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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q

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

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

Commission file number 001-2979

WELLS FARGO & COMPANY

(Exact name of registrant as specified in its charter)

Delaware
No. 41-0449260

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

420 Montgomery Street, San Francisco, California 94163

(Address of principal executive offices) (Zip Code)

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

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

Yes þ No ¨

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

Yes þ No ¨

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

Large accelerated filer þ Accelerated filer ¨

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

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

Yes ¨ No þ

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

Shares Outstanding

April 30, 2014

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

FORM 10-Q
CROSS-REFERENCE INDEX

PART I - FINANCIAL INFORMATION

FINANCIAL REVIEW

Summary Financial Data

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

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

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

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

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

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

(5)

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

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

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

Financial Review[1]

Overview

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

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

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

Financial Performance

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

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

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

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

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

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

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

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

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

Balance Sheet and Liquidity

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

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

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

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

Credit Quality

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

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

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

Capital

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

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

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

Earnings Performance

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

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

Net Interest Income

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) Includes taxable-equivalent adjustments of $217 million and $176 million for the quarters ended March 31, 2014 and 2013, respectively, primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate utilized was 35% for the periods presented.

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Earnings Performance *(continued)*

Noninterest Income

Table 2: Noninterest Income

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

NM - Not meaningful											

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

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

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

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

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

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

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

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

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

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

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

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

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

Earnings Performance ***(continued)***

Noninterest Expense

Table 3: Noninterest Expense

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

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

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

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

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

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

Income Tax Expense

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

Operating Segment Results

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

Table 4: Operating Segment Results – Highlights

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

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

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

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

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

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

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

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Earnings Performance ***(continued)***

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

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

Balance Sheet Analysis

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

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

Investment Securities

Table 5: Investment Securities – Summary

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

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

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

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

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

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

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

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

Table 6: Mortgage-Backed Securities

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

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

Balance Sheet Analysis *(continued)*

Loan Portfolio

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

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

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

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

Table 7: Loan Portfolios

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

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

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

Table 8: Maturities for Selected Commercial Loan Categories

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

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

Deposits

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

Table 9: Deposits

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

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

Fair Value of Financial Instruments

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

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

Table 10: Fair Value Level 3 Summary

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

* Less than 1%.

(1) Before derivative netting adjustments.

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

Equity

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

Off-Balance Sheet Arrangements

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

Commitments to Lend

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

Transactions with Unconsolidated Entities

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

Guarantees and Certain Contingent Arrangements

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

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

Derivatives

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

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

Other Commitments

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

Risk Management

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

Operational Risk Management

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

Credit Risk Management

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

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

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

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

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

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Risk Management – Credit Risk Management *(continued)*

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

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

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

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

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

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

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

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

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

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

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

Table 12: Non-Strategic and Liquidating Loan Portfolios

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

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

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Transactions with Unconsolidated Entities

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

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

Table 13: Changes in Nonaccretable Difference for PCI Loans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 16: CRE Loans by State and Property Type

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

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

* Less than 1%.

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

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

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

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

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

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

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

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

Table 17: Select Country Exposures

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