
Total additions (reductions)		**(26)**	6	26	28	65	**(20)**	374
Losses (2)		**(7)**	(106)	(548)	(829)	(160)	**(113)**	(358)
Balance, end of period	$	**766**	799	899	1,421	2,222	**766**	2,222

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

(2) Quarter ended September 30, 2013, reflect $746 million as a result of the agreement with FHLMC that resolves substantially all repurchase liabilities related to loans sold to FHLMC prior to January 1, 2009. Quarter ended December 31, 2013, reflects $508 million as a result of the agreement with FNMA that substantially resolves all repurchase liabilities related to loans sold to FNMA 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 $766 million at June 30, 2014 and $2.2 billion at June 30, 2013. In second quarter 2014, we released $26 million, which increased net gains on mortgage loan origination/sales activities, compared with a provision of $65 million for second quarter 2013. The release in second quarter 2014 was primarily due to a re-estimation of our liability based on recently observed trends.

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 $975 million at June 30, 2014, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) used 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.

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

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. As of April 30, 2014, we believe we reported sufficient foreclosure prevention actions to the monitor of the accelerated remediation process to meet the $1.2 billion commitment, but are awaiting monitor approval.

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

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

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

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

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

Asset/Liability Management

Asset/liability management involves evaluating, monitoring and managing interest rate risk, market risk, liquidity and funding. Primary oversight of these risks resides with the Finance Committee of our Board of Directors (Board), which oversees the administration and effectiveness of financial risk management policies and processes used to assess and manage these risks. At the management level we utilize a Corporate Asset/Liability Management Committee (Corporate ALCO), which consists of senior financial, risk, 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 market risk. 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 lower rate scenarios (scenario 1 and scenario 2) in the following table initially measure a decline in long-term interest rates versus our most likely scenario. Although the performance in these rate scenarios contain 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 June 30, 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 35, 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).

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

Table 35: Earnings Sensitivity Over 24 Month Horizon Relative to Most Likely Earnings Plan

	Most likely		Lower rates Scenario 1		Lower rates Scenario 2		Higher rates Scenario 3	Higher rates Scenario 4
Ending rates:								
Federal funds	1.50	%	0.25		0.75		2.00	4.75
10-year treasury (1)	3.64		1.70		3.07		4.14	5.75
Earnings relative to most likely	N/A		(4)-(5)	%	(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 June 30, 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 two main ways:

- to convert the cash flows from selected asset and/or liability instruments/portfolios including a major portion of our long-term debt, 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 $15.1 billion at June 30, 2014, and $16.8 billion at December 31, 2013. The weighted-average note rate on our portfolio of loans serviced for others was 4.49% at June 30, 2014, and 4.52% at December 31, 2013. The carrying value of our total MSRs represented 0.80% of mortgage loans serviced for others at June 30, 2014, and 0.88% at December 31, 2013.

Market Risk – Trading Activities The Finance Committee of our Board of Directors reviews the acceptable market risk appetite for our 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, to a very limited degree, for proprietary trading for our own account. These activities primarily occur within our Wholesale 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 36 presents total revenue from trading activities.

Table 36: Income from Trading Activities

		Quarter ended June 30,		Six months ended June 30,	
(in millions)		**2014**	2013	**2014**	2013
Interest income (1)	$	**407**	340	**781**	667
Less: Interest expense (2)		**93**	75	**180**	140
Net interest income		**314**	265	**601**	527
Noninterest income:					
Net gains from trading activities (3):					
Customer accommodation		**242**	337	**602**	804
Economic hedges and other (4)		**142**	(11)	**208**	88
Proprietary trading		**(2)**	5	**4**	9
Total net trading gains		**382**	331	**814**	901
Total trading-related net interest and noninterest income	$	**696**	596	**1,415**	1,428

(1) Represents interest and dividend income earned on trading securities.

(2) Represents interest and dividend expense incurred on trading securities we have sold but have not yet purchased.

(3) Represents realized gains (losses) from our trading activity and unrealized gains (losses) due to changes in fair value of our trading positions, attributable to the type of business activity.

(4) Excludes economic hedging of mortgage banking and asset/liability management activities, for which hedge results (realized and unrealized) are reported with the respective hedged activities.

Customer accommodation Customer accommodation activities are conducted to help customers manage their investment and risk management needs. 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 customer 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 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 support of 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 37 provides information on the distribution of 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.

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

Table 37: Distribution of Daily Trading-Related Revenues

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 and monitors all exposures to ensure risk measures are within our established risk appetite. Changes to the 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 (VaR) is a statistical risk measure used to estimate the potential loss from adverse moves in the financial markets. 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. Our 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 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 using 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 financial institutions.

VaR models are subject to limitations which include, but are not limited to, the use of historical changes in market factors that may not accurately reflect future changes in market factors, and the inability to predict market liquidity in extreme market conditions. All 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.

Trading VaR is the 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.

Table 38 shows the results of the Company's Trading VaR by risk category. As presented in the table, average Trading VaR was $24 million for the quarter ended June 30, 2014, compared with $23 million for the quarter ended March 31, 2014. The increase was primarily driven by changes in portfolio composition.

Table 38: Trading 1-Day 99% VaR Metrics

	Quarter ended							
	June 30, 2014				March 31, 2014			
(in millions)	**Period end**	**Average**	**Low**	**High**	Period end	Average	Low	High
VaR Risk Categories								
Credit	$ **20**	**34**	**19**	**38**	33	32	31	35
Interest rate	**28**	**24**	**12**	**31**	23	24	16	32
Equity	**7**	**7**	**5**	**8**	7	7	7	9
Commodity	**1**	**1**	**1**	**2**	1	1	1	2
Foreign exchange	**-**	**1**	**-**	**3**	2	2	1	3
Diversification benefit (1)	**(41)**	**(43)**			(44)	(43)		
Total VaR	$ **15**	**24**			22	23		

(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.

Sensitivity Analysis Given the inherent limitations of the VaR models, the Company uses other measures, including sensitivity analysis, to measure and monitor risk. Sensitivity analysis is the measure of exposure to a single risk factor, such as a 0.01% increase in interest 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. Sensitivity analysis complements VaR as it provides an indication of risk relative to each factor irrespective of historical market moves.

Stress Testing While VaR captures the risk of loss due to adverse changes in markets using recent historical 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 assume that the market moves happen instantaneously and no repositioning or hedging activity takes place to mitigate losses as events unfold (a conservative approach since 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. 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. 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.

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 stress tests. 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.

Regulatory Market Risk Capital is based on the Basel Committee Capital Accord. Prior to January 1, 2013, U.S. banking regulators' market risk capital requirements were subject to Basel I and thereafter based on Basel 2.5. Effective January 1, 2014, the Company must calculate regulatory capital based on the Basel III market risk capital rule, which integrated Basel 2.5, and requires banking organizations with significant trading activities to adjust their capital requirements to better account for the market risks of those activities.

Composition of Material Portfolio of Covered Positions The market risk capital rule substantially modified the determination of market risk 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. Other business segments hold small additional trading positions covered under the market risk capital rule.

Table 39 summarizes the market risk-based capital requirements charge and market RWAs in accordance with the Basel III market risk capital rule as of June 30, 2014, and in accordance with the Basel 2.5 market risk capital rule as of December 31, 2013.

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

Table 39: Market Risk Regulatory Capital and RWAs

		June 30, 2014		December 31, 2013	
(in millions)		**Risk-based capital**	**Risk-weighted assets**	Risk-based capital	Risk-weighted assets
Total VaR	$	**208**	**2,600**	252	3,149
Total Stressed VaR		**1,167**	**14,589**	921	11,512
Incremental Risk Charge		**308**	**3,852**	393	4,913
Securitized Products Charge		**729**	**9,107**	633	7,913
Standardized Specific Risk Charge		**1,270**	**15,879**	583	7,289
De minimus Charges		**61**	**755**	125	1,563
Total	$	**3,743**	**46,782**	2,907	36,339

RWA Rollforward Table 40 depicts the changes in the market risk regulatory capital and RWAs under Basel III for the first half and second quarter of 2014.

Table 40: Analysis of Changes in Market Risk Regulatory Capital and RWAs

(in millions)		Risk-based capital	Risk-weighted assets
Balance, December 31, 2013	$	2,907	36,339
Total VaR		(44)	(549)
Total Stressed VaR		246	3,077
Incremental Risk Charge		(85)	(1,061)
Securitized Products Charge		96	1,194
Standardized Specific Risk Charge		687	8,590
De minimus Charges		(64)	(808)
Balance, June 30, 2014	$	3,743	46,782
Balance, March 31, 2014	$	3,850	48,127
Total VaR		35	436
Total Stressed VaR		108	1,351
Incremental Risk Charge		(68)	(840)
Securitized Products Charge		(70)	(883)
Standardized Specific Risk Charge		(18)	(225)
De minimus Charges		(94)	(1,184)

Balance, June 30, 2014				$	3,743		46,782

The increase in standardized specific risk charge for risk-based capital and RWAs in the first half of 2014 resulted primarily from a change during the quarter ended March 31, 2014, in positions now subject to standardized specific risk charges. All changes to market risk regulatory capital and RWAs in the quarter ended June 30, 2014, were associated with changes in positions due to normal trading activity.

Regulatory Market Risk Capital Components The capital required for market risk on the Company's "covered" positions is determined by 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 III prescribes various VaR measures 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. For regulatory purposes, market risk uses the following metrics to determine the Company's capital requirements:

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

Table 41 shows the General VaR measure categorized by major risk categories. Average 10-day General VaR was $58 million for the quarter ended June 30, 2014, compared with $48 million for the quarter ended March 31, 2014.

Table 41: 10-Day 99% Regulatory General VaR by Risk Category

									Quarter ended
				June 30, 2014					March 31, 2014
		Period				Period			
(in millions)		**end**	**Average**	**Low**	**High**	end	Average	Low	High
Wholesale General VaR by Risk Category									
Credit	**$**	**125**	**111**	**96**	**132**	108	113	97	132
Interest rate		**71**	**61**	**28**	**80**	54	58	36	78
Equity		**6**	**4**	**3**	**6**	4	4	1	8
Commodity		**3**	**6**	**2**	**21**	3	3	2	4
Foreign exchange		**3**	**4**	**2**	**12**	2	4	1	7
Diversification benefit (1)		**(153)**	**(132)**	**-**	**-**	(127)	(138)	-	-
Wholesale General VaR	**$**	**55**	**54**	**29**	**63**	44	44	33	62
Company General VaR	**$**	**60**	**58**	**32**	**68**	47	48	37	66

(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.

50

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

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

Total VaR (as presented in Table 42) is composed of General VaR and Specific Risk and uses the previous 12 months of historical market data to comply with regulatory requirements.

Table 42: Total VaR

(in millions)		Quarter ended June 30, 2014			
		Average	Period end	Low	High
Total VaR	$	69	74	50	80
				Capital	RWAs
Total VaR			$	208	2,600

Total Stressed VaR (as presented in Table 43) uses a historical period of significant financial stress over a continuous 12 month period using historically available market data and is composed of Stressed General VaR and Stressed Specific Risk. Total Stressed VaR uses the same methodology and models as Total VaR.

Table 43: Total Stressed VaR

(in millions)		Quarter ended June 30, 2014			
		Average	Period end	Low	High
Total Stressed VaR	$	389	380	295	483
				Capital	RWAs
Total Stressed VaR			$	1,167	14,589

Incremental Risk Charge 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 non-securitized credit-sensitive products.

The Company calculates Incremental Risk by generating a portfolio loss distribution using 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. 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 44 provides information on the Incremental Risk Charge results for the quarter ended June 30, 2014. For this charge, the required capital at quarter end equals the average for the quarter.

Table 44: Incremental Risk Charge

(in millions)		Quarter ended June 30, 2014			
		Average	Period end	Low	High
Incremental Risk Charge	$	308	283	273	373

		Capital	RWAs
Incremental Risk Charge	$	308	3,852

Securitized Products Charge Basel III requires a separate market risk capital charge for positions classified as a securitization or re-securitization. The primary criteria for classification as a securitization are 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 include consumer and commercial asset-backed securities (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 45 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 June 30, 2014, and December 31, 2013.

Table 45: Covered Securitization Positions by Exposure Type (Market Value)

(in millions)		ABS	CMBS	RMBS	CLO/CDO
June 30, 2014					
Securitization exposure:					
Securities	**$**	**941**	**592**	**594**	**439**
Derivatives		**3**	**(4)**	**9**	**(47)**
Total	**$**	**944**	**588**	**603**	**392**
December 31, 2013					
Securitization exposure:					
Securities	$	604	559	479	561
Derivatives		(2)	2	16	(72)
Total	$	602	561	495	489

SECURITIZATION DUE DILIGENCE AND RISK MONITORING The market risk capital rule requires that the Company conduct due diligence on the risk of each position within three days of the purchase of a securitization 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 analysis is performed again on a quarterly basis for each securitization and re-securitization position. The Company manages the risks associated with securitization and re-securitization positions through the use of offsetting positions and portfolio diversification. The Company uses an automated solution to track the due diligence associated with securitization activity.

Standardized Specific Risk Charge 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 range 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%.

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 June 30, 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 instead use standard specific risk charges for these positions.

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

VaR Backtesting The market risk capital rule requires 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 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 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 is considered a market risk regulatory capital backtesting 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 capital 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. No backtesting exceptions occurred over the preceding 12 months.

Table 46 shows daily Total VaR (1-day, 99%) for the 12 months ended June 30, 2014. The Company's average Total VaR for second quarter 2014 was $24 million with a low of $19 million and a high of $28 million.

Table 46: Daily Total VaR Measure (Rolling 12 Months)

Market Risk Governance The Finance Committee of our Board has primary oversight over market risk-taking activities of the Company and reviews the acceptable market risk appetite. The Corporate Risk Group’s Market Risk Committee, which reports to the Finance Committee of the Board, 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 developing a quantitative market risk model, establishing independent risk limits, calculating and analyzing 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. An automated limits-monitoring system enables a daily comprehensive review of multiple limits mandated across businesses. 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. We measure and monitor market risk for both management and regulatory capital purposes.

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

Model Risk Management Internal market risk models are governed by our Corporate Model Risk Committee (CMoI

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

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Model Risk Management Internal market risk models are governed by our Corporate Model Risk Committee (CMo

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.

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

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

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 47 provides information regarding our marketable and nonmarketable equity investments as of June 30, 2014, and December 31, 2013.

Table 47: Nonmarketable and Marketable Equity Investments

		June 30,	Dec. 31,
(in millions)		**2014**	2013
Nonmarketable equity investments:			
Cost method:			
Private equity investments	$	**2,310**	2,308
Federal bank stock		**4,546**	4,670
Total cost method		**6,856**	6,978
Equity method and other:			
LIHTC investments (1)		**6,347**	6,209
Private equity and other		**5,386**	5,782
Total equity method and other		**11,733**	11,991
Fair value (2)		**1,902**	1,386
Total nonmarketable equity investments (3)	$	**20,491**	20,355
Marketable equity securities:			
Cost	$	**1,935**	2,039
Net unrealized gains		**1,180**	1,346
Total marketable equity securities (4)	$	**3,115**	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.

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

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

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

Liquidity and Funding The objective of effective liquidity management is to ensure that we can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments efficiently under both normal operating conditions and under periods of Wells Fargo-specific and/or market stress. To achieve this objective, the Board of Directors establishes liquidity guidelines that require sufficient asset-based liquidity to cover potential funding requirements and to avoid over-dependence on volatile, less reliable funding markets. These guidelines are monitored on a monthly basis by the Corporate ALCO and on a quarterly basis by the Board of Directors. These guidelines are established and monitored for both the consolidated company and for the Parent on a stand-alone basis 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 48. 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 48: Primary Sources of Liquidity

				June 30, 2014				December 31, 2013
(in millions)		**Total**	**Encumbered**	**Unencumbered**		Total	Encumbered	Unencumbered
Interest-earning deposits	**$**	**207,080**	**-**	**207,080**	$	186,249	-	186,249
Securities of U.S. Treasury and federal agencies (1)		**24,328**	**882**	**23,446**		6,280	571	5,709
Mortgage-backed securities of federal agencies (2)		**123,050**	**60,975**	**62,075**		123,796	60,605	63,191
Total	**$**	**354,458**	**61,857**	**292,601**	$	316,325	61,176	255,149
(1)								

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

	Included in encumbered securities at June 30, 2014, were securities with a fair value of $300 million which were purchased in June, but settled in July 2014.
(2)	Included in encumbered securities at June 30, 2014, were securities with a fair value of $230 million, which were purchased in June, but settled in July 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 48, 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 June 30, 2014, core deposits were 122% 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 49 shows selected information for short-term borrowings, which generally mature in less than 30 days.

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

Table 49: Short-Term Borrowings

		Quarter ended				
(in millions)		**June 30, 2014**	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013
Balance, period end						
Federal funds purchased and securities sold under agreements to repurchase	$	**45,379**	39,254	36,263	36,881	38,486
Commercial paper		**4,261**	6,070	5,162	5,116	4,132
Other short-term borrowings		**12,209**	11,737	12,458	11,854	14,365
Total	$	**61,849**	57,061	53,883	53,851	56,983
Average daily balance for period						
Federal funds purchased and securities sold under agreements to repurchase	$	**42,233**	37,711	36,232	35,894	38,206
Commercial paper		**5,221**	5,713	4,731	4,610	4,855
Other short-term borrowings		**11,391**	11,078	11,323	12,899	14,751
Total	$	**58,845**	54,502	52,286	53,403	57,812
Maximum month-end balance for period						
Federal funds purchased and securities sold under agreements to repurchase (1)	$	**45,379**	39,589	36,263	36,881	39,451
Commercial paper (2)		**5,175**	6,070	5,162	5,116	5,500
Other short-term borrowings (3)		**12,209**	11,737	12,458	13,384	14,916

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

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

(3) Highest month-end balance in each of the last five quarters was in June and March 2014 and December, July and April 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 second quarter 2014, and both the Parent and Wells Fargo Bank, N.A. remain among the top-rated financial firms in the U.S. On June 24, 2014, DBRS confirmed all the ratings of Wells Fargo and its rated subsidiaries. Also, 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 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 June 30, 2014, are presented in Table 50.

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

Table 50: Credit Ratings

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

* middle **high

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

Parent Under SEC rules, our Parent is classified as a "well-known seasoned issuer," which allows it to file a registration statement that does not have a limit on issuance capacity. In May 2014, the Parent filed a registration statement with the SEC for the issuance of senior and subordinated notes, preferred stock and other securities. The Parent's ability to issue debt and other securities under this registration statement is limited by the debt issuance authority granted by the Board. The Parent is currently authorized by the Board to issue $60 billion in outstanding short-term debt and $170 billion in outstanding long-term debt. At June 30, 2014, the Parent had available $43.4 billion in short-term debt issuance authority and $73.5 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 the first half of 2014, the Parent issued $9.0 billion of senior notes, of which $6.2 billion were registered with the SEC. In addition, during the first half of 2014, the Parent issued $2.5 billion of subordinated notes, all of which were registered with the SEC. In addition, in July 2014, the Parent issued $250 million 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 51 provides information regarding the Parent's medium-term note (MTN) programs. The Parent may issue senior and subordinated debt securities under Series L & M, Series N & O, 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 51: Medium-Term Note (MTN) Programs

				June 30, 2014	
				Debt	Available
		Date		issuance	for
(in billions)		established		authority	issuance
MTN program:					
	Series L & M (1)	May 2012	$	25.0	0.9
	Series N & O (1) (2)	May 2014		-	-
	Series K (1) (3)	April 2010		25.0	22.1
	European (4) (5)	December 2009		25.0	13.9
	European (4) (6)	August 2013		10.0	10.0
	Australian (4) (7)	June 2005	AUD	10.0	5.7

(1) SEC registered.

(2) The Parent can issue an indeterminate amount of debt securities, subject to the debt issuance authority granted by the Board described above.

(3) As amended in April 2012.

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

(5) 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.

(6) 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.

(7) 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 June 30, 2014, Wells Fargo Bank, N.A. had available $99.7 billion in short-term debt issuance authority and $74.4 billion in long-term debt issuance authority. In March 2012, Wells Fargo Bank, N.A. established a $100 billion bank note program under which, subject to any other debt outstanding under the limits described above, it may issue $50 billion in outstanding short-term senior notes and $50 billion in outstanding long-term senior or subordinated notes. During the first half of 2014, Wells Fargo Bank, N.A. issued $2.8 billion of senior notes under the bank note program. At June 30, 2014, Wells Fargo Bank, N.A. had remaining issuance capacity under the bank note program of $50 billion in short-term senior notes and $33.8 billion in long-term senior or subordinated notes. In July 2014, Wells Fargo Bank, N.A. issued $350 million of senior notes. In addition, during the first half of 2014, Wells Fargo Bank, N.A. executed advances of $3.0 billion with the Federal Home Loan Bank of Des Moines and as of June 30, 2014, Wells Fargo Bank, N.A. had outstanding advances of $22.0 billion with the Federal Home Loan Bank of Des Moines.

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

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

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

time to time in Canada of up to CAD $7.0 billion in medium-term notes. At June 30, 2014, CAD $7.0 billion still remained available for future issuance under this prospectus. During the first half of 2014, WFCC issued CAD $1.3 billion in medium-term notes under a 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 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 $7.6 billion from December 31, 2013, predominantly from Wells Fargo net income of $11.6 billion, less common and preferred stock dividends of $4.0 billion. During second quarter 2014, we issued approximately 24 million shares of common stock. We also 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. In July 2014, we issued 32 million Depositary Shares, each representing 1/1000th interest in a share of the Company's newly issued Non-Cumulative Perpetual Class A Preferred Stock, Series T, for an aggregate public offering price of $800 million. During second quarter 2014, we repurchased approximately 24 million shares of common stock in open market transactions and from employee benefit plans, at a net cost of $1.2 billion, and 15 million shares of common stock in settlement of a $750 million forward purchase contract entered into in April 2014. In addition, the Company entered into a $1.0 billion forward purchase contract in June 2014 with an unrelated third party that settled in July 2014 for 19.5 million shares and, in July 2014, entered into a $1.0 billion forward purchase contract with an unrelated third party that is expected to settle in fourth quarter 2014 for approximately 21 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 June 30, 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.

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

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

- require a Tier 1 capital to average total consolidated assets ratio of 4% and introduce, for large and internationally active bank holding companies (BHCs), a Tier 1 supplementary leverage ratio of 3% that incorporates off-balance sheet exposures;

- revise Basel I rules for calculating RWA to enhance risk sensitivity under a standardized approach;

- modify the existing Basel II advanced approaches rules for calculating RWA to implement Basel III;

- deduct certain assets from CET1, such as deferred tax assets that could not be realized through net operating loss carry-backs, significant investments in non-consolidated financial entities, and MSRs, to the extent any one category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1;

- eliminate the accumulated other comprehensive income or loss filter that applies under RBC rules over a five-year phase in beginning in 2014; and

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

We were required to comply with the final Basel III capital rules beginning January 2014, with certain provisions subject to phase-in periods. The Basel III capital rules are scheduled to be fully phased-in by January 1, 2022. Based on the final capital rules, we estimate that our CET1 ratio under the final Basel III capital rules using the Advanced Approach (fully phased-in) exceeded the minimum of 7.0% by 314 basis points at June 30, 2014.

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

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

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

Capital Planning and Stress Testing

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

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

In addition to CCAR, federal banking regulators also require stress tests to evaluate whether an institution has sufficient capital to continue to operate during periods of adverse economic and financial conditions. These stress testing requirements set forth the timing and type of stress test activities large BHCs and banks must undertake as well as rules governing stress testing controls, oversight and disclosure requirements. The FRB recently proposed, but has not yet finalized, rules amending the existing capital plan and stress testing rules. The proposal would modify the start date of capital plan and stress testing cycles and would limit a large BHCs ability to make capital distributions to the extent its actual capital issuances were less than amounts indicated in its capital plan. As required under the FRB's stress testing rule, we completed a mid-cycle stress test based on March 31, 2014, data and scenarios developed by the Company. We submitted the results of the mid-cycle stress test to the FRB in July 2014 and expect to disclose a summary of the results in September 2014.

Securities Repurchases

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

Capital Management *(continued)*

acquisitions, market conditions (including the trading price of our stock), and regulatory and legal considerations, including the FRB's response to our capital plan and to changes in our risk profile.

In October 2012, the Board authorized the repurchase of 200 million shares, which was completed by July 2014. The Board authorized the repurchase of an additional 350 million shares in March 2014. At June 30, 2014, we had remaining authority to repurchase approximately 351 million shares, subject to regulatory and legal conditions. For more information about share repurchases during 2014, see Part II, Item 2 in this Report.

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

In connection with our participation in the Capital Purchase Program (CPP), a part of the Troubled Asset Relief Program (TARP), we issued to the U.S. Treasury Department warrants to purchase 110,261,688 shares of our common stock with an exercise price of $34.01 per share expiring on October 28, 2018. The terms of the warrants require the exercise price to be adjusted under certain circumstances when the Company's quarterly common stock dividend exceeds $0.34 per share, which occurred in second quarter 2014. Accordingly, with each quarterly common stock dividend above $0.34 per share, we must calculate whether an adjustment to the exercise price is required by the terms of the warrants, including whether certain minimum thresholds have been met to trigger an adjustment, and notify the holders of any such change. The Board authorized the repurchase by the Company of up to $1 billion of the warrants. At June 30, 2014, there were 39,108,764 warrants outstanding and exercisable and $452 million of unused warrant repurchase authority. Depending on market conditions, we may purchase from time to time additional warrants in privately negotiated or open market transactions, by tender offer or otherwise.

Risk-Based Capital and Risk-Weighted Assets

Table 52 and Table 53 provide information regarding the composition of and change in our risk-based capital, respectively, under Basel I and Basel III (General Approach).

Table 52: Risk-Based Capital Components

			Under Basel III (General Approach) (1)		Under Basel I
			June 30,		Dec. 31,
(in billions)			2014		2013
Total equity		$	181.5		171.0
Noncontrolling interests			(0.6)		(0.9)
Total Wells Fargo stockholders' equity			180.9		170.1
Adjustments:					
Preferred stock			(17.2)		(15.2)
Cumulative other comprehensive income (2)			(3.2)		(1.4)
Goodwill and other intangible assets (2)(3)			(25.6)		(29.6)
Investment in certain subsidiaries and other			(0.1)		(0.4)
Common Equity Tier 1 (1)(4)	(A)		134.8		123.5
Preferred stock			17.2		15.2
Qualifying hybrid securities and noncontrolling interests			-		2.0
Other			(0.3)		-
Total Tier 1 capital			151.7		140.7
Long-term debt and other instruments qualifying as Tier 2			24.0		20.5
Qualifying allowance for credit losses			13.8		14.3
Other			-		0.7
Total Tier 2 capital			37.8		35.5
Total qualifying capital	(B)	$	189.5		176.2
Basel III Risk-Weighted Assets (RWAs) (5) :					
Credit risk		$	1,145.7		
Market risk			46.8		
Basel I RWAs (5):					
Credit risk					1,105.2
Market risk					36.3
Total Basel III / Basel I RWAs	(C)	$	1,192.5		1,141.5
Capital Ratios:					
Common Equity Tier 1 to total RWAs	(A)/(C)		11.31	%	10.82
Total capital to total RWAs	(B)/(C)		15.89		15.43

(1) Basel III revises the definition of capital, increases minimum capital ratios, and introduces a minimum Common Equity Tier 1 (CET1) ratio. These changes are being fully phased-in effective January 1, 2014, through the end of 2021 and the capital ratios will be determined using Basel III

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

	(General Approach) RWAs during 2014. See Table 55 in this section for a summary of changes in RWAs from December 31, 2013, to June 30, 2014.
(2)	Under transition provisions to Basel III, cumulative other comprehensive income (previously deducted under Basel I) is included in CET1 over a specified phase-in period. In addition, certain intangible assets includable in CET1 are phased out over a specified period.
(3)	Goodwill and other intangible assets are net of any associated deferred tax liabilities.
(4)	CET1 (formerly Tier 1 common equity under Basel I) is a non-GAAP financial measure that is used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Management reviews CET1 along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliation to total equity, because of current interest in such information on the part of market participants.
(5)	Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total RWAs.

Capital Management ***(continued)***

Table 53: Analysis of Changes in Capital Under Basel III (General Approach)

(in billions)			
Common Equity Tier 1 at December 31, 2013		$	123.5
Net income			11.0
Common stock dividends			(3.4)
Common stock issued and repurchased			(2.4)
Goodwill and other intangible assets (net of any associated deferred tax liabilities)			4.0
Other			2.1
Change in Common Equity Tier 1			11.3
Common Equity Tier 1 at June 30, 2014		$	134.8
Tier 1 capital at December 31, 2013		$	140.7
Change in Common Equity Tier 1			11.3
Issuance of noncumulative perpetual preferred			2.0
Other			(2.3)
Change in Tier 1 capital			11.0
Tier 1 capital at June 30, 2014	(A)	$	151.7
Tier 2 capital at December 31, 2013		$	35.5
Change in long-term debt and other instruments qualifying as Tier 2			3.5
Change in qualifying allowance for credit losses			(0.5)
Other			(0.7)
Change in Tier 2 capital			2.3
Tier 2 capital at June 30, 2014	(B)		37.8
Total qualifying capital	(A) + (B)	$	189.5

Table 54 presents information on the components of RWAs included within our regulatory capital ratios. RWAs prior to 2014 were determined under Basel I, and RWAs in 2014 reflect the transition to Basel III (General Approach).

Table 54: Basel III (General Approach) RWAs / Basel I RWAs

(in millions)		June 30, 2014	Dec. 31, 2013
On-balance sheet RWAs			
Investment securities	$	**88,041**	93,445
Securities financing transactions (1)		**10,337**	10,385

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	Loans (2)		**699,825**		680,953
	Market risk		**46,782**		36,339
	Other		**108,916**		91,788
	Total on-balance sheet RWAs		**953,901**		912,910
Off-balance sheet RWAs					
	Commitments and guarantees (3)		**206,797**		199,197
	Derivatives		**11,159**		10,545
	Other		**20,646**		18,862
	Total off-balance sheet RWAs		**238,602**		228,604
	Total Basel III / Basel I RWAs	**$**	**1,192,503**		1,141,514

(1) Represents federal funds sold and securities purchased under resale agreements.

(2) Represents loans held for sale and loans held for investment.

(3) Primarily includes financial standby letters of credit and other unused commitments.

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Table 55 presents changes in RWAs for the first half of 2014. Effective January 1, 2014, we commenced transitioning RWAs from Basel I to Basel III (General Approach) under final rules adopted by federal banking regulators in July 2013.

Table 55: Analysis of Changes in RWAs

(in millions)		
Basel I RWAs at December 31, 2013	$	1,141,514
Net change in on-balance sheet RWAs:		
Investment securities		(5,404)
Securities financing transactions		(48)
Loans		18,872
Market risk		10,443
Other		17,128
Total change in on-balance sheet RWAs		40,991
Net change in off-balance sheet RWAs:		
Commitments and guarantees		7,600
Derivatives		614
Other		1,784
Total change in off-balance sheet RWAs		9,998
Total change in RWAs		50,989
Basel III (General Approach) RWAs at June 30, 2014	$	1,192,503

The increase in total RWAs from December 31, 2013, was primarily due to increased lending activity.

Table 56 provides information regarding our CET1 calculation as estimated under Basel III using the Advanced Approach, fully phased-in method.

Table 56: Common Equity Tier 1 Under Basel III (Advanced Approach, Fully Phased-In) (1)(2)

(in billions)		June 30, 2014
Common Equity Tier 1 (transition amount) under Basel III	$	134.8
Adjustments from transition amount to fully phased-in Basel III (3):		
Cumulative other comprehensive income		3.2
Other		(2.6)
Total adjustments		0.6

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Common Equity Tier 1 (fully phased-in) under Basel III	(C)	$	135.4	
Total RWAs anticipated under Basel III (4)	(D)	$	1,335.3	
Common Equity Tier 1 to total RWAs anticipated under Basel III (Advanced Approach, fully phased-in)	(C)/(D)		10.14	%

(1) CET1 is a non-GAAP financial measure that is used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Management reviews CET1 along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliation to total equity, because of current interest in such information on the part of market participants.

(2) The Basel III CET1 and RWAs are estimated based on the Basel III capital rules adopted July 2, 2013, by the FRB. The rules establish a new comprehensive capital framework for U.S. banking organizations that implement the Basel III capital framework and certain provisions of the Dodd-Frank Act. The rules are being fully phased-in effective January 1, 2014, through the end of 2021.

(3) Assumes cumulative other comprehensive income is fully phased-in and certain other intangible assets are fully phased out under Basel III capital rules.

(4) The final Basel III capital rules provide for two capital frameworks: the Standardized Approach intended to replace Basel I, and the Advanced Approach applicable to certain institutions. Under the final rules, we will be subject to the lower of our CET1 ratio calculated under the Standardized Approach and under the Advanced Approach in the assessment of our capital adequacy. Accordingly, the estimate of RWAs has been determined under the Advanced Approach because management's estimate of RWAs is currently higher using the Advanced Approach, and thus results in a lower CET1, compared with the Standardized Approach. Basel III capital rules adopted by the Federal Reserve Board incorporate different classification of assets, with risk weights based on Wells Fargo's internal models, along with adjustments to address a combination of credit/counterparty, operational and market risks, and other Basel III elements.

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

Regulatory Reform

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

The following supplements our discussion of the significant regulations and regulatory oversight initiatives that have affected or may affect our business contained in the "Regulatory Reform" and "Risk Factors" sections of our 2013 Form 10-K and the "Regulatory Reform" section of our 2014 First Quarter Report on Form 10-Q.

VOLCKER RULE The Volcker Rule, with limited exceptions, prohibits banking entities from engaging in proprietary trading or owning any interest in or sponsoring or having certain relationships with a hedge fund, a private equity fund or certain structured transactions that are deemed covered funds. On December 10, 2013, federal banking regulators, the SEC and CFTC (collectively, the "Volcker supervisory regulators") jointly released a final rule to implement the Volcker Rule's restrictions. Banking entities are not required to come into compliance with the Volcker Rule's restrictions until July 21, 2015. Banking entities with $50 billion or more in trading assets and liabilities such as Wells Fargo, however, are required to report to the Volcker supervisory regulators certain trading metrics beginning June 30, 2014. During the conformance period, banking entities are expected to engage in "good-faith" planning efforts, appropriate for their activities and investments, to enable them to conform all of their activities and investments to the Volcker Rule's restrictions by no later than July 21, 2015. Limited further extensions of the compliance period may be granted at the discretion of the FRB. The FRB recently announced that it intends to exercise its authority to give banking entities two additional one-year extensions to conform their ownership interests in and sponsorships of certain collateralized loan obligations that meet the definition of covered fund under the rule. As a banking entity with more than $50 billion in consolidated assets, we will also be subject to enhanced compliance program requirements. We continue to evaluate the final rule and assess its impact on our trading and investment activities, but we do not anticipate a material impact to our financial results from the rule as prohibited proprietary trading and covered fund investment activities are not significant to our financial results. Moreover, we already have reduced or exited certain businesses in anticipation of the rule's compliance date and expect to have to make limited divestments in non-conforming funds as a result of the rule.

ENHANCED REGULATION OF MONEY MARKET MUTUAL FUNDS On July 23, 2014, the SEC adopted a rule governing money market mutual funds that, among other things, requires significant structural changes to these funds, including requiring institutional prime money market funds to maintain a variable net asset value and providing for the imposition of liquidity fees and redemption gates for all non-governmental money market funds during periods in which they experience liquidity impairments of a certain magnitude. The SEC has provided a period of two years following the effective date of the rule for funds to comply with these structural changes.

REGULATION OF INTERCHANGE TRANSACTION FEES (THE DURBIN AMENDMENT) On October 1, 2011, the FRB rule enacted to implement the Durbin Amendment to the Dodd-Frank Act that limits debit card interchange transaction fees to those "reasonable" and "proportional" to the cost of the transaction became effective. The rule generally established that the maximum allowable interchange fee that an issuer may receive or charge for an electronic debit transaction is the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction. On July 31, 2013, the U.S. District Court for the District of Columbia ruled that the approach used by the FRB in setting the maximum allowable interchange transaction fee impermissibly included costs that were specifically excluded from consideration under the Durbin Amendment. The District Court's decision maintained the current interchange transaction fee standards until the FRB drafted new regulations or interim standards. In August 2013, the FRB filed a notice of appeal of the decision to the United States Court of Appeals for the District of Columbia. In September 2013, the Court of Appeals granted a joint motion for an expedited appeal, and the District Court's order was stayed pending the appeal. In March 2014, the Court of Appeals reversed the District Court's decision, but did direct the FRB to provide further explanation regarding its treatment of the costs of monitoring transactions. The plaintiffs did not file a petition for rehearing with the Court of Appeals but have requested and received an extension of time to file a petition for writ of certiorari with the U.S. Supreme Court.

"LIVING WILL" REQUIREMENTS AND RELATED MATTERS Rules adopted by the FRB and the FDIC under the Dodd-Frank Act require large financial institutions, including Wells Fargo, to prepare and periodically revise resolution plans, so-called "living wills", that would facilitate their resolution in the event of material distress or failure. Wells Fargo submitted its second annual resolution plan under these rules on June 26, 2014. Our national bank subsidiary, Wells Fargo Bank, N.A., is also required to prepare a resolution plan for the FDIC under separate regulatory authority and submitted its second annual plan on June 16, 2014.

Critical Accounting Policies

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Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2013 Form 10-K) are fundamental to understanding our results of operations and financial condition because they require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. Six of these policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. These policies govern:

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

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

Current Accounting Developments

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

- Accounting Standards Update (ASU or Update) 2014-12 – *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period*;
- ASU 2014-11 – *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*;
- ASU 2014-09 – *Revenue from Contracts With Customers* (Topic 606);
- ASU 2014-08 - *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*; and
- ASU 2014-01 - *Accounting for Investments in Qualified Affordable Housing Projects*.

ASU 2014-12 provides accounting guidance for employee share-based payment awards with a specific performance target. The Update clarifies that awards containing a performance target that affects vesting and could be achieved after the requisite service period should be treated as a performance condition. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the cost attributable to service periods that employees have already completed. This guidance is effective for us in first quarter 2016 with early adoption permitted. The guidance can be applied prospectively to awards granted or modified after the effective date or retrospectively to awards outstanding in the prior periods presented. The Update will not affect our consolidated financial statements as the guidance is consistent with our current practice.

ASU 2014-11 changes the accounting for certain repurchase agreements and similar transactions and requires new disclosures. The Update eliminates the difference in accounting treatment for repurchase agreements that settle at the same time as transferred financial assets (repurchase-to-maturity transactions) and repurchase agreements that settle before the maturity of the transferred financial asset. Under the new guidance, repurchase-to-maturity transactions must be accounted for as secured borrowings and not as sales with forward agreements, as is required under current accounting. The Update also requires separate accounting treatment for repurchase financing arrangements where an agreement to transfer a financial asset is executed at the same time as a repurchase agreement with the same counterparty. Under such arrangements, the repurchase agreement is accounted for as a secured borrowing. The new disclosure requirements include expanded information about transfers accounted for as sales, such as the carrying amount of assets derecognized and the amount of gross proceeds received. In addition, new disclosures will be required for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions, including the remaining contractual maturity of the agreements, and discussion of the potential risks associated with the agreements and related collateral. The accounting changes are effective for us in first quarter 2015 with early adoption prohibited. The disclosures are required in first quarter 2015 for transfers accounted for as sales with the remaining disclosures required in second quarter 2015. We are evaluating the impact this Update will have on our consolidated financial statements.

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

ASU 2014-09 modifies the guidance companies use to recognize revenue from contracts with customers for transfers of goods or services and transfers of nonfinancial assets, unless those contracts are within the scope of other standards. The Update requires that entities apply a specific method to recognize revenue reflecting the consideration expected from customers in exchange for the transfer of goods and services. The guidance also requires new qualitative and quantitative disclosures, including information about contract balances and performance obligations. Entities are also required to disclose significant judgments and changes in judgments for determining the satisfaction of performance obligations. The Update is effective for us in first quarter 2017 with retrospective application to prior periods presented or retrospectively as a cumulative effect adjustment in the period of adoption. Early adoption is not permitted. We are evaluating the impact this Update will have on our consolidated financial statements.

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

ASU 2014-01 amends the accounting guidance for investments in affordable housing projects that qualify for the low-income housing tax credit. The Update allows companies to make an accounting policy election to amortize the cost of its investments in proportion to the tax benefits received if certain criteria are met and present the amortization as a component of income tax expense. The new guidance is effective in first quarter 2015 with early adoption permitted. Additionally, the new accounting guidance requires incremental disclosures for all entities that invest in qualified affordable housing projects regardless of the policy election. We do not intend to adopt the accounting policy election permitted by the Update, and therefore, it will not affect our consolidated financial statements.

Forward-Looking Statements

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

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

- current and future economic and market conditions, including the effects of declines in housing prices, high unemployment rates, U.S. fiscal debt, budget and tax matters, and the overall slowdown in global economic growth;

- our capital and liquidity requirements (including under regulatory capital standards, such as the Basel III capital standards) and our ability to generate capital internally or raise capital on favorable terms;

- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and other legislation and regulation relating to bank products and services;

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

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

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

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

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

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

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

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

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

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

- fiscal and monetary policies of the Federal Reserve Board; and

- the other risk factors and uncertainties described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2013.

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

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

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

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

Risk Factors

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

Controls and Procedures

Disclosure Controls and Procedures

The Company’s management evaluated the effectiveness, as of June 30, 2014, of the Company’s disclosure controls and procedures. The Company’s chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company’s chief executive officer and chief financial officer concluded that the Company’s disclosure controls and procedures were effective as of June 30, 2014.

Internal Control Over Financial Reporting

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

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

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

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Income (Unaudited)

		Quarter ended June 30,		Six months ended June 30,	
(in millions, except per share amounts)		**2014**	2013	**2014**	2013
Interest income					
Trading assets	$	**407**	340	**781**	667
Investment securities		**2,112**	2,034	**4,222**	3,959
Mortgages held for sale		**195**	378	**365**	749
Loans held for sale		**1**	4	**3**	7
Loans		**8,852**	8,902	**17,598**	17,763
Other interest income		**226**	169	**436**	332
Total interest income		**11,793**	11,827	**23,405**	23,477
Interest expense					
Deposits		**275**	353	**554**	722
Short-term borrowings		**14**	17	**26**	37
Long-term debt		**620**	632	**1,239**	1,329
Other interest expense		**93**	75	**180**	140
Total interest expense		**1,002**	1,077	**1,999**	2,228
Net interest income		**10,791**	10,750	**21,406**	21,249
Provision for credit losses		**217**	652	**542**	1,871
Net interest income after provision for credit losses		**10,574**	10,098	**20,864**	19,378
Noninterest income					
Service charges on deposit accounts		**1,283**	1,248	**2,498**	2,462
Trust and investment fees		**3,609**	3,494	**7,021**	6,696
Card fees		**847**	813	**1,631**	1,551
Other fees		**1,088**	1,089	**2,135**	2,123
Mortgage banking		**1,723**	2,802	**3,233**	5,596
Insurance		**453**	485	**885**	948
Net gains from trading activities		**382**	331	**814**	901
Net gains (losses) on debt securities (1)		**71**	(54)	**154**	(9)
Net gains from equity investments (2)		**449**	203	**1,296**	316
Lease income		**129**	225	**262**	355
Other		**241**	(8)	**356**	449
Total noninterest income		**10,275**	10,628	**20,285**	21,388
Noninterest expense					
Salaries		**3,795**	3,768	**7,523**	7,431
Commission and incentive compensation		**2,445**	2,626	**4,861**	5,203
Employee benefits		**1,170**	1,118	**2,542**	2,701

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

Equipment		**445**		418		**935**		946
Net occupancy		**722**		716		**1,464**		1,435
Core deposit and other intangibles		**349**		377		**690**		754
FDIC and other deposit assessments		**225**		259		**468**		551
Other		**3,043**		2,973		**5,659**		5,634
Total noninterest expense		**12,194**		12,255		**24,142**		24,655
Income before income tax expense		**8,655**		8,471		**17,007**		16,111
Income tax expense		**2,869**		2,863		**5,146**		5,283
Net income before noncontrolling interests		**5,786**		5,608		**11,861**		10,828
Less: Net income from noncontrolling interests		**60**		89		**242**		138
Wells Fargo net income	**$**	**5,726**		5,519		**11,619**		10,690
Less: Preferred stock dividends and other		**302**		247		**588**		487
Wells Fargo net income applicable to common stock	**$**	**5,424**		5,272		**11,031**		10,203
Per share information								
Earnings per common share	**$**	**1.02**		1.00		**2.09**		1.93
Diluted earnings per common share		**1.01**		0.98		**2.06**		1.90
Dividends declared per common share		**0.35**		0.30		**0.65**		0.55
Average common shares outstanding		**5,268.4**		5,304.7		**5,265.6**		5,291.9
Diluted average common shares outstanding		**5,350.8**		5,384.6		**5,353.2**		5,369.9

(1) Total other-than-temporary impairment (OTTI) losses (reversal of losses) were $3 million and $64 million for second quarter 2014 and 2013, respectively. Of total OTTI, losses of $13 million and $71 million were recognized in earnings, and reversal of losses of $(10) million and $(7) million were recognized as non-credit-related OTTI in other comprehensive income for second quarter 2014 and 2013, respectively. Total other-than-temporary impairment (OTTI) losses (reversal of losses) were $(11) million and $49 million for the first half of 2014 and 2013, respectively. Of total OTTI, losses of $20 million and $105 million were recognized in earnings, and reversal of losses of $(31) million and $(56) million were recognized as non-credit-related OTTI in other comprehensive income for the first half of 2014 and 2013, respectively.

(2) Includes OTTI losses of $69 million and $40 million for second quarter 2014 and 2013, respectively, and $197 million and $84 million for the first half of 2014 and 2013, respectively.

The accompanying notes are an integral part of these statements.

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

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Comprehensive Income (Unaudited)

		Quarter ended June 30,		Six months ended June 30,	
(in millions)		**2014**	2013	**2014**	2013
Wells Fargo net income	$	**5,726**	5,519	**11,619**	10,690
Other comprehensive income (loss), before tax:					
Investment securities:					
Net unrealized gains (losses) arising during the period		**2,085**	(6,130)	**4,810**	(6,764)
Reclassification of net (gains) losses to net income		**(150)**	30	**(544)**	(83)
Derivatives and hedging activities:					
Net unrealized gains (losses) arising during the period		**212**	(10)	**256**	(3)
Reclassification of net gains on cash flow hedges to net income		**(115)**	(69)	**(221)**	(156)
Defined benefit plans adjustments:					
Net actuarial gains (losses) arising during the period		**(12)**	772	**(12)**	778
Amortization of net actuarial loss, settlements and other to net income		**20**	113	**38**	162
Foreign currency translation adjustments:					
Net unrealized gains (losses) arising during the period		**17**	(21)	**-**	(39)
Reclassification of net (gains) losses to net income		**-**	(15)	**6**	(15)
Other comprehensive income (loss), before tax		**2,057**	(5,330)	**4,333**	(6,120)
Income tax (expense) benefit related to other comprehensive income		**(816)**	1,979	**(1,647)**	2,267
Other comprehensive income (loss), net of tax		**1,241**	(3,351)	**2,686**	(3,853)
Less: Other comprehensive loss from noncontrolling interests		**(124)**	(3)	**(45)**	-
Wells Fargo other comprehensive income (loss), net of tax		**1,365**	(3,348)	**2,731**	(3,853)
Wells Fargo comprehensive income		**7,091**	2,171	**14,350**	6,837
Comprehensive income (loss) from noncontrolling interests		**(64)**	86	**197**	138

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

Total comprehensive income	**$**	**7,027**		2,257		**14,547**		6,975

The accompanying notes are an integral part of these statements.

72

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

Wells Fargo & Company and Subsidiaries

Consolidated Balance Sheet

(in millions, except shares)		June 30, 2014	Dec. 31, 2013
		(Unaudited)	
Assets			
Cash and due from banks	$	**20,635**	19,919
Federal funds sold, securities purchased under resale agreements and other short-term investments		**238,719**	213,793
Trading assets		**71,674**	62,813
Investment securities:			
Available-for-sale, at fair value		**248,961**	252,007
Held-to-maturity, at cost (fair value $30,386 and $12,247)		**30,108**	12,346
Mortgages held for sale (includes $16,448 and $13,879 carried at fair value) (1)		**21,064**	16,763
Loans held for sale (includes $1 and $1 carried at fair value) (1)		**9,762**	133
Loans (includes $5,926 and $5,995 carried at fair value) (1)(2)		**828,942**	822,286
Allowance for loan losses		**(13,101)**	(14,502)
Net loans (2)		**815,841**	807,784
Mortgage servicing rights:			
Measured at fair value		**13,900**	15,580
Amortized		**1,196**	1,229
Premises and equipment, net		**8,977**	9,156
Goodwill		**25,705**	25,637
Other assets (includes $1,902 and $1,386 carried at fair value) (1)		**92,332**	86,342
Total assets (2)(3)	$	**1,598,874**	1,523,502
Liabilities			
Noninterest-bearing deposits	$	**308,099**	288,117
Interest-bearing deposits		**810,478**	791,060
Total deposits		**1,118,577**	1,079,177
Short-term borrowings		**61,849**	53,883
Accrued expenses and other liabilities (2)		**69,021**	66,436
Long-term debt		**167,878**	152,998
Total liabilities (2)(4)		**1,417,325**	1,352,494
Equity			
Wells Fargo stockholders' equity:			
Preferred stock		**18,749**	16,267
Common stock – $1-2/3 par value, authorized 9,000,000,000 shares;			
issued 5,481,811,474 shares and 5,481,811,474 shares		**9,136**	9,136

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

Additional paid-in capital		**59,926**	60,296
Retained earnings		**99,926**	92,361
Cumulative other comprehensive income		**4,117**	1,386
Treasury stock – 231,916,784 shares and 224,648,769 shares		**(9,271)**	(8,104)
Unearned ESOP shares		**(1,724)**	(1,200)
Total Wells Fargo stockholders' equity		**180,859**	170,142
Noncontrolling interests		**690**	866
Total equity		**181,549**	171,008
Total liabilities and equity (2)	**$**	**1,598,874**	1,523,502

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

(2) Financial information for certain periods prior to 2014 was revised to reflect our determination that certain factoring arrangements did not qualify as loans. See Note 1 for more information.

(3) Our consolidated assets at June 30, 2014 and December 31, 2013, include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs: Cash and due from banks, $175 million and $165 million; Trading assets, $34 million and $162 million; Investment Securities, $1.1 billion and $1.4 billion; Mortgages held for sale, $0 million and $38 million; Net loans, $5.5 billion and $6.0 billion; Other assets, $326 million and $347 million, and Total assets, $7.2 billion and $8.1 billion, respectively.

(4) Our consolidated liabilities at June 30, 2014 and December 31, 2013, include the following VIE liabilities for which the VIE creditors do not have recourse to Wells Fargo: Short-term borrowings, $16 million and $29 million; Accrued expenses and other liabilities, $48 million and $90 million; Long-term debt, $2.1 billion and $2.3 billion; and Total liabilities, $2.2 billion and $2.4 billion, respectively.

The accompanying notes are an integral part of these statements.

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

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity (Unaudited)

	Preferred stock		Common stock	
(in millions, except shares)	*Shares*	Amount	*Shares*	Amount
Balance January 1, 2013	*10,558,865*	$ 12,883	*5,266,314,176*	$ 9,136
Net income				
Other comprehensive income (loss), net of tax				
Noncontrolling interests				
Common stock issued			*60,150,600*	
Common stock repurchased (1)			*(43,293,905)*	
Preferred stock issued to ESOP	*1,200,000*	1,200		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(719,590)*	(720)	*18,985,851*	
Preferred stock issued	*25,000*	625		
Common stock dividends				
Preferred stock dividends				
Tax benefit from stock incentive compensation				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Net change	*505,410*	1,105	*35,842,546*	-
Balance June 30, 2013	*11,064,275*	$ 13,988	*5,302,156,722*	$ 9,136
Balance January 1, 2014	***10,881,195***	**$ 16,267**	***5,257,162,705***	**$ 9,136**
Net income				
Other comprehensive income (loss), net of tax				
Noncontrolling interests				
Common stock issued			***50,949,650***	

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

Common stock repurchased (1)							***(72,897,568)***			
Preferred stock issued to ESOP		***1,217,000***			**1,217**					
Preferred stock released by ESOP										
Preferred stock converted to common shares		***(735,699)***			**(735)**		***14,679,903***			
Preferred stock issued		***80,000***			**2,000**					
Common stock dividends										
Preferred stock dividends										
Tax benefit from stock incentive compensation										
Stock incentive compensation expense										
Net change in deferred compensation and related plans										
Net change		***561,301***			**2,482**		***(7,268,015)***			**-**
Balance June 30, 2014		***11,442,496***		**$**	**18,749**		***5,249,894,690***		**$**	**9,136**

(1) For the first half of 2014, includes $1.0 billion related to a private forward repurchase transaction entered into in second quarter 2014 that settled in July 2014 for 19.5 million shares of common stock. For the first half of 2013, includes $500 million related to a private forward repurchase transaction entered into in second quarter 2013 that settled in third quarter 2013 for 12.5 million shares of common stock. See Note 1 for additional information.

The accompanying notes are an integral part of these statements.

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

			Wells Fargo stockholders' equity				
		Cumulative			Total		
Additional		other		Unearned	Wells Fargo		
paid-in capital	Retained earnings	comprehensive income	Treasury stock	ESOP shares	stockholders' equity	Noncontrolling interests	Total equity
59,802	77,679	5,650	(6,610)	(986)	157,554	1,357	158,911
	10,690				10,690	138	10,828
		(3,853)			(3,853)	-	(3,853)
(1)					(1)	(139)	(140)
14	(10)		1,795		1,799		1,799
(300)			(1,636)		(1,936)		(1,936)
108				(1,308)	-		-
(64)				784	720		720
136			584		-		-
(15)					610		610
39	(2,950)				(2,911)		(2,911)
	(486)				(486)		(486)
156					156		156
462					462		462
(392)			9		(383)		(383)
143	7,244	(3,853)	752	(524)	4,867	(1)	4,866
59,945	84,923	1,797	(5,858)	(1,510)	162,421	1,356	163,777
60,296	**92,361**	**1,386**	**(8,104)**	**(1,200)**	**170,142**	**866**	**171,008**
	11,619				**11,619**	**242**	**11,861**
		2,731			**2,731**	**(45)**	**2,686**
(1)					**(1)**	**(373)**	**(374)**
(176)			**1,749**		**1,573**		**1,573**
(500)			**(3,479)**		**(3,979)**		**(3,979)**
108				**(1,325)**	**-**		**-**
(66)				**801**	**735**		**735**
182			**553**		**-**		**-**
(5)					**1,995**		**1,995**
44	**(3,467)**				**(3,423)**		**(3,423)**
	(587)				**(587)**		**(587)**
330					**330**		**330**
538					**538**		**538**

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

(824)						**10**				**(814)**			**(814)**
(370)		**7,565**		**2,731**		**(1,167)**		**(524)**		**10,717**		**(176)**	**10,541**
59,926		**99,926**		**4,117**		**(9,271)**		**(1,724)**		**180,859**		**690**	**181,549**

75

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

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Cash Flows (Unaudited)

		Six months ended June 30,	
(in millions)		**2014**	2013
Cash flows from operating activities:			
Net income before noncontrolling interests	$	**11,861**	10,828
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses		**542**	1,871
Changes in fair value of MSRs, MHFS and LHFS carried at fair value		**1,040**	(2,269)
Depreciation, amortization and accretion		**1,303**	1,643
Other net gains		**(118)**	(6,404)
Stock-based compensation		**1,144**	1,139
Excess tax benefits related to stock incentive compensation		**(330)**	(158)
Originations of MHFS		**(68,250)**	(203,840)
Proceeds from sales of and principal collected on mortgages originated for sale		**54,849**	191,426
Proceeds from sales of and principal collected on LHFS		**192**	242
Purchases of LHFS		**(102)**	(187)
Net change in:			
Trading assets		**2,679**	27,924
Deferred income taxes		**(470)**	2,170
Accrued interest receivable		**3**	(186)
Accrued interest payable		**326**	198
Other assets		**(6,170)**	(1,156)
Other accrued expenses and liabilities		**1,103**	(1,126)
Net cash provided (used) by operating activities		**(398)**	22,115
Cash flows from investing activities:			
Net change in:			
Federal funds sold, securities purchased under resale agreements			
and other short-term investments		**(23,667)**	(13,047)
Available-for-sale securities:			
Sales proceeds		**1,670**	2,166
Prepayments and maturities		**16,573**	27,721
Purchases		**(10,954)**	(52,238)
Held-to-maturity securities:			
Paydowns and maturities		**3,422**	-
Purchases		**(20,637)**	-
Nonmarketable equity investments:			

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

Sales proceeds	**1,897**	1,133
Purchases	**(1,565)**	(998)
Loans:		
Loans originated by banking subsidiaries, net of principal collected	**(29,987)**	(15,275)
Proceeds from sales (including participations) of loans originated for		
investment	**9,209**	4,692
Purchases (including participations) of loans	**(2,783)**	(3,729)
Principal collected on nonbank entities' loans	**6,455**	12,012
Loans originated by nonbank entities	**(6,054)**	(10,410)
Net cash paid for acquisitions	**(174)**	-
Proceeds from sales of foreclosed assets and short sales	**4,299**	5,358
Net cash from purchases and sales of MSRs	**(72)**	530
Other, net	**(377)**	1,109
Net cash used by investing activities	**(52,745)**	(40,976)
Cash flows from financing activities:		
Net change in:		
Deposits	**39,400**	18,750
Short-term borrowings	**7,966**	(203)
Long-term debt:		
Proceeds from issuance	**18,493**	15,712
Repayment	**(6,733)**	(16,076)
Preferred stock:		
Proceeds from issuance	**1,995**	610
Cash dividends paid	**(570)**	(486)
Common stock:		
Proceeds from issuance	**1,052**	1,337
Repurchased	**(3,979)**	(1,838)
Cash dividends paid	**(3,347)**	(2,850)
Excess tax benefits related to stock incentive compensation	**330**	158
Net change in noncontrolling interests	**(850)**	(174)
Other, net	**102**	-
Net cash provided by financing activities	**53,859**	14,940
Net change in cash and due from banks	**716**	(3,921)
Cash and due from banks at beginning of period	**19,919**	21,860
Cash and due from banks at end of period	**$ 20,635**	17,939
Supplemental cash flow disclosures:		
Cash paid for interest	**$ 1,673**	2,030
Cash paid for income taxes	**4,091**	4,883

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

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

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

Note 1: Summary of Significant Accounting Policies

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

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

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

Accounting for Certain Factored Loan Receivable Arrangements

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

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

Accounting Standards Adopted in 2014

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

- Accounting Standards Update (ASU or Update) 2014-04, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40) – Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*;

- ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*; and

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

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

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

ASU 2013-08 amends the scope, measurement and disclosure requirements for investment companies. The Update changes criteria companies use to assess whether an entity is an investment company. In addition, investment companies must measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting. This Update also requires new disclosures, including information about changes, if any, in an entity's status as an investment company and information about financial support provided or contractually required to be provided by an investment company to any of its investees. We adopted this guidance in first quarter 2014. The Update did not have a material effect on our consolidated financial statements, as our existing practice complies with the requirements.

Private Share Repurchases

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

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

In June 2014, we entered into a private forward repurchase contract and paid $1.0 billion to an unrelated third party. This contract settled in July 2014 for 19.5 million shares of common stock. At June 30, 2013, we had a $500 million private repurchase contract outstanding that settled in third quarter 2013 for 12.5 million shares of common stock.

Supplemental Cash Flow Information Significant noncash activities are presented below.

	Six months ended June 30,			
(in millions)		**2014**		2013
Trading assets retained from securitization of MHFS	$	**12,373**		29,074
Transfers from loans to MHFS		**6,662**		4,855
Transfers from loans to LHFS		**9,828**		133
Transfers from loans to foreclosed assets (1)		**2,268**		1,563

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(1) Includes $1.4 billion and $687 million in transfers of government insured/guaranteed loans for the six months ended June 30, 2014 and 2013, respectively. Six months ended June 30, 2013, has been revised to correct previously reported amount.

Subsequent Events We have evaluated the effects of events that have occurred subsequent to June 30, 2014, and there have been no material events that would require recognition in our second quarter 2014 consolidated financial statements or disclosure in the Notes to the consolidated financial statements.

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Note 2: Business Combinations

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

In the first half of 2014, we completed one acquisition of a railcar and locomotive leasing business with combined total assets of $422 million. We had no pending business combinations as of June 30, 2014.

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

The following table provides the detail of federal funds sold, securities purchased under short-term resale agreements (generally less than one year) and other short-term investments. The majority of interest-earning deposits at June 30, 2014 and December 31, 2013, were held at the Federal Reserve.

	June 30,	Dec. 31,
(in millions)	**2014**	2013

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Federal funds sold and securities					
	purchased under resale agreements	$	**29,432**		25,801
Interest-earning deposits			**207,080**		186,249
Other short-term investments			**2,207**		1,743
	Total	$	**238,719**		213,793

We have classified securities purchased under long-term resale agreements (generally one year or more), which totaled $9.7 billion and $10.1 billion at June 30, 2014 and December 31, 2013, respectively, in loans. For additional information on the collateral we receive from other entities under resale agreements and securities borrowings, see the “Offsetting of Resale and Repurchase Agreements and Securities Borrowing and Lending Agreements” section of Note 10 (Guarantees, Pledged Assets and Collateral).

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Note 4: Investment Securities

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

(in millions)	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
June 30, 2014				
Available-for-sale securities:				
Securities of U.S. Treasury and federal agencies	**$ 6,565**	**15**	**(166)**	**6,414**
Securities of U.S. states and political subdivisions	**43,193**	**1,838**	**(252)**	**44,779**
Mortgage-backed securities:				
Federal agencies	**115,659**	**2,912**	**(1,663)**	**116,908**
Residential	**9,830**	**1,407**	**(18)**	**11,219**
Commercial	**17,164**	**1,105**	**(55)**	**18,214**
Total mortgage-backed securities	**142,653**	**5,424**	**(1,736)**	**146,341**
Corporate debt securities	**18,615**	**1,024**	**(60)**	**19,579**
Collateralized loan and other debt obligations (1)	**20,314**	**585**	**(68)**	**20,831**
Other (2)	**7,469**	**438**	**(5)**	**7,902**
Total debt securities	**238,809**	**9,324**	**(2,287)**	**245,846**
Marketable equity securities:				
Perpetual preferred securities	**1,640**	**174**	**(52)**	**1,762**
Other marketable equity securities	**295**	**1,058**	**-**	**1,353**
Total marketable equity securities	**1,935**	**1,232**	**(52)**	**3,115**
Total available-for-sale securities	**240,744**	**10,556**	**(2,339)**	**248,961**
Held-to-maturity securities:				
Securities of U.S. Treasury and federal agencies	**17,777**	**141**	**(4)**	**17,914**
Securities of U.S. states and political subdivisions	**41**	**-**	**-**	**41**
Federal agency mortgage-backed securities	**6,030**	**112**	**-**	**6,142**
Collateralized loan and other debt obligations (1)	**1,162**	**3**	**-**	**1,165**
Other (2)	**5,098**	**26**	**-**	**5,124**
	30,108	**282**	**(4)**	**30,386**

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Total held-to-maturity securities					
Total	**$**	**270,852**	**10,838**	**(2,343)**	**279,347**
December 31, 2013					
Available-for-sale securities:					
Securities of U.S. Treasury and federal agencies	$	6,592	17	(329)	6,280
Securities of U.S. states and political subdivisions		42,171	1,092	(727)	42,536
Mortgage-backed securities:					
Federal agencies		119,303	1,902	(3,614)	117,591
Residential		11,060	1,433	(40)	12,453
Commercial		17,689	1,173	(115)	18,747
Total mortgage-backed securities		148,052	4,508	(3,769)	148,791
Corporate debt securities		20,391	976	(140)	21,227
Collateralized loan and other debt obligations (1)		19,610	642	(93)	20,159
Other (2)		9,232	426	(29)	9,629
Total debt securities		246,048	7,661	(5,087)	248,622
Marketable equity securities:					
Perpetual preferred securities		1,703	222	(60)	1,865
Other marketable equity securities		336	1,188	(4)	1,520
Total marketable equity securities		2,039	1,410	(64)	3,385
Total available-for-sale securities		248,087	9,071	(5,151)	252,007
Held-to-maturity securities:					
Federal agency mortgage-backed securities		6,304	-	(99)	6,205
Other (2)		6,042	-	-	6,042
Total held-to-maturity securities		12,346	-	(99)	12,247
Total	$	260,433	9,071	(5,250)	264,254

(1) The available-for-sale portfolio includes collateralized debt obligations (CDOs) with a cost basis and fair value of $426 million and $580 million, respectively, at June 30, 2014, and $509 million and $693 million, respectively, at December 31, 2013. The held-to-maturity portfolio only includes collateralized loan obligations.

(2) The "Other" category of available-for-sale securities predominantly includes asset-backed securities collateralized by credit cards, student loans, home equity loans and auto leases or loans and cash reserves. Included in the "Other" category of held-to-maturity securities are asset-backed securities collateralized by auto leases or loans and cash reserves with a cost basis and fair value of $4.0 billion each at June 30, 2014, and $4.3 billion each at December 31, 2013. Also included in the "Other" category of held-to-maturity securities are asset-backed securities collateralized by dealer floorplan loans with a cost basis and fair value of $1.1 billion each at June 30, 2014, and $1.7 billion each at December 31, 2013.

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Note 4: Investment Securities *(continued)*

Gross Unrealized Losses and Fair Value

The following table shows the gross unrealized losses and fair value of securities in the investment securities portfolio by length of time that individual securities in each category had been in a continuous loss position. Debt securities on which we have taken credit-related OTTI write-downs are categorized as being "less than 12 months" or "12 months or more" in a continuous loss position based on the point in time that the fair value declined to below the cost basis and not the period of time since the credit-related OTTI write-down.

		Less than 12 months		12 months or more		Total	
(in millions)		Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
June 30, 2014							
Available-for-sale securities:							
Securities of U.S. Treasury and federal agencies	$	**-**	**-**	**(166)**	**5,799**	**(166)**	**5,799**
Securities of U.S. states and political subdivisions		**(11)**	**1,841**	**(241)**	**5,043**	**(252)**	**6,884**
Mortgage-backed securities:							
Federal agencies		**(19)**	**5,559**	**(1,644)**	**41,343**	**(1,663)**	**46,902**
Residential		**(8)**	**294**	**(10)**	**137**	**(18)**	**431**
Commercial		**(1)**	**262**	**(54)**	**1,801**	**(55)**	**2,063**
Total mortgage-backed securities		**(28)**	**6,115**	**(1,708)**	**43,281**	**(1,736)**	**49,396**
Corporate debt securities		**(2)**	**296**	**(58)**	**1,461**	**(60)**	**1,757**
Collateralized loan and other debt obligations		**(10)**	**2,392**	**(58)**	**3,123**	**(68)**	**5,515**
Other		**(1)**	**94**	**(4)**	**432**	**(5)**	**526**
Total debt securities		**(52)**	**10,738**	**(2,235)**	**59,139**	**(2,287)**	**69,877**
Marketable equity securities:							
Perpetual preferred securities		**(22)**	**290**	**(30)**	**384**	**(52)**	**674**
Total marketable equity securities		**(22)**	**290**	**(30)**	**384**	**(52)**	**674**
Total available-for-sale securities		**(74)**	**11,028**	**(2,265)**	**59,523**	**(2,339)**	**70,551**

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Held-to-maturity securities:									
Securities of U.S. Treasury and federal agencies		**(4)**	**2,568**		**-**	**-**		**(4)**	**2,568**
Total held-to-maturity securities		**(4)**	**2,568**		**-**	**-**		**(4)**	**2,568**
Total	**$**	**(78)**	**13,596**		**(2,265)**	**59,523**		**(2,343)**	**73,119**
December 31, 2013									
Available-for-sale securities:									
Securities of U.S. Treasury and federal agencies	$	(329)	5,786		-	-		(329)	5,786
Securities of U.S. states and political subdivisions		(399)	9,238		(328)	4,120		(727)	13,358
Mortgage-backed securities:									
Federal agencies		(3,562)	67,045		(52)	1,132		(3,614)	68,177
Residential		(18)	1,242		(22)	232		(40)	1,474
Commercial		(15)	2,128		(100)	2,027		(115)	4,155
Total mortgage-backed securities		(3,595)	70,415		(174)	3,391		(3,769)	73,806
Corporate debt securities		(85)	2,542		(55)	428		(140)	2,970
Collateralized loan and other debt obligations		(55)	7,202		(38)	343		(93)	7,545
Other		(11)	1,690		(18)	365		(29)	2,055
Total debt securities		(4,474)	96,873		(613)	8,647		(5,087)	105,520
Marketable equity securities:									
Perpetual preferred securities		(28)	424		(32)	308		(60)	732
Other marketable equity securities		(4)	34		-	-		(4)	34
Total marketable equity securities		(32)	458		(32)	308		(64)	766
Total available-for-sale securities		(4,506)	97,331		(645)	8,955		(5,151)	106,286
Held-to-maturity securities:									
Federal agency mortgage-backed securities		(99)	6,153		-	-		(99)	6,153
Total held-to-maturity securities		(99)	6,153		-	-		(99)	6,153
Total	$	(4,605)	103,484		(645)	8,955		(5,250)	112,439

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

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

The following table shows the gross unrealized losses and fair value of debt and perpetual preferred investment securities by those rated investment grade and those rated less than investment grade, according to their lowest credit rating by Standard & Poor's Rating Services (S&P) or Moody's Investors Service (Moody's). Credit ratings express opinions about the credit quality of a security. Securities rated investment grade, that is those rated BBB- or higher by S&P or Baa3 or higher by Moody's, are generally considered by the rating agencies and market participants to be low credit risk. Conversely, securities rated below investment grade, labeled as "speculative grade" by the rating agencies, are considered to be distinctively higher credit risk than investment grade securities. We have also included securities not rated by S&P or Moody's in the table below based on the internal credit grade of the securities (used for credit risk management purposes) equivalent to the credit rating assigned by major credit agencies. The unrealized losses and fair value of unrated securities categorized as investment grade based on internal credit grades were $5 million and $1.6 billion, respectively, at June 30, 2014, and $18 million and $1.9 billion, respectively, at December 31, 2013. If an internal credit grade was not assigned, we categorized the security as non-investment grade.

		Investment grade		Non-investment grade	
(in millions)		Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
June 30, 2014					
Available-for-sale securities:					
Securities of U.S. Treasury and federal agencies	**$**	**(166)**	**5,799**	**-**	**-**
Securities of U.S. states and political subdivisions		**(217)**	**6,370**	**(35)**	**514**
Mortgage-backed securities:					
Federal agencies		**(1,663)**	**46,902**	**-**	**-**
Residential		**-**	**-**	**(18)**	**431**
Commercial		**(17)**	**1,752**	**(38)**	**311**
Total mortgage-backed securities		**(1,680)**	**48,654**	**(56)**	**742**
Corporate debt securities		**(30)**	**1,476**	**(30)**	**281**

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Collateralized loan and other debt obligations		**(53)**	**5,392**	**(15)**	**123**
Other		**(3)**	**507**	**(2)**	**19**
Total debt securities		**(2,149)**	**68,198**	**(138)**	**1,679**
Perpetual preferred securities		**(52)**	**674**	**-**	**-**
Total available-for-sale securities		**(2,201)**	**68,872**	**(138)**	**1,679**
Held-to-maturity securities:					
Securities of U.S. Treasury and federal agencies		**(4)**	**2,568**	**-**	**-**
Total held-to-maturity securities		**(4)**	**2,568**	**-**	**-**
Total	**$**	**(2,205)**	**71,440**	**(138)**	**1,679**
December 31, 2013					
Available-for-sale securities:					
Securities of U.S. Treasury and federal agencies	$	(329)	5,786	-	-
Securities of U.S. states and political subdivisions		(671)	12,915	(56)	443
Mortgage-backed securities:					
Federal agencies		(3,614)	68,177	-	-
Residential		(2)	177	(38)	1,297
Commercial		(46)	3,364	(69)	791
Total mortgage-backed securities		(3,662)	71,718	(107)	2,088
Corporate debt securities		(96)	2,343	(44)	627
Collateralized loan and other debt obligations		(72)	7,376	(21)	169
Other		(19)	1,874	(10)	181
Total debt securities		(4,849)	102,012	(238)	3,508
Perpetual preferred securities		(60)	732	-	-
Total available-for-sale securities		(4,909)	102,744	(238)	3,508
Held-to-maturity securities:					
Federal agency mortgage-backed securities		(99)	6,153	-	-
Total held-to-maturity securities		(99)	6,153	-	-
Total	$	(5,008)	108,897	(238)	3,508

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Note 4: Investment Securities *(continued)*

Contractual Maturities

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

			Remaining contractual matur							
	Total		Within one year		After one year through five years		After five years through ten years		After ten yea	
(in millions)	amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yie
June 30, 2014										
Available-for-sale securities (1):										
Securities of U.S. Treasury and federal agencies	**$ 6,414**	**1.67 %**	**$ 199**	**1.32 %**	**$ 578**	**1.49 %**	**$ 5,637**	**1.70 %**	**$ -**	
Securities of U.S. states and political subdivisions	**44,779**	**5.48**	**2,680**	**2.10**	**9,043**	**2.08**	**3,470**	**4.97**	**29,586**	**6.8**
Mortgage-backed securities:										
Federal agencies	**116,908**	**3.28**	**-**	**-**	**327**	**2.73**	**923**	**3.38**	**115,658**	**3.2**
Residential	**11,219**	**4.37**	**-**	**-**	**11**	**4.80**	**85**	**5.58**	**11,123**	**4.3**
Commercial	**18,214**	**5.22**	**1**	**0.70**	**29**	**2.78**	**6**	**1.63**	**18,178**	**5.2**
Total mortgage-backed securities	**146,341**	**3.61**	**1**	**0.70**	**367**	**2.80**	**1,014**	**3.55**	**144,959**	**3.6**
Corporate debt securities	**19,579**	**4.19**	**4,635**	**1.65**	**7,762**	**4.47**	**5,845**	**5.47**	**1,337**	**5.7**
Collateralized loan and										
	20,831	**1.67**	**23**	**1.94**	**1,072**	**0.69**	**8,423**	**1.50**	**11,313**	**1.9**

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

other debt obligations										
Other	**7,902**	**1.75**	**65**	**2.06**	**2,552**	**1.94**	**1,027**	**1.42**	**4,258**	**1.7**
Total available-for-sale debt securities at fair value	**$ 245,846**	**3.72 %**	**$ 7,603**	**1.81 %**	**$ 21,374**	**2.86 %**	**$ 25,416**	**3.01 %**	**$ 191,453**	**3.9**
December 31, 2013										
Available-for-sale securities (1):										
Securities of U.S. Treasury and federal agencies	$ 6,280	1.66 %	$ 86	0.54 %	$ 701	1.45 %	$ 5,493	1.71 %	$ -	
Securities of U.S. states and political subdivisions	42,536	5.30	4,915	1.84	7,901	2.19	3,151	5.19	26,569	6.8
Mortgage-backed securities:										
Federal agencies	117,591	3.33	1	7.14	398	2.71	956	3.46	116,236	3.3
Residential	12,453	4.31	-	-	-	-	113	5.43	12,340	4.3
Commercial	18,747	5.24	-	-	52	3.33	59	0.96	18,636	5.2
Total mortgage-backed securities	148,791	3.65	1	7.14	450	2.78	1,128	3.52	147,212	3.6
Corporate debt securities	21,227	4.18	6,136	2.06	7,255	4.22	6,528	5.80	1,308	5.7
Collateralized loan and other debt obligations	20,159	1.59	40	0.25	1,100	0.63	7,750	1.29	11,269	1.8
Other	9,629	1.80	906	2.53	2,977	1.74	1,243	1.64	4,503	1.7
Total available-for-sale debt securities at fair value	$ 248,622	3.69 %	$ 12,084	1.99 %	$ 20,384	2.75 %	$ 25,293	3.14 %	$ 190,861	3.9

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

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

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

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

			Remaining contractual maturity							
			Within one year		After one year through five years		After five years through ten years		After ten years	
(in millions)	Total amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
June 30, 2014										
Held-to-maturity securities (1):										
Amortized cost:										
Securities of U.S. Treasury and federal agencies	**$ 17,777**	**2.07 %**	**$ -**	**- %**	**$ -**	**- %**	**$ 17,777**	**2.07 %**	**$ -**	**- %**
Securities of U.S. states and political subdivisions	**41**	**4.13**	**-**	**-**	**-**	**-**	**-**	**-**	**41**	**4.13**
Federal agency mortgage-backed securities	**6,030**	**3.90**	**-**	**-**	**-**	**-**	**-**	**-**	**6,030**	**3.90**
Collateralized loan and other debt obligations	**1,162**	**1.85**	**-**	**-**	**-**	**-**	**-**	**-**	**1,162**	**1.85**
Other	**5,098**	**1.76**	**150**	**1.70**	**3,274**	**1.81**	**1,674**	**1.67**	**-**	**-**
Total held-to-maturity										

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

debt securities at amortized cost	**$ 30,108**	**2.38 %**	**$ 150**	**1.70 %**	**$ 3,274**	**1.81 %**	**$ 19,451**	**2.04 %**	**$ 7,233**	**3.57 %**
December 31, 2013										
Held-to-maturity securities (1):										
Amortized cost:										
Federal agency mortgage-backed securities	$ 6,304	3.90 %	$ -	- %	$ -	- %	$ -	- %	$ 6,304	3.90 %
Other	6,042	1.89	195	1.72	4,468	1.87	1,379	1.98	-	-
Total held-to-maturity debt securities at amortized cost	$ 12,346	2.92 %	$ 195	1.72 %	$ 4,468	1.87 %	$ 1,379	1.98 %	$ 6,304	3.90 %

(1) Weighted-average yields displayed by maturity bucket are weighted based on amortized cost and predominantly represent contractual coupon rates.

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

Note 4: Investment Securities *(continued)*

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

			Remaining contractual maturity		
(in millions)	Total amount	Within one year Amount	After one year through five years Amount	After five years through ten years Amount	After ten years Amount
June 30, 2014					
Held-to-maturity securities:					
Fair value:					
Securities of U.S. Treasury and federal agencies	**$ 17,914**	**$ -**	**$ -**	**$ 17,914**	**$ -**
Securities of U.S. states and political subdivisions	**41**	**-**	**-**	**-**	**41**
Federal agency mortgage-backed securities	**6,142**	**-**	**-**	**-**	**6,142**
Collateralized loan and other debt obligations	**1,165**	**-**	**-**	**-**	**1,165**
Other	**5,124**	**150**	**3,289**	**1,685**	**-**
Total held-to-maturity debt securities at fair value	**$ 30,386**	**$ 150**	**$ 3,289**	**$ 19,599**	**$ 7,348**

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

December 31, 2013										
Held-to-maturity securities:										
Fair value:										
Federal agency mortgage-backed securities	$	6,205	$	-	$	-	$	-	$	6,205
Other		6,042		195		4,468		1,379		-
Total held-to-maturity debt securities at fair value	$	12,247	$	195	$	4,468	$	1,379	$	6,205

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

Realized Gains and Losses

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

		Quarter ended June 30,		Six months ended June 30,	
(in millions)		**2014**	2013	**2014**	2013
Gross realized gains	$	**154**	54	**545**	210
Gross realized losses		**(2)**	(8)	**(5)**	(13)
OTTI write-downs		**(13)**	(76)	**(22)**	(114)
Net realized gains (losses) from investment securities		**139**	(30)	**518**	83
Net realized gains from nonmarketable equity investments		**381**	179	**932**	224
Net realized gains from debt securities and equity investments	$	**520**	149	**1,450**	307

Other-Than-Temporary Impairment

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

	Quarter	Six months

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

		ended June 30,		ended June 30,	
(in millions)		**2014**	2013	**2014**	2013
OTTI write-downs included in earnings					
Debt securities:					
Securities of U.S. states and political subdivisions	$	**2**	-	**2**	-
Mortgage-backed securities:					
Federal agencies		**-**	1	**-**	1
Residential		**5**	22	**10**	37
Commercial		**4**	26	**6**	41
Corporate debt securities		**-**	-	**-**	2
Collateralized loan and other debt obligations		**2**	-	**2**	-
Other debt securities		**-**	22	**-**	24
Total debt securities		**13**	71	**20**	105
Equity securities:					
Marketable equity securities:					
Other marketable equity securities		**-**	5	**2**	9
Total marketable equity securities		**-**	5	**2**	9
Total investment securities		**13**	76	**22**	114
Nonmarketable equity investments		**69**	35	**195**	75
Total OTTI write-downs included in earnings	$	**82**	111	**217**	189

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

Note 4: Investment Securities *(continued)*

Other-Than-Temporarily Impaired Debt Securities

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

(in millions)		Quarter ended June 30, 2014	Quarter ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
OTTI on debt securities					
Recorded as part of gross realized losses:					
Credit-related OTTI	$	**9**	33	**16**	56
Intent-to-sell OTTI		**4**	38	**4**	49
Total recorded as part of gross realized losses		**13**	71	**20**	105
Changes to OCI for losses (reversal of losses) in non-credit-related OTTI (1):					
Securities of U.S. states and political subdivisions		**1**	-	**1**	-
Residential mortgage-backed securities		**(4)**	(7)	**(13)**	(16)
Commercial mortgage-backed securities		**(7)**	-	**(19)**	(41)
Collateralized loan and other debt obligations		**-**	-	**-**	(1)
Other debt securities		**-**	-	**-**	2
Total changes to OCI for non-credit-related OTTI		**(10)**	(7)	**(31)**	(56)
Total OTTI losses (reversal of losses) recorded on debt securities	$	**3**	64	**(11)**	49

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

The following table presents a rollforward of the credit loss component recognized in earnings for debt securities we still own (referred to as “credit-impaired” debt securities). The credit loss component of the amortized cost represents the difference between the present value of expected future cash flows discounted using the security’s current effective

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

interest rate and the amortized cost basis of the security prior to considering credit losses. OTTI recognized in earnings for credit-impaired debt securities is presented as additions and is classified into one of two components based upon whether the current period is the first time the debt security was credit-impaired (initial credit impairment) or if the debt security was previously credit-impaired (subsequent credit impairments). The credit loss component is reduced if we sell, intend to sell or believe we will be required to sell previously credit-impaired debt securities. Additionally, the credit loss component is reduced if we receive or expect to receive cash flows in excess of what we previously expected to receive over the remaining life of the credit-impaired debt security, the security matures or is fully written down.

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

		Quarter ended June 30,		Six months ended June 30,	
(in millions)		**2014**	2013	**2014**	2013
Credit loss component, beginning of period	$	**1,143**	1,252	**1,171**	1,289
Additions:					
Initial credit impairments		**3**	4	**3**	5
Subsequent credit impairments		**6**	29	**13**	51
Total additions		**9**	33	**16**	56
Reductions:					
For securities sold or matured		**(40)**	(59)	**(69)**	(111)
For recoveries of previous credit impairments (1)		**(5)**	(8)	**(11)**	(16)
Total reductions		**(45)**	(67)	**(80)**	(127)
Credit loss component, end of period	$	**1,107**	1,218	**1,107**	1,218

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

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

Note 5: Loans and Allowance for Credit Losses

The following table presents total loans outstanding by portfolio segment and class of financing receivable. Outstanding balances include a total net reduction of $4.8 billion and $6.4 billion at June 30, 2014, and December 31, 2013, respectively, for unearned income, net deferred loan fees, and unamortized discounts and premiums.

(in millions)		June 30, 2014	Dec. 31, 2013
Commercial:			
Commercial and industrial	$	**206,055**	193,811
Real estate mortgage		**108,418**	107,100
Real estate construction		**17,056**	16,747
Lease financing		**11,908**	12,034
Foreign (1)		**47,967**	47,551
Total commercial		**391,404**	377,243
Consumer:			
Real estate 1-4 family first mortgage		**260,104**	258,497
Real estate 1-4 family junior lien mortgage		**62,455**	65,914
Credit card		**27,215**	26,870
Automobile		**54,095**	50,808
Other revolving credit and installment		**33,669**	42,954
Total consumer		**437,538**	445,043
Total loans	$	**828,942**	822,286

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

Loan Purchases, Sales, and Transfers

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

	2014	2013

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

(in millions)		Commercial	Consumer	Total	Commercial	Consumer	Total
Quarter ended June 30,							
Purchases (1)	**$**	**1,523**	**-**	**1,523**	2,122	502	2,624
Sales		**(1,958)**	**(25)**	**(1,983)**	(1,796)	(130)	(1,926)
Transfers to MHFS/LHFS (1)		**(24)**	**(9,773)**	**(9,797)**	(53)	(5)	(58)
Six months ended June 30,							
Purchases (1)	**$**	**2,537**	**168**	**2,705**	3,148	581	3,729
Sales		**(3,599)**	**(75)**	**(3,674)**	(3,812)	(446)	(4,258)
Transfers to MHFS/LHFS (1)		**(59)**	**(9,778)**	**(9,837)**	(133)	(12)	(145)

(1) The “Purchases” and “Transfers to MHFS/LHFS" categories exclude activity in government insured/guaranteed real estate 1-4 family first mortgage loans. As servicer, we are able to buy delinquent insured/guaranteed loans out of the Government National Mortgage Association (GNMA) pools. These loans have different risk characteristics from the rest of our consumer portfolio, whereby this activity does not impact the allowance for loan losses in the same manner because the loans are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA). On a net basis, such purchases net of transfers to MHFS were $(1.3) billion and $805 million for the second quarter 2014 and 2013, respectively, and $237 million and $2.8 billion for the first half of 2014 and 2013, respectively.

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

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

Commitments to Lend

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

We may, as a representative for other lenders, advance funds or provide for the issuance of letters of credit under syndicated loan or letter of credit agreements. Any advances are generally repaid in less than a week and would normally require default of both the customer and another lender to expose us to loss. These temporary advance arrangements totaled approximately $87 billion at both June 30, 2014, and December 31, 2013, respectively.

We issue commercial letters of credit to assist customers in purchasing goods or services, typically for international trade. At June 30, 2014, and December 31, 2013, we had $1.4 billion and $1.2 billion, respectively, of outstanding issued commercial letters of credit. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility for different purposes in one of several forms, including a standby letter of credit. See Note 10 (Guarantees, Pledged Assets and Collateral) for additional information on standby letters of credit.

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

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

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

	June 30,	Dec. 31,
(in millions)	**2014**	2013

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

Commercial:			
Commercial and industrial	$	**252,573**	238,962
Real estate mortgage		**5,864**	5,910
Real estate construction		**13,585**	12,593
Foreign		**14,836**	12,216
Total commercial		**286,858**	269,681
Consumer:			
Real estate 1-4 family first mortgage		**33,908**	32,908
Real estate 1-4 family			
junior lien mortgage		**46,410**	47,668
Credit card		**84,674**	78,961
Other revolving credit and installment		**22,798**	24,213
Total consumer		**187,790**	183,750
Total unfunded			
credit commitments	$	**474,648**	453,431

89

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

Allowance for Credit Losses

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

		Quarter ended June 30,		Six months ended June 30,	
(in millions)		**2014**	2013	**2014**	2013
Balance, beginning of period	$	**14,414**	17,193	**14,971**	17,477
Provision for credit losses		**217**	652	**542**	1,871
Interest income on certain impaired loans (1)		**(55)**	(73)	**(111)**	(146)
Loan charge-offs:					
Commercial:					
Commercial and industrial		**(139)**	(184)	**(297)**	(365)
Real estate mortgage		**(15)**	(49)	**(35)**	(109)
Real estate construction		**(3)**	(7)	**(4)**	(12)
Lease financing		**(3)**	(24)	**(7)**	(27)
Foreign		**(8)**	(8)	**(13)**	(19)
Total commercial		**(168)**	(272)	**(356)**	(532)
Consumer:					
Real estate 1-4 family first mortgage		**(193)**	(392)	**(416)**	(867)
Real estate 1-4 family junior lien mortgage		**(220)**	(428)	**(469)**	(942)
Credit card		**(266)**	(266)	**(533)**	(532)
Automobile		**(143)**	(126)	**(323)**	(290)
Other revolving credit and installment		**(171)**	(185)	**(348)**	(367)
Total consumer		**(993)**	(1,397)	**(2,089)**	(2,998)
Total loan charge-offs		**(1,161)**	(1,669)	**(2,445)**	(3,530)
Loan recoveries:					
Commercial:					
Commercial and industrial		**85**	107	**198**	195
Real estate mortgage		**25**	54	**67**	85
Real estate construction		**23**	52	**47**	91
Lease financing		**2**	6	**5**	10
Foreign		**2**	9	**3**	17
Total commercial		**137**	228	**320**	398
Consumer:					
Real estate 1-4 family first mortgage		**56**	64	**109**	110
Real estate 1-4 family junior lien mortgage		**60**	69	**117**	134
Credit card		**55**	32	**91**	63
Automobile		**97**	84	**187**	172
Other revolving credit and installment		**39**	40	**79**	82

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

Total consumer		**307**	289	**583**	561
Total loan recoveries		**444**	517	**903**	959
Net loan charge-offs (2)		**(717)**	(1,152)	**(1,542)**	(2,571)
Allowances related to business combinations/other		**(25)**	(2)	**(26)**	(13)
Balance, end of period	$	**13,834**	16,618	**13,834**	16,618
Components:					
Allowance for loan losses	$	**13,101**	16,144	**13,101**	16,144
Allowance for unfunded credit commitments		**733**	474	**733**	474
Allowance for credit losses (3)	$	**13,834**	16,618	**13,834**	16,618
Net loan charge-offs (annualized) as a percentage of average total loans (2)		**0.35** %	0.58	**0.38**	0.65
Allowance for loan losses as a percentage of total loans (3)		**1.58**	2.02	**1.58**	2.02
Allowance for credit losses as a percentage of total loans (3)		**1.67**	2.08	**1.67**	2.08

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

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

(3) The allowance for credit losses includes $8 million and $71 million at June 30, 2014 and 2013, respectively, related to PCI loans acquired from Wachovia. Loans acquired from Wachovia are included in total loans net of related purchase accounting net write-downs.

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

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

			2014			2013
(in millions)	**Commercial**	**Consumer**	**Total**	Commercial	Consumer	Total
Quarter ended June 30,						
Balance, beginning of period	**$ 6,354**	**8,060**	**14,414**	5,786	11,407	17,193
Provision for credit losses	**83**	**134**	**217**	172	480	652
Interest income on certain impaired loans	**(6)**	**(49)**	**(55)**	(16)	(57)	(73)
Loan charge-offs	**(168)**	**(993)**	**(1,161)**	(272)	(1,397)	(1,669)
Loan recoveries	**137**	**307**	**444**	228	289	517
Net loan charge-offs	**(31)**	**(686)**	**(717)**	(44)	(1,108)	(1,152)
Allowance related to business combinations/other	**-**	**(25)**	**(25)**	(2)	-	(2)
Balance, end of period	**$ 6,400**	**7,434**	**13,834**	5,896	10,722	16,618
Six months ended June 30,						
Balance, beginning of period	**$ 6,103**	**8,868**	**14,971**	5,714	11,763	17,477
Provision for credit losses	**346**	**196**	**542**	364	1,507	1,871
Interest income on certain impaired loans	**(12)**	**(99)**	**(111)**	(35)	(111)	(146)
Loan charge-offs	**(356)**	**(2,089)**	**(2,445)**	(532)	(2,998)	(3,530)
Loan recoveries	**320**	**583**	**903**	398	561	959
Net loan charge-offs	**(36)**	**(1,506)**	**(1,542)**	(134)	(2,437)	(2,571)
Allowance related to business combinations/other	**(1)**	**(25)**	**(26)**	(13)	-	(13)
Balance, end of period	**$ 6,400**	**7,434**	**13,834**	5,896	10,722	16,618

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

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

		Allowance for credit losses			Recorded investment in loans		
(in millions)		Commercial	Consumer	Total	Commercial	Consumer	Total
June 30, 2014							
Collectively evaluated (1)	**$**	**5,510**	**3,997**	**9,507**	**384,887**	**392,433**	**777,320**
Individually evaluated (2)		**885**	**3,434**	**4,319**	**4,550**	**22,105**	**26,655**
PCI (3)		**5**	**3**	**8**	**1,967**	**23,000**	**24,967**
Total	**$**	**6,400**	**7,434**	**13,834**	**391,404**	**437,538**	**828,942**
December 31, 2013							
Collectively evaluated (1)	$	4,921	5,011	9,932	369,405	398,084	767,489
Individually evaluated (2)		1,156	3,853	5,009	5,334	22,736	28,070
PCI (3)		26	4	30	2,504	24,223	26,727
Total	$	6,103	8,868	14,971	377,243	445,043	822,286

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

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

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

Credit Quality

We monitor credit quality by evaluating various attributes and utilize such information in our evaluation of the appropriateness of the allowance for credit losses. The following sections provide the credit quality indicators we most closely monitor. The credit quality indicators are generally based on information as of our financial statement date, with the exception of updated Fair Isaac Corporation (FICO) scores and updated loan-to-value (LTV)/combined LTV (CLTV), which are obtained at least quarterly. Generally, these indicators are updated in the second month of each quarter, with updates no older than March 31, 2014. See the "Purchased Credit-Impaired Loans" section of this Note for credit quality information on our PCI portfolio.

Commercial Credit Quality Indicators In addition to monitoring commercial loan concentration risk, we manage a consistent process for assessing commercial loan credit quality. Generally, commercial loans are subject to individual risk assessment using our internal borrower and collateral quality ratings. Our ratings are aligned to Pass and Criticized categories. The Criticized category

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includes Special Mention, Substandard, and Doubtful categories which are defined by bank regulatory agencies.

The following table provides a breakdown of outstanding commercial loans by risk category. Of the $10.2 billion in criticized commercial real estate (CRE) loans at June 30, 2014, $2.0 billion has been placed on nonaccrual status and written down to net realizable collateral value. CRE loans have a high level of monitoring in place to manage these assets and mitigate loss exposure.

(in millions)		Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Foreign	Total
June 30, 2014							
By risk category:							
Pass	**$**	**190,954**	**98,509**	**15,486**	**11,569**	**45,128**	**361,646**
Criticized		**14,909**	**8,906**	**1,265**	**339**	**2,372**	**27,791**
Total commercial loans (excluding PCI)		**205,863**	**107,415**	**16,751**	**11,908**	**47,500**	**389,437**
Total commercial PCI loans (carrying value)		**192**	**1,003**	**305**	**-**	**467**	**1,967**
Total commercial loans	**$**	**206,055**	**108,418**	**17,056**	**11,908**	**47,967**	**391,404**
December 31, 2013							
By risk category:							
Pass	$	178,673	94,992	14,594	11,577	44,094	343,930
Criticized		14,923	10,972	1,720	457	2,737	30,809
Total commercial loans (excluding PCI)		193,596	105,964	16,314	12,034	46,831	374,739
Total commercial PCI loans (carrying value)		215	1,136	433	-	720	2,504
Total commercial loans	$	193,811	107,100	16,747	12,034	47,551	377,243

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

		Commercial and	Real estate	Real estate	Lease		

(in millions)		industrial	mortgage	construction	financing	Foreign	Total
June 30, 2014							
By delinquency status:							
Current-29 DPD and still accruing	**$**	**204,635**	**105,312**	**16,454**	**11,845**	**47,455**	**385,701**
30-89 DPD and still accruing		**484**	**248**	**42**	**35**	**7**	**816**
90+ DPD and still accruing		**51**	**53**	**16**	**-**	**2**	**122**
Nonaccrual loans		**693**	**1,802**	**239**	**28**	**36**	**2,798**
Total commercial loans (excluding PCI)		**205,863**	**107,415**	**16,751**	**11,908**	**47,500**	**389,437**
Total commercial PCI loans (carrying value)		**192**	**1,003**	**305**	**-**	**467**	**1,967**
Total commercial loans	**$**	**206,055**	**108,418**	**17,056**	**11,908**	**47,967**	**391,404**
December 31, 2013							
By delinquency status:							
Current-29 DPD and still accruing	$	192,509	103,139	15,698	11,972	46,784	370,102
30-89 DPD and still accruing		338	538	103	33	7	1,019
90+ DPD and still accruing		11	35	97	-	-	143
Nonaccrual loans		738	2,252	416	29	40	3,475
Total commercial loans (excluding PCI)		193,596	105,964	16,314	12,034	46,831	374,739
Total commercial PCI loans (carrying value)		215	1,136	433	-	720	2,504
Total commercial loans	$	193,811	107,100	16,747	12,034	47,551	377,243

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

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

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

(in millions)		Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
June 30, 2014							
By delinquency status:							
Current-29 DPD	**$**	**201,305**	**60,903**	**26,644**	**53,083**	**33,349**	**375,284**
30-59 DPD		**2,478**	**394**	**181**	**767**	**132**	**3,952**
60-89 DPD		**1,154**	**221**	**124**	**181**	**90**	**1,770**
90-119 DPD		**537**	**151**	**95**	**57**	**71**	**911**
120-179 DPD		**626**	**201**	**170**	**6**	**17**	**1,020**
180+ DPD		**4,669**	**473**	**1**	**1**	**10**	**5,154**
Government insured/guaranteed loans (1)		**26,447**	**-**	**-**	**-**	**-**	**26,447**
Total consumer loans (excluding PCI)		**237,216**	**62,343**	**27,215**	**54,095**	**33,669**	**414,538**
Total consumer PCI loans (carrying value)		**22,888**	**112**	**-**	**-**	**-**	**23,000**
Total consumer loans	**$**	**260,104**	**62,455**	**27,215**	**54,095**	**33,669**	**437,538**
December 31, 2013							
By delinquency status:							
Current-29 DPD	$	193,361	64,194	26,203	49,699	31,866	365,323
30-59 DPD		2,784	461	202	852	178	4,477
60-89 DPD		1,157	253	144	186	111	1,851

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90-119 DPD		587	182	124	66	76	1,035
120-179 DPD		747	216	196	4	20	1,183
180+ DPD		5,024	485	1	1	7	5,518
Government insured/guaranteed loans (1)		30,737	-	-	-	10,696	41,433
Total consumer loans (excluding PCI)		234,397	65,791	26,870	50,808	42,954	420,820
Total consumer PCI loans (carrying value)		24,100	123	-	-	-	24,223
Total consumer loans	$	258,497	65,914	26,870	50,808	42,954	445,043

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA and student loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the Federal Family Education Loan Program (FFELP). Loans insured/guaranteed by the FHA/VA and 90+ DPD totaled $16.1 billion at June 30, 2014, compared with $20.8 billion at December 31, 2013. At June 30, 2014, all government guaranteed student loans were transferred to loans held for sale. Student loans 90+ DPD totaled $900 million at December 31, 2013.

Of the $7.1 billion of consumer loans not government insured/guaranteed that are 90 days or more past due at June 30, 2014, $775 million was accruing, compared with $7.7 billion past due and $902 million accruing at December 31, 2013.

Real estate 1-4 family first mortgage loans 180 days or more past due totaled $4.7 billion, or 2.0% of total first mortgages (excluding PCI), at June 30, 2014, compared with $5.0 billion, or 2.1%, at December 31, 2013.

The following table provides a breakdown of our consumer portfolio by updated FICO. We obtain FICO scores at loan origination and the scores are updated at least quarterly. The majority of our portfolio is underwritten with a FICO score of 680 and above. FICO is not available for certain loan types and may not be obtained if we deem it unnecessary due to strong collateral and other borrower attributes, primarily securities-based margin loans of $5.3 billion at June 30, 2014, and $5.0 billion at December 31, 2013.

(in millions)		Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
June 30, 2014							
By updated FICO:							
< 600	**$**	**12,560**	**4,434**	**2,309**	**8,302**	**909**	**28,514**
600-639		**8,491**	**3,006**	**2,218**	**6,263**	**1,034**	**21,012**
640-679		**14,770**	**5,548**	**4,238**	**9,294**	**2,226**	**36,076**
680-719		**24,336**	**9,348**	**5,522**	**9,730**	**4,109**	**53,045**
720-759		**34,438**	**12,678**	**5,671**	**7,129**	**5,537**	**65,453**
760-799		**77,312**	**18,372**	**4,649**	**6,921**	**7,209**	**114,463**
800+		**35,822**	**7,752**	**2,420**	**6,010**	**5,588**	**57,592**
No FICO available		**3,040**	**1,205**	**188**	**446**	**1,805**	**6,684**
FICO not required		**-**	**-**	**-**	**-**	**5,252**	**5,252**
Government insured/guaranteed loans (1)		**26,447**	**-**	**-**	**-**	**-**	**26,447**
Total consumer loans (excluding PCI)		**237,216**	**62,343**	**27,215**	**54,095**	**33,669**	**414,538**
Total consumer PCI loans (carrying value)		**22,888**	**112**	**-**	**-**	**-**	**23,000**
Total consumer loans	**$**	**260,104**	**62,455**	**27,215**	**54,095**	**33,669**	**437,538**
December 31, 2013							
By updated FICO:							
< 600	$	14,128	5,047	2,404	8,400	956	30,935
600-639		9,030	3,247	2,175	5,925	1,015	21,392
640-679		14,917	5,984	4,176	8,827	2,156	36,060
680-719		24,336	10,042	5,398	8,992	3,914	52,682
720-759		32,991	13,575	5,530	6,546	5,263	63,905
760-799		72,062	19,238	4,535	6,313	6,828	108,976
800+		33,311	7,705	2,408	5,397	5,127	53,948
No FICO available		2,885	953	244	408	1,992	6,482
FICO not required		-	-	-	-	5,007	5,007
		30,737	-	-	-	10,696	41,433

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Government insured/guaranteed loans (1)							
Total consumer loans (excluding PCI)		234,397	65,791	26,870	50,808	42,954	420,820
Total consumer PCI loans (carrying value)		24,100	123	-	-	-	24,223
Total consumer loans	$	258,497	65,914	26,870	50,808	42,954	445,043

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA and student loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under FFELP. At June 30, 2014, all government guaranteed student loans were transferred to loans held for sale.

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

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

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

(in millions)		June 30, 2014 Real estate 1-4 family first mortgage by LTV	June 30, 2014 Real estate 1-4 family junior lien mortgage by CLTV	June 30, 2014 Total	December 31, 2013 Real estate 1-4 family first mortgage by LTV	December 31, 2013 Real estate 1-4 family junior lien mortgage by CLTV	December 31, 2013 Total
By LTV/CLTV:							
0-60%	$	**84,643**	**14,411**	**99,054**	74,046	13,636	87,682
60.01-80%		**82,486**	**16,980**	**99,466**	80,187	17,154	97,341
80.01-100%		**29,271**	**15,020**	**44,291**	30,843	16,272	47,115
100.01-120% (1)		**8,367**	**8,734**	**17,101**	10,678	9,992	20,670
> 120% (1)		**4,427**	**5,898**	**10,325**	6,306	7,369	13,675
No LTV/CLTV available		**1,575**	**1,300**	**2,875**	1,600	1,368	2,968
Government insured/guaranteed loans (2)		**26,447**	**-**	**26,447**	30,737	-	30,737
Total consumer loans (excluding PCI)		**237,216**	**62,343**	**299,559**	234,397	65,791	300,188
Total consumer PCI loans (carrying value)		**22,888**	**112**	**23,000**	24,100	123	24,223
Total consumer loans	$	**260,104**	**62,455**	**322,559**	258,497	65,914	324,411

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

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

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

(in millions)		**June 30, 2014**	Dec. 31, 2013

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Commercial:			
Commercial and industrial	$	**693**	738
Real estate mortgage		**1,802**	2,252
Real estate construction		**239**	416
Lease financing		**28**	29
Foreign		**36**	40
Total commercial (1)		**2,798**	3,475
Consumer:			
Real estate 1-4 family first mortgage (2)		**9,026**	9,799
Real estate 1-4 family junior lien mortgage		**1,964**	2,188
Automobile		**150**	173
Other revolving credit and installment		**34**	33
Total consumer		**11,174**	12,193
Total nonaccrual loans (excluding PCI)	$	**13,972**	15,668

(1) Includes LHFS of $1 million at both June 30, 2014 and December 31, 2013.

(2) Includes MHFS of $238 million at June 30, 2014 and $227 million at December 31, 2013.

LOANS IN PROCESS OF FORECLOSURE Our recorded investment in consumer mortgage loans collateralized by residential real estate property that are in process of foreclosure was $13.2 billion and $17.3 billion at June 30, 2014 and December 31, 2013, respectively, which included $7.1 billion and $10.0 billion, respectively, of loans that are government insured/guaranteed. We commence the foreclosure process on consumer real estate loans when a borrower becomes 120 days delinquent in accordance with Consumer Finance Protection Bureau Guidelines. Foreclosure procedures and timelines vary depending on whether the property address resides in a judicial or non-judicial state. Judicial states require the foreclosure to be processed through the state's courts while non-judicial states are processed without court intervention. Foreclosure timelines vary according to state law.

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LOANS 90 Days OR MORE Past Due and Still Accruing Certain loans 90 days or more past due as to interest or principal are still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1 4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans of $4.0 billion at June 30, 2014, and $4.5 billion at December 31, 2013, are not included in these past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

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

		June 30,	Dec. 31,
(in millions)		**2014**	2013
Loans 90 days or more past due and still accruing:			
Total (excluding PCI):	$	**18,582**	23,219
Less: FHA insured/guaranteed by the VA (1)(2)		**16,978**	21,274
Less: Student loans guaranteed under the FFELP (3)		**707**	900
Total, not government insured/guaranteed	$	**897**	1,045
By segment and class, not government insured/guaranteed:			
Commercial:			
Commercial and industrial	$	**51**	11
Real estate mortgage		**53**	35
Real estate construction		**16**	97
Foreign		**2**	-
Total commercial		**122**	143
Consumer:			
Real estate 1-4 family first mortgage (2)		**311**	354
Real estate 1-4 family junior lien mortgage (2)		**70**	86
Credit card		**266**	321
Automobile		**48**	55
Other revolving credit and installment		**80**	86
Total consumer		**775**	902
Total, not government insured/guaranteed	$	**897**	1,045

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

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

(3) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP. In second quarter 2014, all government guaranteed student loans were transferred to loans held for sale.

96

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

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

Impaired Loans The table below summarizes key information for impaired loans. Our impaired loans predominantly include loans on nonaccrual status in the commercial portfolio segment and loans modified in a TDR, whether on accrual or nonaccrual status. These impaired loans generally have estimated losses which are included in the allowance for credit losses. We have impaired loans with no allowance for credit losses when loss content has been previously recognized through charge-offs and we do not anticipate additional charge-offs or losses, or certain loans are currently performing in accordance with their terms and for which no loss has been estimated. Impaired loans exclude PCI loans. The table below includes trial modifications that totaled $469 million at June 30, 2014, and $650 million at December 31, 2013.

For additional information on our impaired loans and allowance for credit losses, see Note 1 (Summary of Significant Accounting Policies) in our 2013 Form 10-K.

(in millions)		Unpaid principal balance (1)	Impaired loans	Recorded investment Impaired loans with related allowance for credit losses	Related allowance for credit losses
June 30, 2014					
Commercial:					
Commercial and industrial	$	1,759	1,093	826	274
Real estate mortgage		3,840	2,963	2,861	529
Real estate construction		715	430	394	54
Lease financing		68	30	30	16
Foreign		43	34	24	12
Total commercial		6,425	4,550	4,135	885
Consumer:					
Real estate 1-4 family first mortgage		21,838	18,974	13,330	2,587
Real estate 1-4 family junior lien mortgage		3,125	2,560	2,057	726
Credit card		379	379	379	108
Automobile		208	151	69	9
Other revolving credit and installment		50	40	33	4
Total consumer (2)		25,600	22,104	15,868	3,434
	$	32,025	26,654	20,003	4,319

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

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

(2) At June 30, 2014 and December 31, 2013, includes the recorded investment of $2.1 billion and $2.5 billion, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and generally do not have an allowance.

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Commitments to lend additional funds on loans whose terms have been modified in a TDR amounted to $308 million and $407 million at June 30, 2014 and December 31, 2013, respectively.

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

	Quarter ended June 30,				Six months ended J			
	2014		2013		**2014**			
(in millions)	**Average recorded investment**	**Recognized interest income**	Average recorded investment	Recognized interest income	**Average recorded investment**	**Recognized interest income**	Average recorded investment	Rec
Commercial:								
Commercial and industrial	$ **1,157**	**17**	1,573	22	**1,185**	**38**	1,603	
Real estate mortgage	**3,107**	**36**	4,194	36	**3,178**	**65**	4,250	
Real estate construction	**465**	**8**	1,082	11	**521**	**15**	1,174	
Lease financing	**33**	**-**	30	-	**33**	**-**	32	
Foreign	**36**	**-**	41	-	**36**	**-**	37	
Total commercial	**4,798**	**61**	6,920	69	**4,953**	**118**	7,096	
Consumer:								
Real estate 1-4 family								
first mortgage	**19,313**	**238**	19,669	264	**19,407**	**475**	19,275	
Real estate 1-4 family								
junior lien mortgage	**2,545**	**36**	2,499	38	**2,551**	**71**	2,490	
Credit card	**391**	**12**	490	14	**405**	**24**	503	
Automobile	**160**	**4**	262	7	**169**	**11**	280	
Other revolving credit								
and installment	**38**	**1**	28	-	**37**	**2**	27	
Total consumer	**22,447**	**291**	22,948	323	**22,569**	**583**	22,575	
Total impaired loans								

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(excluding PCI)	**$ 27,245**	**352**	29,868	392	**27,522**	**701**	29,671
Interest income:							
Cash basis of accounting		**$ 100**		119		**199**	
Other (1)		**252**		273		**502**	
Total interest income		**$ 352**		392		**701**	

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

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

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

At June 30, 2014, the loans in trial modification period were $143 million under HAMP, $38 million under 2MP and $288 million under proprietary programs, compared with $253 million, $45 million and $352 million at December 31, 2013, respectively. Trial modifications with a recorded investment of $177 million at June 30, 2014, and $286 million at December 31, 2013, were accruing loans and $292 million and $364 million, respectively, were nonaccruing loans. Our experience is that most of the mortgages that enter a trial payment period program are successful in completing the program requirements and are then permanently modified at the end of the trial period. Our allowance process considers the impact of those modifications that are probable to occur.

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

	Primary modification type (1)	Financial effects of modifications	
		Weighted	Recorded

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

(in millions)	Principal (2)	Interest rate reduction	Other concessions (3)	Total	Charge-offs (4)	average interest rate reduction		investment related to interest rate reduction (5)
Quarter ended June 30, 2014								
Commercial:								
Commercial and industrial	**$ 4**	**23**	**246**	**273**	**15**	**0.95**	**%**	**$ 23**
Real estate mortgage	**-**	**54**	**274**	**328**	**-**	**1.20**		**54**
Real estate construction	**-**	**1**	**24**	**25**	**-**	**1.72**		**1**
Foreign	**-**	**1**	**-**	**1**	**-**	**0.84**		**1**
Total commercial	**4**	**79**	**544**	**627**	**15**	**1.13**		**79**
Consumer:								
Real estate 1-4 family first mortgage	**176**	**85**	**621**	**882**	**28**	**2.46**		**194**
Real estate 1-4 family junior lien mortgage	**12**	**25**	**74**	**111**	**15**	**3.37**		**35**
Credit card	**-**	**44**	**-**	**44**	**-**	**12.09**		**44**
Automobile	**1**	**1**	**20**	**22**	**7**	**8.80**		**1**
Other revolving credit and installment	**-**	**2**	**3**	**5**	**-**	**4.92**		**2**
Trial modifications (6)	**-**	**-**	**(86)**	**(86)**	**-**	**-**		**-**
Total consumer	**189**	**157**	**632**	**978**	**50**	**4.15**		**276**
Total	**$ 193**	**236**	**1,176**	**1,605**	**65**	**3.47**	**%**	**$ 355**
Quarter ended June 30, 2013								
Commercial:								
Commercial and industrial	$ -	16	234	250	-	1.46	%	$ 16
Real estate mortgage	4	95	346	445	1	1.57		95
Real estate construction	-	3	90	93	-	0.83		3
Foreign	-	-	-	-	-	-		-
Total commercial	4	114	670	788	1	1.54		114
Consumer:								
Real estate 1-4 family first mortgage	282	378	715	1,375	48	2.71		563
Real estate 1-4 family junior lien mortgage	25	46	90	161	1	3.24		70
Credit card	-	46	-	46	-	10.53		46
Automobile	1	2	24	27	8	8.77		2
	-	4	4	8	-	5.31		4

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

Other revolving credit and installment										
Trial modifications (6)		-	-	22	22	-	-			-
Total consumer		308	476	855	1,639	57	3.32			685
Total	$	312	590	1,525	2,427	58	3.06	%	$	799

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

	Primary modification type (1)					Financial effects of modifications		
(in millions)	Principal (2)	Interest rate reduction	Other concessions (3)	Total		Charge-offs (4)	Weighted average interest rate reduction	Recorded investment related to interest rate reduction (5)
Six months ended June 30, 2014								
Commercial:								
Commercial and industrial	**$ 4**	**36**	**511**	**551**		**26**	**1.69 %**	**$ 36**
Real estate mortgage	**3**	**93**	**568**	**664**		**-**	**1.24**	**93**
Real estate construction	**-**	**2**	**167**	**169**		**-**	**1.61**	**2**
Foreign	**-**	**1**	**-**	**1**		**-**	**-**	**1**
Total commercial	**7**	**132**	**1,246**	**1,385**		**26**	**1.36**	**132**
Consumer:								
Real estate 1-4 family first mortgage	**349**	**193**	**1,378**	**1,920**		**60**	**2.61**	**440**
Real estate 1-4 family junior lien mortgage	**30**	**59**	**137**	**226**		**33**	**3.29**	**85**
Credit card	**-**	**80**	**-**	**80**		**-**	**11.20**	**80**
Automobile	**2**	**2**	**43**	**47**		**17**	**9.17**	**2**
Other revolving credit and installment	**-**	**3**	**4**	**7**		**-**	**4.91**	**3**
Trial modifications (6)	**-**	**-**	**(115)**	**(115)**		**-**	**-**	**-**
Total consumer	**381**	**337**	**1,447**	**2,165**		**110**	**3.87**	**610**
Total	**$ 388**	**469**	**2,693**	**3,550**		**136**	**3.42 %**	**$ 742**
Six months ended June 30, 2013								
Commercial:								
	$ -	83	561	644	-	1	6.42 %	$ 83

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

Commercial and industrial											
Real estate mortgage		28	170	768	966	-	6	1.68			170
Real estate construction		-	3	199	202	-	4	0.91			3
Foreign		15	-	-	15	-	-	-			-
Total commercial		43	256	1,528	1,827	-	11	3.20			256
Consumer:											
Real estate 1-4 family first mortgage		626	757	2,096	3,479	-	145	2.56			1,186
Real estate 1-4 family junior lien mortgage		52	94	258	404	-	16	3.24			142
Credit card		-	92	-	92	-	-	10.63			92
Automobile		2	8	48	58	-	16	7.00			8
Other revolving credit and installment		-	6	7	13	-	-	4.80			6
Trial modifications (6)		-	-	54	54	-	-	-			-
Total consumer		680	957	2,463	4,100	-	177	3.18			1,434
Total	$	723	1,213	3,991	5,927	-	188	3.19	%	$	1,690

(1) Amounts represent the recorded investment in loans after recognizing the effects of the TDR, if any. TDRs may have multiple types of concessions, but are presented only once in the first modification type based on the order presented in the table above. The reported amounts include loans remodified of $558 million and $647 million, for quarters ended June 30, 2014 and 2013, and $1.2 billion and $1.6 billion for the first half of 2014 and 2013, respectively.

(2) Principal modifications include principal forgiveness at the time of the modification, contingent principal forgiveness granted over the life of the loan based on borrower performance, and principal that has been legally separated and deferred to the end of the loan, with a zero percent contractual interest rate.

(3) Other concessions include loan renewals, term extensions and other interest and noninterest adjustments, but exclude modifications that also forgive principal and/or reduce the contractual interest rate.

(4) Charge-offs include write-downs of the investment in the loan in the period it is contractually modified. The amount of charge-off will differ from the modification terms if the loan has been charged down prior to the modification based on our policies. In addition, there may be cases where we have a charge-off/down with no legal principal modification. Modifications resulted in legally forgiving principal (actual, contingent or deferred) of $44 million and $95 million for quarters ended June 30, 2014 and 2013, and $92 million and $229 million for the first half of 2014 and 2013, respectively.

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

(6) Trial modifications are granted a delay in payments due under the original terms during the trial payment period. However, these loans continue to advance through delinquency status and accrue interest according to their original terms. Any subsequent permanent modification generally includes interest rate related concessions; however, the exact concession type and resulting financial effect are usually not known until the loan is permanently modified. Trial modifications for the period are presented net of previously reported trial modifications that became permanent in the current period.

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

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

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

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

		Recorded investment of defaults			
		Quarter ended June 30,		Six months ended June 30,	
(in millions)		**2014**	2013	**2014**	2013
Commercial:					
Commercial and industrial	$	**16**	174	**25**	195
Real estate mortgage		**21**	116	**63**	177
Real estate construction		**-**	24	**3**	52
Foreign		**-**	-	**5**	-
Total commercial		**37**	314	**96**	424
Consumer:					
Real estate 1-4 family first mortgage		**78**	81	**157**	164
Real estate 1-4 family junior lien mortgage		**8**	7	**15**	17
Credit card		**13**	16	**26**	32
Automobile		**3**	5	**7**	9
Total consumer		**102**	109	**205**	222
Total	$	**139**	423	**301**	646

Purchased Credit-Impaired Loans

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

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

	June 30,	December 31,	
(in millions)	**2014**	2013	2008
Commercial:			
Commercial and industrial	**$ 192**	215	4,580
Real estate mortgage	**1,003**	1,136	5,803
Real estate construction	**305**	433	6,462
Foreign	**467**	720	1,859
Total commercial	**1,967**	2,504	18,704
Consumer:			
Real estate 1-4 family first mortgage	**22,888**	24,100	39,214
Real estate 1-4 family junior lien mortgage	**112**	123	728
Automobile	**-**	-	151
Total consumer	**23,000**	24,223	40,093
Total PCI loans (carrying value)	**$ 24,967**	26,727	58,797
Total PCI loans (unpaid principal balance)	**$ 35,471**	38,229	98,182

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

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

- changes in interest rate indices for variable rate PCI loans – expected future cash flows are based on the variable rates in effect at the time of the regular evaluations of cash flows expected to be collected;

- changes in prepayment assumptions – prepayments affect the estimated life of PCI loans which may change the amount of interest income, and possibly principal, expected to be collected; and

- changes in the expected principal and interest payments over the estimated life – updates to expected cash flows are driven by the credit outlook and actions taken with borrowers. Changes in expected future cash flows from loan modifications are included in the regular evaluations of cash flows expected to be collected.

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

(in millions)		
Balance, December 31, 2008	$	10,447
Addition of accretable yield due to acquisitions		132
Accretion into interest income (1)		(11,184)
Accretion into noninterest income due to sales (2)		(393)
Reclassification from nonaccretable difference for loans with improving credit-related cash flows		6,325
Changes in expected cash flows that do not affect nonaccretable difference (3)		12,065
Balance, December 31, 2013		**17,392**
Addition of accretable yield due to acquisitions		**-**
Accretion into interest income (1)		**(737)**
Accretion into noninterest income due to sales (2)		**(35)**
Reclassification from nonaccretable difference for loans with improving credit-related cash flows		**2,076**
Changes in expected cash flows that do not affect nonaccretable difference (3)		**(278)**
Balance, June 30, 2014	**$**	**18,418**
Balance, March 31, 2014	**$**	**17,086**
Addition of accretable yield due to acquisitions		**-**
Accretion into interest income (1)		**(362)**
Accretion into noninterest income due to sales (2)		**-**
		1,966

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	Reclassification from nonaccretable difference for loans with improving credit-related cash flows		
	Changes in expected cash flows that do not affect nonaccretable difference (3)		**(272)**
Balance, June 30, 2014		**$**	**18,418**

(1)	Includes accretable yield released as a result of settlements with borrowers, which is included in interest income.
(2)	Includes accretable yield released as a result of sales to third parties, which is included in noninterest income.
(3)	Represents changes in cash flows expected to be collected due to the impact of modifications, changes in prepayment assumptions, changes in interest rates on variable rate PCI loans and sales to third parties.

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

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

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

(in millions)		Commercial	Pick-a-Pay	Other consumer	Total
Balance, December 31, 2008	$	-	-	-	-
Provision for loan losses		1,641	-	107	1,748
Charge-offs		(1,615)	-	(103)	(1,718)
Balance, December 31, 2013		**26**	**-**	**4**	**30**
Provision (reversal of provision) for loan losses		**(19)**	**-**	**1**	**(18)**
Charge-offs		**(2)**	**-**	**(2)**	**(4)**
Balance, June 30, 2014	**$**	**5**	**-**	**3**	**8**
Balance, March 31, 2014	**$**	**18**	**-**	**3**	**21**
Reversal of provision for loan losses		**(14)**	**-**	**-**	**(14)**
Recoveries		**1**	**-**	**-**	**1**
Balance, June 30, 2014	**$**	**5**	**-**	**3**	**8**

Commercial PCI Credit Quality Indicators The following

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

(in millions)		Commercial and industrial	Real estate mortgage	Real estate construction	Foreign	Total
June 30, 2014						

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

By risk category:						
Pass	**$**	**114**	**301**	**162**	**1**	**578**
Criticized		**78**	**702**	**143**	**466**	**1,389**
Total commercial PCI loans	**$**	**192**	**1,003**	**305**	**467**	**1,967**
December 31, 2013						
By risk category:						
Pass	$	118	316	160	8	602
Criticized		97	820	273	712	1,902
Total commercial PCI loans	$	215	1,136	433	720	2,504

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

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

(in millions)		Commercial and industrial	Real estate mortgage	Real estate construction	Foreign	Total
June 30, 2014						
By delinquency status:						
Current-29 DPD and still accruing	**$**	**190**	**952**	**265**	**414**	**1,821**
30-89 DPD and still accruing		**-**	**5**	**11**	**-**	**16**
90+ DPD and still accruing		**2**	**46**	**29**	**53**	**130**
Total commercial PCI loans	**$**	**192**	**1,003**	**305**	**467**	**1,967**
December 31, 2013						
By delinquency status:						
Current-29 DPD and still accruing	$	210	1,052	355	632	2,249
30-89 DPD and still accruing		5	41	2	-	48
90+ DPD and still accruing		-	43	76	88	207
Total commercial PCI loans	$	215	1,136	433	720	2,504

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

	June 30, 2014			December 31, 2013		
(in millions)	**Real estate 1-4 family first mortgage**	**Real estate 1-4 family junior lien mortgage**	**Total**	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total

By delinquency status:							
Current-29 DPD and still accruing	$	**20,243**	**174**	**20,417**	20,712	171	20,883
30-59 DPD and still accruing		**2,029**	**7**	**2,036**	2,185	8	2,193
60-89 DPD and still accruing		**1,027**	**3**	**1,030**	1,164	4	1,168
90-119 DPD and still accruing		**434**	**2**	**436**	457	2	459
120-179 DPD and still accruing		**424**	**2**	**426**	517	4	521
180+ DPD and still accruing		**3,948**	**91**	**4,039**	4,291	95	4,386
Total consumer PCI loans (adjusted unpaid principal balance)	$	**28,105**	**279**	**28,384**	29,326	284	29,610
Total consumer PCI loans (carrying value)	$	**22,888**	**112**	**23,000**	24,100	123	24,223

104

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

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

The following table provides FICO scores for consumer PCI loans.

	June 30, 2014			December 31, 2013		
(in millions)	**Real estate 1-4 family first mortgage**	**Real estate 1-4 family junior lien mortgage**	**Total**	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By FICO:						
< 600	**$ 8,619**	**87**	**8,706**	9,933	101	10,034
600-639	**5,792**	**55**	**5,847**	6,029	60	6,089
640-679	**6,855**	**68**	**6,923**	6,789	70	6,859
680-719	**3,922**	**39**	**3,961**	3,732	35	3,767
720-759	**1,707**	**11**	**1,718**	1,662	11	1,673
760-799	**887**	**6**	**893**	865	5	870
800+	**205**	**1**	**206**	198	1	199
No FICO available	**118**	**12**	**130**	118	1	119
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 28,105**	**279**	**28,384**	29,326	284	29,610
Total consumer PCI loans (carrying value)	**$ 22,888**	**112**	**23,000**	24,100	123	24,223

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

	June 30, 2014			December 31, 2013		
	Real estate 1-4 family first	**Real estate 1-4 family junior lien**		Real estate 1-4 family first	Real estate 1-4 family junior lien	

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

(in millions)		mortgage by LTV	mortgage by CLTV	Total	mortgage by LTV	mortgage by CLTV	Total
By LTV/CLTV:							
0-60%	$	**2,926**	**32**	**2,958**	2,501	32	2,533
60.01-80%		**9,384**	**49**	**9,433**	8,541	42	8,583
80.01-100%		**9,626**	**93**	**9,719**	10,366	88	10,454
100.01-120% (1)		**3,988**	**61**	**4,049**	4,677	67	4,744
> 120% (1)		**2,171**	**43**	**2,214**	3,232	54	3,286
No LTV/CLTV available		**10**	**1**	**11**	9	1	10
Total consumer PCI loans (adjusted unpaid principal balance)	$	**28,105**	**279**	**28,384**	29,326	284	29,610
Total consumer PCI loans (carrying value)	$	**22,888**	**112**	**23,000**	24,100	123	24,223

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

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

Note 6: Other Assets

The components of other assets were:

(in millions)		June 30, 2014	Dec. 31, 2013
Nonmarketable equity investments:			
Cost method:			
Private equity	$	2,310	2,308
Federal bank stock		4,546	4,670
Total cost method		6,856	6,978
Equity method:			
LIHTC investments (1)		6,347	6,209
Private equity and other		5,386	5,782
Total equity method		11,733	11,991
Fair value (2)		1,902	1,386
Total nonmarketable equity investments		20,491	20,355
Corporate/bank-owned life insurance		18,837	18,738
Accounts receivable		22,628	21,422
Interest receivable		5,016	5,019
Core deposit intangibles		4,117	4,674
Customer relationship and other amortized intangibles		955	1,084
Foreclosed assets:			
Residential real estate:			
Government insured/guaranteed (3)		2,359	2,093
Non-government insured/guaranteed		630	814
Non-residential real estate		1,118	1,030
Operating lease assets		2,409	2,047
Due from customers on acceptances		234	279
Other (4)		13,538	8,787
Total other assets	$	92,332	86,342

(1) Represents low income housing tax credit investments.

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

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

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

	loans were predominantly insured by the FHA or guaranteed by the VA.
(4)	Includes derivatives designated as hedging instruments, free-standing derivatives (economic hedges), and derivative loan commitments, which are carried at fair value. See Note 12 (Derivatives) for additional information.

Income (expense) related to nonmarketable equity investments was:

		Quarter ended June 30,		Six months ended June 30,	
(in millions)		**2014**	2013	**2014**	2013
Net realized gains from nonmarketable equity investments	$	**381**	179	**932**	224
All other		**(209)**	(128)	**(432)**	(91)
Total	$	**172**	51	**500**	133

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

Note 7: Securitizations and Variable Interest Entities

Involvement with SPEs

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

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

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

(in millions)		VIEs that we do not consolidate	VIEs that we consolidate		Transfers that we account for as secured borrowings	Total
June 30, 2014						
Cash	$	-	175		33	208
Trading assets		1,008	34		210	1,252
Investment securities (1)		18,143	1,134		7,920	27,197
Mortgages held for sale		-	-		-	-
Loans		7,206	5,543		5,646	18,395
Mortgage servicing rights		13,208	-		-	13,208
Other assets		6,300	326		93	6,719
Total assets		45,865	7,212		13,902	66,979
Short-term borrowings		-	16		5,621	5,637
Accrued expenses and other liabilities		2,962	57	(2)	3	3,022
Long-term debt		-	2,114	(2)	5,359	7,473
Total liabilities		2,962	2,187		10,983	16,132
Noncontrolling interests		-	4		-	4

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

Net assets	$	**42,903**	**5,021**		**2,919**		**50,843**
December 31, 2013							
Cash	$	-	165		7		172
Trading assets		1,206	162		193		1,561
Investment securities (1)		18,795	1,352		8,976		29,123
Mortgages held for sale		-	38		-		38
Loans		7,652	6,058		6,021		19,731
Mortgage servicing rights		14,859	-		-		14,859
Other assets		6,151	347		110		6,608
Total assets		48,663	8,122		15,307		72,092
Short-term borrowings		-	29		7,871		7,900
Accrued expenses and other liabilities		3,464	99	(2)	3		3,566
Long-term debt		-	2,356	(2)	5,673		8,029
Total liabilities		3,464	2,484		13,547		19,495
Noncontrolling interests		-	5		-		5
Net assets	$	45,199	5,633		1,760		52,592

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

(2) Includes the following VIE liabilities at June 30, 2014, and December 31, 2013, respectively, with recourse to the general credit of Wells Fargo: Accrued expenses and other liabilities, $9 million at each date; and Long-term debt, $19 million and $29 million.

Transactions with Unconsolidated VIEs

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

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

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

			Carrying value - asset (liability)				
(in millions)		Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
June 30, 2014							
Residential mortgage loan securitizations:							
Conforming (2)	$	1,298,082	2,347	12,722	-	(696)	14,373
Other/nonconforming		35,080	1,557	226	-	(10)	1,773
Commercial mortgage securitizations		159,799	8,489	239	220	-	8,948
Collateralized debt obligations:							
Debt securities		5,324	36	-	200	(108)	128
Loans (3)		5,776	5,649	-	-	-	5,649
Asset-based finance structures		9,179	5,885	-	(62)	-	5,823
Tax credit structures		22,132	6,631	-	-	(2,040)	4,591
Collateralized loan obligations		2,702	747	-	-	-	747

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Investment funds		3,280		51	-	-	-	51
Other (4)		10,841		811	21	5	(17)	820
Total	$	1,552,195		32,203	13,208	363	(2,871)	42,903

		Maximum exposure to loss				
		Debt and equity interests	Servicing assets	Derivatives	Other commitments and guarantees	Total exposure
Residential mortgage loan securitizations:						
Conforming	$	2,347	12,722	-	2,366	17,435
Other/nonconforming		1,557	226	-	347	2,130
Commercial mortgage securitizations		8,489	239	244	-	8,972
Collateralized debt obligations:						
Debt securities		36	-	200	108	344
Loans (3)		5,649	-	-	-	5,649
Asset-based finance structures		5,885	-	62	995	6,942
Tax credit structures		6,631	-	-	506	7,137
Collateralized loan obligations		747	-	-	39	786
Investment funds		51	-	-	18	69
Other (4)		811	21	133	167	1,132
Total	$	32,203	13,208	639	4,546	50,596

(continued on following page)

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

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

(continued from previous page)

		Carrying value - asset (liability)				
(in millions)	Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2013						
Residential mortgage loan securitizations:						
Conforming (2)	$ 1,314,285	2,721	14,253	-	(745)	16,229
Other/nonconforming	38,330	1,739	258	-	(26)	1,971
Commercial mortgage securitizations	170,088	7,627	325	209	-	8,161
Collateralized debt obligations:						
Debt securities	6,730	37	-	214	(130)	121
Loans (3)	6,021	5,888	-	-	-	5,888
Asset-based finance structures	11,415	6,857	-	(84)	-	6,773
Tax credit structures	23,112	6,455	-	-	(2,213)	4,242
Collateralized loan obligations	4,382	1,061	-	-	-	1,061
Investment funds	3,464	54	-	-	-	54
Other (4)	10,343	860	23	5	(189)	699
Total	$ 1,588,170	33,299	14,859	344	(3,303)	45,199
		Maximum exposure to loss				
		Debt and equity interests	Servicing assets	Derivatives	Other commitments and guarantees	Total exposure
Residential mortgage loan securitizations:						
Conforming		$ 2,721	14,253	-	2,287	19,261
Other/nonconforming		1,739	258	-	346	2,343
Commercial mortgage securitizations		7,627	325	322	-	8,274

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

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

(1) Includes total equity interests of $7.0 billion and $6.9 billion at June 30, 2014, and December 31, 2013, respectively. Also includes debt interests in the form of both loans and securities. Excludes certain debt securities held related to loans serviced for FNMA, FHLMC and GNMA.

(2) Excludes assets and related liabilities with a recorded carrying value on our balance sheet of $1.4 billion and $2.1 billion at June 30, 2014, and December 31, 2013, respectively, for certain delinquent loans that are eligible for repurchase primarily from GNMA loan securitizations. The recorded carrying value represents the amount that would be payable if the Company was to exercise the repurchase option. The carrying amounts are excluded from the table because the loans eligible for repurchase do not represent interests in the VIEs.

(3) Represents senior loans to trusts that are collateralized by asset-backed securities. The trusts invest primarily in senior tranches from a diversified pool of primarily U.S. asset securitizations, of which all are current and 71% and 72% were rated as investment grade by the primary rating agencies at June 30, 2014, and December 31, 2013, respectively. These senior loans are accounted for at amortized cost and are subject to the Company’s allowance and credit charge-off policies.

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

109

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

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

For complete descriptions of our types of transactions with unconsolidated VIEs with which we have a significant continuing involvement, but we are not the primary beneficiary, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in our 2013 Form 10-K.

OTHER TRANSACTIONS WITH VIEs Auction rate securities (ARS) are debt instruments with long-term maturities, which re-price more frequently, and preferred equities with no maturity. At June 30, 2014, we held in our available-for-sale securities portfolio $605 million of ARS issued by VIEs redeemed pursuant to agreements entered into in 2008 and 2009, compared with $653 million at December 31, 2013.

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

TRUST PREFERRED SECURITIES VIEs that we wholly own issue debt securities or preferred equity to third party investors. All of the proceeds of the issuance are invested in debt securities or preferred equity that we issue to the VIEs. The VIEs’ operations and cash flows relate only to the issuance, administration and repayment of the securities held by third parties. We do not consolidate these VIEs because the sole assets of the VIEs are receivables from us, even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs and may have the right to redeem the third party securities under certain circumstances. In our consolidated balance sheet at June 30, 2014, and December 31, 2013, we reported the debt securities issued to the VIEs as long-term junior subordinated debt with a carrying value of $2.0 billion and $1.9 billion, respectively, and the preferred equity securities issued to the VIEs as preferred stock with a carrying value of $2.5 billion at both dates. These amounts are in addition to the involvements in these VIEs included in the preceding table.

Securitization Activity Related to Unconsolidated VIEs

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

110

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

		2014		2013	
			Other		Other
		Mortgage	**financial**	Mortgage	financial
(in millions)		**loans**	**assets**	loans	assets
Quarter ended June 30,					
Sales proceeds from securitizations	$	**39,830**	**-**	115,287	-
Fees from servicing rights retained		**979**	**2**	1,051	3
Other interests held		**369**	**18**	441	21
Purchases of delinquent assets		**-**	**-**	7	-
Servicing advances, net of repayments		**138**	**-**	12	-
Six months ended June 30,					
Sales proceeds from securitizations	$	**77,444**	**-**	221,593	-
Fees from servicing rights retained		**2,007**	**4**	2,127	5
Other interests held		**662**	**39**	847	48
Purchases of delinquent assets		**3**	**-**	16	-
Servicing advances, net of repayments		**(135)**	**-**	814	-

In the second quarter and first half of 2014, we recognized net gains of $68 million and $97 million, respectively, from transfers accounted for as sales of financial assets in securitizations, compared with $46 million and $110 million, respectively, in the same periods of 2013. These net gains primarily relate to commercial mortgage securitizations and residential mortgage securitizations where the loans were not already carried at fair value.

Sales with continuing involvement during the second quarter and first half of 2014 and 2013 predominantly related to securitizations of residential mortgages that are sold to the government-sponsored entities (GSEs), including FNMA, FHLMC and GNMA (conforming residential mortgage securitizations). During the second quarter and first half of 2014, we transferred $36.9 billion and $70.5 billion respectively, in fair value of conforming residential mortgages to unconsolidated VIEs and recorded the transfers as sales, compared with $111.2 billion and $211.9 billion, respectively in the same periods of 2013. Substantially all of these transfers did not result in a gain or loss because the loans were already carried at fair value. In connection with all of these transfers, in the first half of 2014 we recorded a $560 million servicing asset, measured at fair value using a Level 3 measurement technique, and a $22 million liability for repurchase losses which reflects management’s estimate of probable losses related to various representations and warranties for the loans transferred, initially measured at fair value. In the first half of 2013, we recorded a $2.0 billion servicing asset and a $98 million liability.

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

		Residential mortgage servicing rights		
		2014		2013
Quarter ended June 30,				
Prepayment speed (1)		**12.9**	%	11.7
Discount rate		**7.3**		7.1
Cost to service ($ per loan) (2)	$	**301**		199
Six months ended June 30,				
Prepayment speed (1)		**12.5**	%	11.8
Discount rate		**7.6**		7.1
Cost to service ($ per loan) (2)	$	**268**		189

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

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

During the second quarter and first half of 2014, we transferred $1.0 billion and $2.3 billion, respectively, in fair value of commercial mortgages to unconsolidated VIEs and recorded the transfers as sales, compared with $1.5 billion and $3.2 billion in the same periods of 2013, respectively. These transfers resulted in gains of $17 million and $41 million in the second quarter and first half of 2014, respectively, because the loans were carried at lower of cost or market value (LOCOM), compared with gains of $38 million and $100 million in the second quarter and first half of 2013. In connection with these transfers, in the first half of 2014 we recorded a servicing asset of $5 million, initially measured at fair value using a Level 3 measurement technique, and securities available-for-sale of $100 million, classified as Level 2. In the first half of 2013, we recorded a servicing asset of $9 million, using a Level 3 measurement technique, and available-for-sale securities of $23 million, classified as Level 2.

111

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

				Other interests held			
				Consumer		Commercial (2)	
($ in millions, except cost to service amounts)	Residential mortgage servicing rights (1)		Interest-only strips	Subordinated bonds	Senior bonds	Subordinated bonds	Senior bonds
Fair value of interests held at June 30, 2014	**$ 13,900**		**136**	**38**	**-**	**319**	**642**
Expected weighted-average life (in years)	**5.9**		**3.8**	**5.5**	**-**	**3.3**	**5.9**
Key economic assumptions:							
Prepayment speed assumption (3)	**12.1**	**%**	**11.3**	**7.1**	**-**		
Decrease in fair value from:							
10% adverse change	**$ 804**		**3**	**-**	**-**		
25% adverse change	**1,913**		**6**	**-**	**-**		
Discount rate assumption	**7.7**	**%**	**18.7**	**3.8**	**-**	**4.4**	**3.3**
Decrease in fair value from:							
100 basis point increase	**$ 716**		**3**	**2**	**-**	**20**	**32**
200 basis point increase	**1,363**		**5**	**3**	**-**	**29**	**62**
Cost to service assumption ($ per loan)	**184**						

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Decrease in fair value from:													
10% adverse change		**614**											
25% adverse change		**1,536**											
Credit loss assumption							**0.4**	**%**	**-**		**9.3**		**-**
Decrease in fair value from:													
10% higher losses						**$**	**-**		**-**		**18**		**-**
25% higher losses							**-**		**-**		**26**		**-**
Fair value of interests held at December 31, 2013	$	15,580		135			39		-		283		587
Expected weighted-average life (in years)		6.4		3.8			5.9		-		3.6		6.3
Key economic assumptions:													
Prepayment speed assumption (3)		10.7	%	10.7			6.7		-				
Decrease in fair value from:													
10% adverse change	$	864		3			-		-				
25% adverse change		2,065		7			-		-				
Discount rate assumption		7.8	%	18.3			4.4		-		4.5		3.6
Decrease in fair value from:													
100 basis point increase	$	840		2			2		-		30		30
200 basis point increase		1,607		5			4		-		38		58
Cost to service assumption ($ per loan)		191											
Decrease in fair value from:													
10% adverse change		636											
25% adverse change		1,591											
Credit loss assumption							0.4	%	-		14.2		-
Decrease in fair value from:													

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

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

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

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

112

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

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

In addition to residential mortgage servicing rights (MSRs) included in the previous table, we have a small portfolio of commercial MSRs with a fair value of $1.6 billion at both June 30, 2014, and December 31, 2013. The nature of our commercial MSRs, which are carried at LOCOM, is different from our residential MSRs. Prepayment activity on serviced loans does not significantly impact the value of commercial MSRs because, unlike residential mortgages, commercial mortgages experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower's ability to prepay the mortgage. Additionally, for our commercial MSR portfolio, we are typically master/primary servicer, but not the special servicer, who is separately responsible for the servicing and workout of delinquent and foreclosed loans. It is the special servicer, similar to our role as servicer of residential mortgage loans, who is affected by higher servicing and foreclosure costs due to an increase in delinquent and foreclosed loans. Accordingly, prepayment speeds and costs to service are not key assumptions for commercial MSRs as they do not significantly impact the valuation. The primary economic driver impacting the fair value of our commercial MSRs is forward interest rates, which are derived from market observable yield curves used to price capital markets instruments. Market interest rates most significantly affect interest earned on custodial deposit balances. The sensitivity of the current fair value to an immediate adverse 25% change in the assumption about interest earned on deposit balances at June 30, 2014, and December 31, 2013, results in a decrease in fair value of $176 million and $175 million, respectively. See Note 8 (Mortgage Banking Activities) for further information on our commercial MSRs.

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

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

		Total loans		Delinquent loans		Net charge-offs Six months ended June 30,	
		June 30,	Dec. 31	**June 30,**	Dec. 31		
(in millions)		**2014**	2013	**2014**	2013	**2014**	2013
Commercial:							
Real estate mortgage	$	**116,023**	119,346	**8,377**	8,808	**706**	387
Total commercial		**116,023**	119,346	**8,377**	8,808	**706**	387
Consumer:							

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Real estate 1-4 family first mortgage		**1,290,759**	1,313,298	**16,299**	17,009	**270**	471
Real estate 1-4 family junior lien mortgage		**1**	1	**-**	-	**-**	-
Other revolving credit and installment		**1,698**	1,790	**82**	99	**-**	-
Total consumer		**1,292,458**	1,315,089	**16,381**	17,108	**270**	471
Total off-balance sheet securitized loans (1)	$	**1,408,481**	1,434,435	**24,758**	25,916	**976**	858

(1) At June 30, 2014, and December 31, 2013, the table includes total loans of $1.3 trillion at both dates and delinquent loans of $13.6 billion and $14.0 billion, respectively for FNMA, FHLMC and GNMA. Net charge-offs exclude loans sold to FNMA, FHLMC and GNMA as we do not service or manage the underlying real estate upon foreclosure and, as such, do not have access to net charge-off information.

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Transactions with Consolidated VIEs and Secured Borrowings

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

		Carrying value			
(in millions)	Total VIE assets	Consolidated assets	Third party liabilities	Noncontrolling interests	Net assets
June 30, 2014					
Secured borrowings:					
Municipal tender option bond securitizations	**$ 9,197**	**8,211**	**(5,624)**	**-**	**2,587**
Commercial real estate loans	**348**	**348**	**(160)**	**-**	**188**
Residential mortgage securitizations	**5,052**	**5,343**	**(5,199)**	**-**	**144**
Total secured borrowings	**14,597**	**13,902**	**(10,983)**	**-**	**2,919**
Consolidated VIEs:					
Nonconforming residential					
mortgage loan securitizations	**6,211**	**5,530**	**(1,983)**	**-**	**3,547**
Structured asset finance	**52**	**52**	**(18)**	**-**	**34**
Investment funds	**1,196**	**1,196**	**(18)**	**-**	**1,178**
Other	**449**	**434**	**(168)**	**(4)**	**262**
Total consolidated VIEs	**7,908**	**7,212**	**(2,187)**	**(4)**	**5,021**
Total secured borrowings and consolidated VIEs	**$ 22,505**	**21,114**	**(13,170)**	**(4)**	**7,940**
December 31, 2013					
Secured borrowings:					
Municipal tender option bond securitizations	$ 11,626	9,210	(7,874)	-	1,336
Commercial real estate loans	486	486	(277)	-	209
Residential mortgage securitizations	5,337	5,611	(5,396)	-	215
Total secured borrowings	17,449	15,307	(13,547)	-	1,760

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

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

In addition to the transactions included in the previous table, at both June 30, 2014, and December 31, 2013, we had approximately $6.0 billion of private placement debt financing issued through a consolidated VIE. The issuance is classified as long-term debt in our consolidated financial statements. At June 30, 2014, we pledged approximately $6.4 billion in loans (principal and interest eligible to be capitalized), $131 million in available-for-sale securities and $180 million in cash and cash equivalents to collateralize the VIE's borrowings, compared with $6.6 billion, $160 million and $180 million, respectively, at December 31, 2013. These assets were not transferred to the VIE, and accordingly we have excluded the VIE from the previous table.

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

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

Note 8: Mortgage Banking Activities

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

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

		Quarter ended June 30,		Six months ended June 30,	
(in millions)		**2014**	2013	**2014**	2013
Fair value, beginning of period	$	**14,953**	12,061	**15,580**	11,538
Servicing from securitizations or asset transfers		**271**	1,060	**560**	1,995
Sales		**-**	(160)	**-**	(583)
Net additions		**271**	900	**560**	1,412
Changes in fair value:					
Due to changes in valuation model inputs or assumptions:					
Mortgage interest rates (1)		**(876)**	2,223	**(1,385)**	3,253
Servicing and foreclosure costs (2)		**23**	(82)	**(11)**	(140)
Discount rates (3)		**(55)**	-	**(55)**	-
Prepayment estimates and other (4)		**73**	(274)	**175**	(485)
Net changes in valuation model inputs or assumptions		**(835)**	1,867	**(1,276)**	2,628
Other changes in fair value (5)		**(489)**	(643)	**(964)**	(1,393)
Total changes in fair value		**(1,324)**	1,224	**(2,240)**	1,235
Fair value, end of period	$	**13,900**	14,185	**13,900**	14,185

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

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

(3) Reflects discount rate assumption change, excluding portion attributable to changes in mortgage interest rates.

(4) Represents changes driven by other valuation model inputs or assumptions including prepayment speed estimation changes and other assumption updates. Prepayment speed estimation changes are

influenced by observed changes in borrower behavior that occur independent of interest rate changes.

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

The changes in amortized MSRs were:

		Quarter ended June 30,		Six months ended June 30,	
(in millions)		**2014**	2013	**2014**	2013
Balance, beginning of period	$	**1,219**	1,181	**1,229**	1,160
Purchases		**32**	26	**72**	53
Servicing from securitizations or asset transfers		**24**	31	**38**	87
Amortization		**(79)**	(62)	**(143)**	(124)
Balance, end of period (1)	$	**1,196**	1,176	**1,196**	1,176
Fair value of amortized MSRs (2):					
Beginning of period	$	**1,624**	1,404	**1,575**	1,400
End of period		**1,577**	1,533	**1,577**	1,533

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

(2) Represent commercial amortized MSRs.

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

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

(in billions)		June 30, 2014		Dec. 31, 2013
Residential mortgage servicing:				
Serviced for others	$	**1,451**		1,485
Owned loans serviced		**341**		338
Subserviced for others		**5**		6
Total residential servicing		**1,797**		1,829
Commercial mortgage servicing:				
Serviced for others		**429**		419
Owned loans serviced		**109**		107
Subserviced for others		**7**		7
Total commercial servicing		**545**		533
Total managed servicing portfolio	$	**2,342**		2,362
Total serviced for others	$	**1,880**		1,904
Ratio of MSRs to related loans serviced for others		**0.80**	%	0.88

The components of mortgage banking noninterest income were:

(in millions)		Quarter ended June 30, 2014	Quarter ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Servicing income, net:					
Servicing fees:					
Contractually specified servicing fees	$	**1,077**	1,102	**2,159**	2,227
Late charges		**48**	58	**104**	118
Ancillary fees		**87**	85	**167**	167

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Unreimbursed direct servicing costs (1)		**(84)**	(215)	**(232)**	(485)
Net servicing fees		**1,128**	1,030	**2,198**	2,027
Changes in fair value of MSRs carried at fair value:					
Due to changes in valuation model inputs or assumptions (2)		**(835)**	1,867	**(1,276)**	2,628
Other changes in fair value (3)		**(489)**	(643)	**(964)**	(1,393)
Total changes in fair value of MSRs carried at fair value		**(1,324)**	1,224	**(2,240)**	1,235
Amortization		**(79)**	(62)	**(143)**	(124)
Net derivative gains (losses) from economic hedges (4)		**1,310**	(1,799)	**2,158**	(2,431)
Total servicing income, net		**1,035**	393	**1,973**	707
Net gains on mortgage loan origination/sales activities		**688**	2,409	**1,260**	4,889
Total mortgage banking noninterest income	**$**	**1,723**	2,802	**3,233**	5,596
Market-related valuation changes to MSRs, net of hedge results (2) + (4)	**$**	**475**	68	**882**	197

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

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

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

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

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

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

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

Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that is reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of assumptions that are subject to change. The high end of this range of reasonably possible losses in excess of our recorded liability was $975 million at June 30, 2014, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) utilized in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions.

		Quarter ended June 30,		Six months ended June 30,	
(in millions)		**2014**	2013	**2014**	2013
Balance, beginning of period	$	**799**	2,317	**899**	2,206
Provision for repurchase losses:					
Loan sales		**12**	40	**22**	99
Change in estimate (1)		**(38)**	25	**(42)**	275
Total additions (reductions)		**(26)**	65	**(20)**	374
Losses		**(7)**	(160)	**(113)**	(358)
Balance, end of period	$	**766**	2,222	**766**	2,222

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

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Note 9: Intangible Assets

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

	June 30, 2014			December 31, 2013		
(in millions)	**Gross carrying value**	**Accumulated amortization**	**Net carrying value**	Gross carrying value	Accumulated amortization	Net carrying value
Amortized intangible assets (1):						
MSRs (2)	**$ 2,749**	**(1,553)**	**1,196**	2,639	(1,410)	1,229
Core deposit intangibles	**12,834**	**(8,717)**	**4,117**	12,834	(8,160)	4,674
Customer relationship and other intangibles	**3,151**	**(2,196)**	**955**	3,145	(2,061)	1,084
Total amortized intangible assets	**$ 18,734**	**(12,466)**	**6,268**	18,618	(11,631)	6,987
Unamortized intangible assets:						
MSRs (carried at fair value) (2)	**$ 13,900**			15,580		
Goodwill	**25,705**			25,637		
Trademark	**14**			14		

(1) Excludes fully amortized intangible assets.

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

The following table provides the current year and estimated future amortization expense for amortized intangible assets. We based our projections of amortization expense shown below on existing asset balances at June 30, 2014. Future amortization expense may vary from these projections.

		Customer
	Core	relationship

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

		Amortized		deposit		and other			
(in millions)		MSRs		intangibles		intangibles			Total
Six months ended June 30, 2014 (actual)	**$**	**143**		**557**		**135**			**835**
Estimate for the remainder of 2014	**$**	**123**		**556**		**122**			**801**
Estimate for year ended December 31,									
2015		224		1,022		223			1,469
2016		185		919		209			1,313
2017		143		851		194			1,188
2018		111		769		185			1,065
2019		95		-		9			104

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

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

					Wealth,			
			Community		Wholesale	Brokerage and		Consolidated
(in millions)			Banking		Banking	Retirement		Company
December 31, 2012 and June 30, 2013		$	17,922		7,344	371		25,637
December 31, 2013		**$**	**17,922**		**7,344**	**371**		**25,637**
	Reduction in goodwill related to divested businesses		**-**		**(11)**	**-**		**(11)**
	Goodwill from business combinations		**-**		**87**	**-**		**87**
	Other		**(8)**		**-**	**-**		**(8)**
June 30, 2014		**$**	**17,914**		**7,420**	**371**		**25,705**

Note 10: Guarantees, Pledged Assets and Collateral

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

		June 30, 2014						
			Maximum exposure to loss					
(in millions)		Carrying value	Expires in one year or less	Expires after one year through three years	Expires after three years through five years	Expires after five years	Total	Non-investment grade
Standby letters of credit (1)	$	53	17,051	11,171	5,780	832	34,834	9,063
Securities lending and other indemnifications (2)		-	-	7	24	3,248	3,279	37
Written put options (3)		946	7,560	4,911	2,332	2,421	17,224	5,726
Loans and MHFS sold with recourse (4)		75	108	454	841	5,060	6,463	3,508
Factoring guarantees (5)		-	1,236	-	-	-	1,236	1,236
Other guarantees		40	27	112	18	1,737	1,894	109
Total guarantees	$	1,114	25,982	16,655	8,995	13,298	64,930	19,679
		December 31, 2013						
			Maximum exposure to loss					
(in millions)		Carrying value	Expires in one year or less	Expires after one year through three years	Expires after three years through five years	Expires after five years	Total	Non-investment grade

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

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

(1) Total maximum exposure to loss includes direct pay letters of credit (DPLCs) of $ 16.4 billion and $16.8 billion at June 30, 2014 and December 31, 2013, respectively. We issue DPLCs to provide credit enhancements for certain bond issuances. Beneficiaries (bond trustees) may draw upon these instruments to make scheduled principal and interest payments, redeem all outstanding bonds because a default event has occurred, or for other reasons as permitted by the agreement. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility in one of several forms, including as a standby letter of credit. Total maximum exposure to loss includes the portion of these facilities for which we have issued standby letters of credit under the commitments.

(2) Includes $244 million and $337 million at June 30, 2014 and December 31, 2013, respectively, in debt and equity securities lent from participating institutional client portfolios to third-party borrowers. Also includes indemnifications provided to certain third-party clearing agents. Outstanding customer obligations under these arrangements were $951 million and $769 million with related collateral of $5.7 billion and $3.7 billion at June 30, 2014 and December 31, 2013, respectively. Estimated maximum exposure to loss was $3.0 billion and $2.9 billion as of the same periods, respectively.

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

(4) Represent recourse provided, predominantly to the GSEs, on loans sold under various programs and arrangements. Under these arrangements, we repurchased $4 million and $5 million respectively, of loans associated with these agreements in the second quarter and first half of 2014, and $7 million and $18 million in the same periods of 2013, respectively.

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

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

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

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

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Pledged Assets

As part of our liquidity management strategy, we pledge assets to secure trust and public deposits, borrowings and letters of credit from the FHLB and FRB, securities sold under agreements to repurchase (repurchase agreements), and for other purposes as required or permitted by law or insurance statutory requirements. The types of collateral we pledge include securities issued by federal agencies, GSEs, domestic and foreign companies and various commercial and consumer loans. The following table provides the total carrying amount of pledged assets by asset type, of which substantially all are pursuant to agreements that do not permit the secured party to sell or repledge the collateral. The table excludes pledged consolidated VIE assets of $7.2 billion and $8.1 billion at June 30, 2014, and December 31, 2013, respectively, which can only be used to settle the liabilities of those entities. The table also excludes $13.9 billion and $15.3 billion in assets pledged in transactions accounted for as secured borrowings at June 30, 2014 and December 31, 2013, respectively. See Note 7 (Securitizations and Variable Interest Entities) for additional information on consolidated VIE assets and secured borrowings.

		June 30,	Dec. 31,
(in millions)		**2014**	2013
Trading assets and other (1)	$	**45,271**	30,288
Investment securities (2)		**87,832**	85,468
Loans (3)		**418,779**	381,597
Total pledged assets	$	**551,882**	497,353

(1) Represent assets pledged to collateralize repurchase agreements and other securities financings. Balance includes $44.0 billion and $29.0 billion at June 30, 2014, and December 31, 2013, respectively, under agreements that permit the secured parties to sell or repledge the collateral.

(2) Includes $7.1 billion and $8.7 billion in collateral for repurchase agreements at June 30, 2014, and December 31, 2013, respectively, which are pledged under agreements that do not permit the secured parties to sell or repledge the collateral.

(3) Represent loans carried at amortized cost, which are pledged under agreements that do not permit the secured parties to sell or repledge the collateral. Amounts exclude $1.4 billion and $2.1 billion at June 30, 2014 and December 31, 2013, respectively, of pledged loans recorded on our balance sheet representing certain delinquent loans that are eligible for repurchase primarily from GNMA loan securitizations. See Note 7 (Securitizations and Variable Interest Entities) for additional information.

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

Offsetting of Resale and Repurchase Agreements and Securities Borrowing and Lending Agreements

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

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

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

(in millions)		**June 30, 2014**		Dec. 31, 2013
Assets:				
Resale and securities borrowing agreements				
Gross amounts recognized	$	**45,890**		38,635
Gross amounts offset in consolidated balance sheet (1)		**(6,863)**		(2,817)
Net amounts in consolidated balance sheet (2)		**39,027**		35,818
Collateral not recognized in consolidated balance sheet (3)		**(38,973)**		(35,768)
Net amount (4)	$	**54**		50
Liabilities:				
Repurchase and securities lending agreements				
Gross amounts recognized	$	**51,432**		38,032
Gross amounts offset in consolidated balance sheet (1)		**(6,863)**		(2,817)
Net amounts in consolidated balance sheet (5)		**44,569**		35,215
		(44,121)		(34,770)

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Collateral pledged but not netted in consolidated balance sheet (6)				
Net amount (7)	**$**	**448**		445

(1)	Represents recognized amount of resale and repurchase agreements with counterparties subject to enforceable MRAs or MSLAs that have been offset in the consolidated balance sheet.
(2)	At June 30, 2014 and December 31, 2013, includes $29.3 billion and $25.7 billion, respectively, classified on our consolidated balance sheet in Federal funds sold, securities purchased under resale agreements and other short-term investments and $9.7 billion and $10.1 billion, respectively, in Loans.
(3)	Represents the fair value of collateral we have received under enforceable MRAs or MSLAs, limited for table presentation purposes to the amount of the recognized asset due from each counterparty. At June 30, 2014 and December 31, 2013, we have received total collateral with a fair value of $52.4 billion and $43.3 billion, respectively, all of which, we have the right to sell or repledge. These amounts include securities we have sold or repledged to others with a fair value of $31.8 billion at June 30, 2014 and $23.8 billion at December 31, 2013.
(4)	Represents the amount of our exposure that is not collateralized and/or is not subject to an enforceable MRA or MSLA.
(5)	Amount is classified in Short-term borrowings on our consolidated balance sheet.
(6)	Represents the fair value of collateral we have pledged, related to enforceable MRAs or MSLAs, limited for table presentation purposes to the amount of the recognized liability owed to each counterparty. At June 30, 2014 and December 31, 2013, we have pledged total collateral with a fair value of $52.4 billion and $39.0 billion, respectively, of which, the counterparty does not have the right to sell or repledge $8.4 billion as of June 30, 2014 and $10.0 billion as of December 31, 2013.
(7)	Represents the amount of our exposure that is not covered by pledged collateral and/or is not subject to an enforceable MRA or MSLA.

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Note 11: Legal Actions

The following supplements our discussion of certain matters previously reported in Note 15 (Legal Actions) to Financial Statements in our 2013 Form 10-K and Note 11 (Legal Actions) to Financial Statements in our 2014 first quarter Quarterly Report on Form 10-Q for events occurring during second quarter 2014.

FHA INSURANCE LITIGATION On October 9, 2012, the United States filed a complaint, captioned *United States of America v. Wells Fargo Bank, N.A.*, in the U.S. District Court for the Southern District of New York. The complaint makes claims with respect to Wells Fargo's Federal Housing Administration (FHA) lending program for the period 2001 to 2010. The complaint alleges, among other allegations, that Wells Fargo improperly certified certain FHA mortgage loans for United States Department of Housing and Urban Development (HUD) insurance that did not qualify for the program, and therefore Wells Fargo should not have received insurance proceeds from HUD when some of the loans later defaulted. The complaint further alleges Wells Fargo knew some of the mortgages did not qualify for insurance and did not disclose the deficiencies to HUD before making insurance claims. On December 1, 2012, Wells Fargo filed a motion in the U.S. District Court for the District of Columbia seeking to enforce a release of Wells Fargo given by the United States, which was denied on February 12, 2013. On April 11, 2013, Wells Fargo appealed the decision to the U.S. Court of Appeals for the District of Columbia Circuit. The Court affirmed the denial of Wells Fargo's motion on June 20, 2014.

MARYLAND MORTGAGE LENDING LITIGATION On July 8, 2008, a class action complaint captioned *Stacey and Bradley Petry, et al., v. Wells Fargo Bank, N.A., et al.*, was filed. The complaint alleges that Wells Fargo and others violated the Maryland Finder's Fee Act in the closing of mortgage loans in Maryland. On March 13, 2013, the Court held the plaintiff class did not have sufficient evidence to proceed to trial, which was previously set for March 18, 2013. On June 20, 2013, the Court entered judgment in favor of the defendants. The plaintiffs appealed. The U.S. Court of Appeals for the Fourth Circuit affirmed the judgment in favor of the defendants on July 10, 2014.

SECURITIES LENDING LITIGATION Wells Fargo Bank, N.A. is involved in five separate pending actions brought by securities lending customers of Wells Fargo and Wachovia Bank in various courts. In general, each of the cases alleges that Wells Fargo violated fiduciary and contractual duties by investing collateral for loaned securities in investments that suffered losses. One of the cases, filed on March 27, 2012, is composed of a class of Wells Fargo securities lending customers in a case captioned *City of Farmington Hills Employees Retirement System v. Wells Fargo Bank, N.A.* The class action is pending in the U.S. District Court for the District of Minnesota. On April 12, 2014, the parties reached a settlement in principle of the class action case. The settlement was preliminarily approved by the Court on June 5, 2014. A hearing on final approval is set for August 14, 2014.

OUTLOOK When establishing a liability for contingent litigation losses, the Company determines a range of potential losses for each matter that is both probable and estimable, and records the amount it considers to be the best estimate within the range. The high end of the range of reasonably possible potential litigation losses in excess of the Company's liability for probable and estimable losses was $1.2 billion as of June 30, 2014. For these matters and others where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the established liability that cannot be estimated. Based on information currently available, advice of counsel, available insurance coverage and established reserves, Wells Fargo believes that the eventual outcome of the actions against Wells Fargo and/or its subsidiaries, including the matters described above, will not, individually or in the aggregate, have a material adverse effect on Wells Fargo's consolidated financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to Wells Fargo's results of operations for any particular period.

Note 12: Derivatives

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

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

				June 30, 2014			December 31, 2013
		Notional or		**Fair value**	Notional or		Fair value
		contractual	**Asset**	**Liability**	contractual	Asset	Liability
(in millions)		**amount**	**derivatives**	**derivatives**	amount	derivatives	derivatives
Derivatives designated as hedging instruments							
Interest rate contracts (1)	$	**113,454**	**4,848**	**2,049**	100,412	4,315	2,528
Foreign exchange contracts		**26,255**	**1,402**	**696**	26,483	1,091	847
Total derivatives designated as							
qualifying hedging instruments			**6,250**	**2,745**		5,406	3,375
Derivatives not designated as hedging instruments							

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

Free-standing derivatives (economic hedges):						
Interest rate contracts (2)	**218,327**	**731**	**653**	220,577	595	897
Equity contracts	**4,689**	**507**	**52**	3,273	349	206
Foreign exchange contracts	**22,866**	**62**	**187**	10,064	21	35
Other derivatives	**2,093**	**1**	**14**	2,160	13	16
Subtotal		**1,301**	**906**		978	1,154
Customer accommodation, trading and other						
free-standing derivatives:						
Interest rate contracts	**4,153,432**	**44,171**	**46,403**	4,030,068	50,936	53,113
Commodity contracts	**97,695**	**3,314**	**3,188**	96,889	2,673	2,603
Equity contracts	**129,754**	**9,402**	**8,642**	96,379	7,475	7,588
Foreign exchange contracts	**209,464**	**2,680**	**2,270**	164,160	3,731	3,626
Credit contracts - protection sold	**15,612**	**281**	**1,156**	19,501	354	1,532
Credit contracts - protection purchased	**19,683**	**887**	**294**	23,314	1,147	368
Subtotal		**60,735**	**61,953**		66,316	68,830
Total derivatives not designated as hedging instruments		**62,036**	**62,859**		67,294	69,984
Total derivatives before netting		**68,286**	**65,604**		72,700	73,359
Netting (3)		**(50,874)**	**(56,574)**		(56,894)	(63,739)
Total		**$ 17,412**	**9,030**		15,806	9,620

(1) Notional amounts presented exclude $3.2 billion and $1.9 billion at June 30, 2014 and December 31, 2013, respectively, of certain derivatives that are combined for designation as a hedge on a single instrument.

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

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

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The following table provides information on the gross fair values of derivative assets and liabilities, the balance sheet netting adjustments and the resulting net fair value amount recorded on our balance sheet, as well as the non-cash collateral associated with such arrangements. We execute substantially all of our derivative transactions under master netting arrangements. We reflect all derivative balances and related cash collateral subject to enforceable master netting arrangements on a net basis within the balance sheet. The "Gross amounts recognized" column in the following table include $54.0 billion and $58.2 billion of gross derivative assets and liabilities, respectively, at June 30, 2014, and $59.8 billion and $66.1 billion, respectively, at December 31, 2013, with counterparties subject to enforceable master netting arrangements that are carried on the balance sheet net of offsetting amounts. The remaining gross derivative assets and liabilities of $14.3 billion and $7.4 billion, respectively, at June 30, 2014 and $12.9 billion and $7.3 billion, respectively, at December 31, 2013, include those with counterparties subject to master netting arrangements for which we have not assessed the enforceability because they are with counterparties where we do not currently have positions to offset, those subject to master netting arrangements where we have not been able to confirm the enforceability and those not subject to master netting

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

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

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

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

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

(in millions)		Gross amounts recognized	Gross amounts offset in consolidated balance sheet (1)	Net amounts in consolidated balance sheet (2)	Gross amounts not offset in consolidated balance sheet (Disclosure-only netting) (3)	Net amounts	Percent traded in over-the-counter market (4)	
June 30, 2014								
Derivative assets								
Interest rate contracts	$	**49,750**	**(41,549)**	**8,201**	**(744)**	**7,457**	**59**	%
Commodity contracts		**3,314**	**(679)**	**2,635**	**(75)**	**2,560**	**64**	
Equity contracts		**9,909**	**(4,016)**	**5,893**	**(380)**	**5,513**	**71**	
Foreign exchange contracts		**4,144**	**(3,580)**	**564**	**(2)**	**562**	**100**	
Credit contracts-protection sold		**281**	**(255)**	**26**	**-**	**26**	**96**	
Credit contracts-protection purchased		**887**	**(795)**	**92**	**(28)**	**64**	**100**	
Other contracts		**1**	**-**	**1**	**-**	**1**	**100**	
Total derivative assets	$	**68,286**	**(50,874)**	**17,412**	**(1,229)**	**16,183**		
Derivative liabilities								
Interest rate contracts	$	**49,105**	**(47,039)**	**2,066**	**(629)**	**1,437**	**57**	%
Commodity contracts		**3,188**	**(947)**	**2,241**	**(1)**	**2,240**	**54**	
Equity contracts		**8,694**	**(4,426)**	**4,268**	**(166)**	**4,102**	**90**	
Foreign exchange		**3,153**	**(2,746)**	**407**	**-**	**407**	**100**	

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contracts								
Credit contracts-protection sold		**1,156**	**(1,151)**	**5**	**-**	**5**	**100**	
Credit contracts-protection purchased		**294**	**(265)**	**29**	**-**	**29**	**94**	
Other contracts		**14**	**-**	**14**	**-**	**14**	**100**	
Total derivative liabilities	**$**	**65,604**	**(56,574)**	**9,030**	**(796)**	**8,234**		
December 31, 2013								
Derivative assets								
Interest rate contracts	$	55,846	(48,271)	7,575	(1,101)	6,474	65	%
Commodity contracts		2,673	(659)	2,014	(72)	1,942	52	
Equity contracts		7,824	(3,254)	4,570	(239)	4,331	81	
Foreign exchange contracts		4,843	(3,567)	1,276	(9)	1,267	100	
Credit contracts-protection sold		354	(302)	52	-	52	92	
Credit contracts-protection purchased		1,147	(841)	306	(33)	273	100	
Other contracts		13	-	13	-	13	100	
Total derivative assets	$	72,700	(56,894)	15,806	(1,454)	14,352		
Derivative liabilities								
Interest rate contracts	$	56,538	(53,902)	2,636	(482)	2,154	66	%
Commodity contracts		2,603	(952)	1,651	(11)	1,640	73	
Equity contracts		7,794	(3,502)	4,292	(124)	4,168	94	
Foreign exchange contracts		4,508	(3,652)	856	-	856	100	
Credit contracts-protection sold		1,532	(1,432)	100	-	100	100	
Credit contracts-protection		368	(299)	69	-	69	89	

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

purchased							
Other contracts		16	-	16	-	16	100
Total derivative liabilities	$	73,359	(63,739)	9,620	(617)	9,003	

(1) Represents amounts with counterparties subject to enforceable master netting arrangements that have been offset in the consolidated balance sheet, including related cash collateral and portfolio level counterparty valuation adjustments. Counterparty valuation adjustments were $207 million and $236 million related to derivative assets and $49 million and $67 million related to derivative liabilities as of June 30, 2014 and December 31, 2013, respectively. Cash collateral totaled $4.7 billion and $10.6 billion, netted against derivative assets and liabilities, respectively, at June 30, 2014, and $4.3 billion and $11.3 billion, respectively, at December 31, 2013.

(2) Net derivative assets of $12.4 billion and $14.4 billion are classified in Trading assets as of June 30, 2014 and December 31, 2013, respectively. $5.0 billion and $1.4 billion are classified in Other assets in the consolidated balance sheet as of June 30, 2014 and December 31, 2013, respectively. Net derivative liabilities are classified in Accrued expenses and other liabilities in the consolidated balance sheet.

(3) Represents non-cash collateral pledged and received against derivative assets and liabilities with the same counterparty that are subject to enforceable master netting arrangements. U.S. GAAP does not permit netting of such non-cash collateral balances in the consolidated balance sheet but requires disclosure of these amounts.

(4) Represents derivatives executed in over-the-counter markets not settled through a central clearing organization. Over-the-counter percentages are calculated based on Gross amounts recognized as of the respective balance sheet date. The remaining percentage represents derivatives settled through a central clearing organization, which are executed in either over-the-counter or exchange-traded markets.

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

Fair Value Hedges

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

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

(in millions)		Interest rate contracts hedging: Available-for-sale securities	Interest rate contracts hedging: Mortgages held for sale	Interest rate contracts hedging: Long-term debt	Foreign exchange contracts hedging: Available-for-sale securities	Foreign exchange contracts hedging: Long-term debt	Total net gains (losses) on fair value hedges
Quarter ended June 30, 2014							
Net interest income (expense) recognized on derivatives	**$**	**(178)**	**(7)**	**456**	**(6)**	**77**	**342**
Gains (losses) recorded in noninterest income							
Recognized on derivatives		**(440)**	**(11)**	**795**	**(5)**	**340**	**679**
Recognized on hedged item		**427**	**8**	**(714)**	**4**	**(300)**	**(575)**
Net recognized on fair value hedges (ineffective portion) (1)	**$**	**(13)**	**(3)**	**81**	**(1)**	**40**	**104**
Quarter ended June 30, 2013							
Net interest income (expense) recognized on derivatives	$	(136)	2	395	(2)	69	328
Gains (losses) recorded in noninterest income							
Recognized on derivatives		899	(11)	(1,666)	104	(607)	(1,281)
Recognized on hedged item		(890)	4	1,576	(100)	557	1,147
	$	9	(7)	(90)	4	(50)	(134)

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

Net recognized on fair value hedges (ineffective portion) (1)							
Six months ended June 30, 2014							
Net interest income (expense) recognized on derivatives	**$**	**(353)**	**(10)**	**904**	**(8)**	**150**	**683**
Gains (losses) recorded in noninterest income							
Recognized on derivatives		**(945)**	**(26)**	**1,783**	**(19)**	**414**	**1,207**
Recognized on hedged item		**924**	**19**	**(1,567)**	**15**	**(374)**	**(983)**
Net recognized on fair value hedges (ineffective portion) (1)	**$**	**(21)**	**(7)**	**216**	**(4)**	**40**	**224**
Six months ended June 30, 2013							
Net interest income (expense) recognized on derivatives	$	(261)	3	792	(2)	137	669
Gains (losses) recorded in noninterest income							
Recognized on derivatives		1,203	(9)	(2,394)	312	(1,380)	(2,268)
Recognized on hedged item		(1,178)	(1)	2,264	(303)	1,328	2,110
Net recognized on fair value hedges (ineffective portion) (1)	$	25	(10)	(130)	9	(52)	(158)

(1) Both the second quarter and first half of 2014 included $0 million and the second quarter and first half of 2013 included $(1) million and $(4) million, respectively, of the time value component recognized as net interest income (expense) on forward derivatives hedging foreign currency available-for-sale securities and long-term debt that were excluded from the assessment of hedge effectiveness.

Cash Flow Hedges

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

Based upon current interest rates, we estimate that $290 million (pre tax) of deferred net gains on derivatives in OCI at June 30, 2014, will be reclassified into net interest income during the next twelve months. Future changes to interest rates may significantly change actual amounts reclassified to earnings. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of 7 years for both hedges of floating-rate debt and floating-rate commercial loans.

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

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

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2014**	2013	**2014**	2013
Gains (losses) (pre tax) recognized in OCI on derivatives	$ **212**	(10)	**256**	(3)
Gains (pre tax) reclassified from cumulative OCI into net income (1)	**115**	69	**221**	156
Gains (losses) (pre tax) recognized in noninterest income for hedge ineffectiveness (2)	**1**	1	**1**	1

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

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

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

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

Free-Standing Derivatives

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

The derivatives used to hedge MSRs measured at fair value, resulted in net derivative gains of $1.3 billion and $ 2.2 billion in second quarter and first half of 2014, respectively, and net derivative losses of $1.8 billion and $2.4 billion in second quarter and first half of 2013, respectively, which are included in mortgage banking noninterest income. The aggregate fair value of these derivatives was a net asset of $492 million at June 30, 2014 and a net liability of $531 million at December 31, 2013. The change in fair value of these derivatives for each period end is due to changes in the underlying market indices and interest rates as well as the purchase and sale of derivative financial instruments throughout the period as part of our dynamic MSR risk management process.

Interest rate lock commitments for residential mortgage loans that we intend to sell are considered free-standing derivatives. The aggregate fair value of derivative loan commitments on the balance sheet was a net asset of $124 million and a net liability of $26 million at June 30, 2014 and December 31, 2013, respectively, and is included in the caption “Interest rate contracts” under “Customer accommodation, trading and other free-standing derivatives” in the first table in this Note.

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

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

		Quarter ended June 30,		Six months ended June 30,	
(in millions)		**2014**	2013	**2014**	2013
Net gains (losses) recognized on free-standing derivatives (economic hedges):					
Interest rate contracts					
Recognized in noninterest income:					
Mortgage banking (1)	$	**475**	1,347	**841**	1,728
Other (2)		**(66)**	74	**(125)**	98
Equity contracts (3)		**47**	(24)	**123**	(38)
Foreign exchange contracts (2)		**(117)**	12	**(48)**	20
Credit contracts (2)		**-**	(2)	**-**	(6)
Other (2)		**(2)**	-	**(9)**	-

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Subtotal	**337**	1,407	**782**	1,802
Net gains (losses) recognized on customer accommodation, trading				
and other free-standing derivatives:				
Interest rate contracts				
Recognized in noninterest income:				
Mortgage banking (4)	**498**	(1,176)	**788**	(906)
Other (5)	**(337)**	376	**(728)**	581
Commodity contracts (5)	**(13)**	63	**37**	224
Equity contracts (5)	**(214)**	(7)	**(308)**	(257)
Foreign exchange contracts (5)	**152**	138	**414**	415
Credit contracts (5)	**5**	28	**32**	(20)
Subtotal	**91**	(578)	**235**	37
Net gains recognized related to derivatives not designated				
as hedging instruments	**$ 428**	829	**1,017**	1,839

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

(2) Predominantly included in other noninterest income.

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

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

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

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

Credit Derivatives

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

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

					Notional amount			
(in millions)		Fair value liability	Protection sold (A)	Protection sold - non-investment grade	Protection purchased with identical underlyings (B)	Net protection sold (A) - (B)	Other protection purchased	Range of maturities
June 30, 2014								
Credit default swaps on:								
Corporate bonds	**$**	**36**	**8,859**	**4,388**	**5,725**	**3,134**	**4,316**	**2014-2021**
Structured products		**828**	**1,319**	**1,024**	**758**	**561**	**379**	**2017-2052**
Credit protection on:								
Default swap index		**-**	**1,927**	**234**	**1,575**	**352**	**582**	**2014-2019**
Commercial mortgage-								
backed securities index		**271**	**1,062**	**-**	**651**	**411**	**332**	**2047-2063**
Asset-backed securities index		**21**	**53**	**-**	**1**	**52**	**85**	**2045-2046**
Other		**-**	**2,392**	**2,392**	**-**	**2,392**	**5,279**	**2014-2025**
Total credit derivatives	**$**	**1,156**	**15,612**	**8,038**	**8,710**	**6,902**	**10,973**	
December 31, 2013								
Credit default swaps on:								

Corporate bonds	$	48	10,947	5,237		6,493	4,454	5,557	2014-2021
Structured products		1,091	1,553	1,245		894	659	389	2016-2052
Credit protection on:									
Default swap index		-	3,270	388		2,471	799	898	2014-2018
Commercial mortgage-backed securities index (1)		344	1,106	1		535	571	535	2049-2052
Asset-backed securities index (1)		48	55	-		1	54	87	2045-2046
Other		1	2,570	2,570		3	2,567	5,451	2014-2025
Total credit derivatives	$	1,532	19,501	9,441		10,397	9,104	12,917	

(1) Amounts previously reported for "Protection sold - non-investment grade" have been revised to reflect a corrected determination of the investment grade status of sold credit protection.

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

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

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

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

Credit-Risk Contingent Features

Certain of our derivative contracts contain provisions whereby if the credit rating of our debt were to be downgraded by certain major credit rating agencies, the counterparty could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a net liability position was $11.4 billion at June 30, 2014, and $14.3 billion at December 31, 2013, respectively, for which we posted $9.9 billion and $12.2 billion, respectively, in collateral in the normal course of business. If the credit rating of our debt had been downgraded below investment grade, which is the credit-risk-related contingent feature that if triggered requires the maximum amount of collateral to be posted, on June 30, 2014, or December 31, 2013, we would have been required to post additional collateral of $1.5 billion or $2.5 billion, respectively, or potentially settle the contract in an amount equal to its fair value.

Counterparty Credit Risk

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

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

Note 13: Fair Values of Assets and Liabilities

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

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

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

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

- Level 3 – Valuation is generated from techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Fair Value Measurements from Brokers or Third Party Pricing Services

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

	Brokers	Third party pricing

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

(in millions)		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
								services
June 30, 2014								
Trading assets (excluding derivatives)	$	-	-	-		1,913	185	-
Available-for-sale securities:								
Securities of U.S. Treasury and federal agencies		-	-	-		537	5,876	-
Securities of U.S. states and political subdivisions		-	-	-		-	41,600	89
Mortgage-backed securities		-	377	-		-	145,882	177
Other debt securities (1)		-	304	703		-	44,393	683
Total debt securities		-	681	703		537	237,751	949
Total marketable equity securities		-	-	-		3	589	-
Total available-for-sale securities		-	681	703		540	238,340	949
Derivatives (trading and other assets)		-	4	-		-	315	1
Derivatives (liabilities)		-	(6)	-		-	(318)	-
Other liabilities		-	-	-		-	-	-
December 31, 2013								
Trading assets (excluding derivatives)	$	-	122	1		1,804	652	3
Available-for-sale securities:								
Securities of U.S. Treasury and federal agencies		-	-	-		557	5,723	-
Securities of U.S. states and political subdivisions		-	-	-		-	39,257	63
Mortgage-backed securities		-	621	-		-	148,074	180
Other debt securities (1)		-	1,537	722		-	44,681	746
Total debt securities		-	2,158	722		557	237,735	989
Total marketable equity securities		-	-	-		-	630	-
Total available-for-sale securities		-	2,158	722		557	238,365	989
Derivatives (trading and other assets)		-	5	-		-	417	3
Derivatives (liabilities)		-	(12)	-		-	(418)	-
Other liabilities		-	(115)	-		-	(36)	-

(1) Includes corporate debt securities, collateralized loan and other debt obligations, asset-backed securities, and other debt securities.

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

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

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

(in millions)	Level 1	Level 2	Level 3		Netting	Total
June 30, 2014						
Trading assets (excluding derivatives)						
Securities of U.S. Treasury and federal agencies	$ 13,073	3,982	-		-	17,055
Securities of U.S. states and political subdivisions	-	2,433	8		-	2,441
Collateralized loan and other debt obligations (1)	-	146	581		-	727
Corporate debt securities	1	8,470	62		-	8,533
Mortgage-backed securities	-	16,147	1		-	16,148
Asset-backed securities	-	756	91		-	847
Equity securities	8,525	25	13		-	8,563
Total trading securities (2)	21,599	31,959	756		-	54,314
Other trading assets	2,808	2,056	49		-	4,913
Total trading assets (excluding derivatives)	24,407	34,015	805		-	59,227
Securities of U.S. Treasury and federal agencies	537	5,877	-		-	6,414
Securities of U.S. states and political subdivisions	-	41,610	3,169	(3)	-	44,779
Mortgage-backed securities:						
Federal agencies	-	116,908	-		-	116,908
Residential	-	11,178	41		-	11,219
Commercial	-	18,078	136		-	18,214
Total mortgage-backed securities	-	146,164	177		-	146,341
Corporate debt securities	85	19,210	284		-	19,579
Collateralized loan and other debt obligations (4)	-	19,505	1,326	(3)	-	20,831
Asset-backed securities:						
Auto loans and leases	-	41	272	(3)	-	313
Home equity loans	-	845	-		-	845
Other asset-backed securities	-	5,409	1,295	(3)	-	6,704
Total asset-backed securities	-	6,295	1,567		-	7,862
Other debt securities	-	40	-		-	40
Total debt securities	622	238,701	6,523		-	245,846

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Marketable equity securities:								
Perpetual preferred securities (5)		**477**	**585**	**700**	**(3)**	**-**		**1,762**
Other marketable equity securities		**1,349**	**4**	**-**		**-**		**1,353**
Total marketable equity securities		**1,826**	**589**	**700**		**-**		**3,115**
Total available-for-sale securities		**2,448**	**239,290**	**7,223**		**-**		**248,961**
Mortgages held for sale		**-**	**14,052**	**2,396**		**-**		**16,448**
Loans held for sale		**-**	**1**	**-**		**-**		**1**
Loans		**-**	**-**	**5,926**		**-**		**5,926**
Mortgage servicing rights (residential)		**-**	**-**	**13,900**		**-**		**13,900**
Derivative assets:								
Interest rate contracts		**29**	**49,292**	**429**		**-**		**49,750**
Commodity contracts		**-**	**3,308**	**6**		**-**		**3,314**
Equity contracts		**2,888**	**5,332**	**1,689**		**-**		**9,909**
Foreign exchange contracts		**129**	**4,012**	**3**		**-**		**4,144**
Credit contracts		**-**	**605**	**563**		**-**		**1,168**
Other derivative contracts		**-**	**-**	**1**		**-**		**1**
Netting		**-**	**-**	**-**		**(50,874)**	**(6)**	**(50,874)**
Total derivative assets (7)		**3,046**	**62,549**	**2,691**		**(50,874)**		**17,412**
Other assets		**-**	**-**	**2,005**		**-**		**2,005**
Total assets recorded at fair value	**$**	**29,901**	**349,907**	**34,946**		**(50,874)**		**363,880**
Derivative liabilities:								
Interest rate contracts	**$**	**(24)**	**(48,835)**	**(246)**		**-**		**(49,105)**
Commodity contracts		**-**	**(3,184)**	**(4)**		**-**		**(3,188)**
Equity contracts		**(845)**	**(6,110)**	**(1,739)**		**-**		**(8,694)**
Foreign exchange contracts		**(119)**	**(3,033)**	**(1)**		**-**		**(3,153)**
Credit contracts		**-**	**(621)**	**(829)**		**-**		**(1,450)**
Other derivative contracts		**-**	**-**	**(14)**		**-**		**(14)**
Netting		**-**	**-**	**-**		**56,574**	**(6)**	**56,574**
Total derivative liabilities (7)		**(988)**	**(61,783)**	**(2,833)**		**56,574**		**(9,030)**
Short sale liabilities:								
Securities of U.S. Treasury and federal agencies		**(6,028)**	**(1,937)**	**-**		**-**		**(7,965)**
Securities of U.S. states and political subdivisions		**-**	**(24)**	**-**		**-**		**(24)**
Corporate debt securities		**-**	**(5,164)**	**-**		**-**		**(5,164)**
Equity securities		**(1,954)**	**(6)**	**-**		**-**		**(1,960)**
Other securities		**-**	**(25)**	**-**		**-**		**(25)**
Total short sale liabilities		**(7,982)**	**(7,156)**	**-**		**-**		**(15,138)**
Other liabilities (excluding derivatives)		**-**	**-**	**(45)**		**-**		**(45)**
Total liabilities recorded at fair value	**$**	**(8,970)**	**(68,939)**	**(2,878)**		**56,574**		**(24,213)**

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(1) Includes collateralized debt obligations of $1 million.

(2) Net gains (losses) from trading activities recognized in the income statement for the first half of 2014 and 2013 include $216 million and $(646) million in net unrealized gains (losses) on trading securities held at June 30, 2014 and 2013, respectively.

(3) Balances consist of securities that are mostly investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.

(4) Includes collateralized debt obligations of $580 million.

(5) Perpetual preferred securities include ARS and corporate preferred securities. See Note 7 (Securitizations and Variable Interest Entities) for additional information.

(6) Represents balance sheet netting of derivative asset and liability balances and related cash collateral. See Note 12 (Derivatives) for additional information.

(7) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

(continued on following page)

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

(continued from previous page)								
(in millions)		Level 1	Level 2	Level 3		Netting		Total
December 31, 2013								
Trading assets (excluding derivatives)								
Securities of U.S. Treasury and federal agencies	$	8,301	3,669	-		-		11,970
Securities of U.S. states and political subdivisions		-	2,043	39		-		2,082
Collateralized loan and other debt obligations (1)		-	212	541		-		753
Corporate debt securities		-	7,052	53		-		7,105
Mortgage-backed securities		-	14,608	1		-		14,609
Asset-backed securities		-	487	122		-		609
Equity securities		5,908	87	13		-		6,008
Total trading securities (2)		14,209	28,158	769		-		43,136
Other trading assets		2,694	2,487	54		-		5,235
Total trading assets (excluding derivatives)		16,903	30,645	823		-		48,371
Securities of U.S. Treasury and federal agencies		557	5,723	-		-		6,280
Securities of U.S. states and political subdivisions		-	39,322	3,214	(3)	-		42,536
Mortgage-backed securities:								
Federal agencies		-	117,591	-		-		117,591
Residential		-	12,389	64		-		12,453
Commercial		-	18,609	138		-		18,747
Total mortgage-backed securities		-	148,589	202		-		148,791
Corporate debt securities		113	20,833	281		-		21,227
Collateralized loan and other debt obligations (4)		-	18,739	1,420	(3)	-		20,159
Asset-backed securities:								
Auto loans and leases		-	21	492	(3)	-		513
Home equity loans		-	843	-		-		843
Other asset-backed securities		-	6,577	1,657	(3)	-		8,234
Total asset-backed securities		-	7,441	2,149		-		9,590
Other debt securities		-	39	-		-		39
Total debt securities		670	240,686	7,266		-		248,622
Marketable equity securities:								

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Perpetual preferred securities (5)		508	628	729	(3)	-		1,865
Other marketable equity securities		1,511	9	-		-		1,520
Total marketable equity securities		2,019	637	729		-		3,385
Total available-for-sale securities		2,689	241,323	7,995		-		252,007
Mortgages held for sale		-	11,505	2,374		-		13,879
Loans held for sale		-	1	-		-		1
Loans		-	272	5,723		-		5,995
Mortgage servicing rights (residential)		-	-	15,580		-		15,580
Derivative assets:								
Interest rate contracts		36	55,466	344		-		55,846
Commodity contracts		-	2,667	6		-		2,673
Equity contracts		1,522	4,221	2,081		-		7,824
Foreign exchange contracts		44	4,789	10		-		4,843
Credit contracts		-	782	719		-		1,501
Other derivative contracts		-	-	13		-		13
Netting		-	-	-		(56,894)	(6)	(56,894)
Total derivative assets (7)		1,602	67,925	3,173		(56,894)		15,806
Other assets		-	-	1,503		-		1,503
Total assets recorded at fair value	$	21,194	351,671	37,171		(56,894)		353,142
Derivative liabilities:								
Interest rate contracts	$	(26)	(56,128)	(384)		-		(56,538)
Commodity contracts		-	(2,587)	(16)		-		(2,603)
Equity contracts		(449)	(5,218)	(2,127)		-		(7,794)
Foreign exchange contracts		(75)	(4,432)	(1)		-		(4,508)
Credit contracts		-	(806)	(1,094)		-		(1,900)
Other derivative contracts		-	-	(16)		-		(16)
Netting		-	-	-				

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