

WELLS FARGO & COMPANY/MN
Form 10-Q
November 03, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

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 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 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

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

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

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Shares Outstanding

October 25, 2016

Common stock, \$1-2/3 par value 5,022,303,027

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CROSS-REFERENCE INDEX

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PART I - FINANCIAL INFORMATION

FINANCIAL REVIEW

Summary Financial Data

| (\$ in millions, except per share amounts) | Quarter ended | | | % Change | | Nine months ended | | % Change |
|--|---------------|--------------|--------------|--------------------------------|--------------|-------------------|--------------|----------|
| | Sep 30, 2016 | Jun 30, 2016 | Sep 30, 2015 | Sep 30, 2016 from Jun 30, 2016 | Sep 30, 2015 | Sep 30, 2016 | Sep 30, 2015 | |
| For the Period | | | | | | | | |
| Wells Fargo net income | \$5,644 | 5,558 | 5,796 | 2 | % (3) | \$16,664 | 17,319 | (4)% |
| Wells Fargo net income applicable to common stock | 5,243 | 5,173 | 5,443 | 1 | (4) | 15,501 | 16,267 | (5) |
| Diluted earnings per common share | 1.03 | 1.01 | 1.05 | 2 | (2) | 3.03 | 3.12 | (3) |
| Profitability ratios (annualized): | | | | | | | | |
| Wells Fargo net income to average assets (ROA) | 1.17 | % 1.20 | 1.32 | (3) | (11) | 1.19 | % 1.34 | (11) |
| Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity (ROE) | 11.60 | 11.70 | 12.62 | (1) | (8) | 11.68 | 12.83 | (9) |
| Return on average tangible common equity (ROTCE) (1) | 13.96 | 14.15 | 15.19 | (1) | (8) | 14.08 | 15.46 | (9) |
| Efficiency ratio (2) | 59.4 | 58.1 | 56.7 | 2 | 5 | 58.7 | 58.0 | 1 |
| Total revenue | \$22,328 | 22,162 | 21,875 | 1 | 2 | \$66,685 | 64,471 | 3 |
| Pre-tax pre-provision profit (PTPP) (3) | 9,060 | 9,296 | 9,476 | (3) | (4) | 27,523 | 27,096 | 2 |
| Dividends declared per common share | 0.380 | 0.380 | 0.375 | — | 1 | 1.135 | 1.100 | 3 |
| Average common shares outstanding | 5,043.4 | 5,066.9 | 5,125.8 | — | (2) | 5,061.9 | 5,145.9 | (2) |
| Diluted average common shares outstanding | 5,094.6 | 5,118.1 | 5,193.8 | — | (2) | 5,118.2 | 5,220.3 | (2) |
| Average loans | \$957,484 | 950,751 | 895,095 | 1 | 7 | \$945,197 | 876,384 | 8 |
| Average assets | 1,914,586 | 1,862,084 | 1,746,402 | 3 | 10 | 1,865,694 | 1,727,967 | 8 |
| Average total deposits | 1,261,527 | 1,236,658 | 1,198,874 | 2 | 5 | 1,239,287 | 1,186,412 | 4 |
| Average consumer and small business banking deposits (4) | 739,066 | 726,359 | 683,245 | 2 | 8 | 726,798 | 674,741 | 8 |
| Net interest margin | 2.82 | % 2.86 | 2.96 | (1) | (5) | 2.86 | % 2.96 | (3) |
| At Period End | | | | | | | | |
| Investment securities | \$390,832 | 353,426 | 345,074 | 11 | 13 | \$390,832 | 345,074 | 13 |
| Loans | 961,326 | 957,157 | 903,233 | — | 6 | 961,326 | 903,233 | 6 |
| Allowance for loan losses | 11,583 | 11,664 | 11,659 | (1) | (1) | 11,583 | 11,659 | (1) |

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| | | | | | | | | |
|--|-----------|-----------|-----------|------|-------|-----------|-----------|-------|
| Goodwill | 26,688 | 26,963 | 25,684 | (1) | 4 | 26,688 | 25,684 | 4 |
| Assets | 1,942,124 | 1,889,235 | 1,751,265 | 3 | 11 | 1,942,124 | 1,751,265 | 11 |
| Deposits | 1,275,894 | 1,245,473 | 1,202,179 | 2 | 6 | 1,275,894 | 1,202,179 | 6 |
| Common stockholders' equity | 179,916 | 178,633 | 172,089 | 1 | 5 | 179,916 | 172,089 | 5 |
| Wells Fargo stockholders' equity | 203,028 | 201,745 | 193,051 | 1 | 5 | 203,028 | 193,051 | 5 |
| Total equity | 203,958 | 202,661 | 194,043 | 1 | 5 | 203,958 | 194,043 | 5 |
| Tangible common equity (1) | 149,829 | 148,110 | 143,352 | 1 | 5 | 149,829 | 143,352 | 5 |
| Capital ratios (5)(6): | | | | | | | | |
| Total equity to assets | 10.50 | % 10.73 | 11.08 | (2) | (5) | 10.50 | % 11.08 | (5) |
| Risk-based capital: | | | | | | | | |
| Common Equity Tier 1 | 10.93 | 10.82 | 10.87 | 1 | 1 | 10.93 | 10.87 | 1 |
| Tier 1 capital | 12.60 | 12.50 | 12.42 | 1 | 1 | 12.60 | 12.42 | 1 |
| Total capital | 15.40 | 15.14 | 14.86 | 2 | 4 | 15.40 | 14.86 | 4 |
| Tier 1 leverage | 9.11 | 9.25 | 9.51 | (2) | (4) | 9.11 | 9.51 | (4) |
| Common shares outstanding | 5,023.9 | 5,048.5 | 5,108.5 | — | (2) | 5,023.9 | 5,108.5 | (2) |
| Book value per common share (7) | \$35.81 | 35.38 | 33.69 | 1 | 6 | \$35.81 | 33.69 | 6 |
| Tangible book value per common share (1) (7) | 29.82 | 29.34 | 28.06 | 2 | 6 | 29.82 | 28.06 | 6 |
| Common stock price: | | | | | | | | |
| High | 51.00 | 51.41 | 58.77 | (1) | (13) | 53.27 | 58.77 | (9) |
| Low | 44.10 | 44.50 | 47.75 | (1) | (8) | 44.10 | 47.75 | (8) |
| Period end | 44.28 | 47.33 | 51.35 | (6) | (14) | 44.28 | 51.35 | (14) |
| Team members (active, full-time equivalent) | 268,800 | 267,900 | 265,200 | — | 1 | 268,800 | 265,200 | 1 |

Tangible common equity is a non-GAAP financial measure and represents total equity less preferred equity, noncontrolling interests, and goodwill and certain identifiable intangible assets (including goodwill and intangible assets associated with certain of our nonmarketable equity investments but excluding mortgage servicing rights), net of applicable deferred taxes. The methodology of determining tangible common equity may differ among (1) companies. Management believes that return on average tangible common equity and tangible book value per common share, which utilize tangible common equity, are useful financial measures because they enable investors and others to assess the Company's use of equity. For additional information, including a corresponding reconciliation to GAAP financial measures, see the "Capital Management – Tangible Common Equity" section in this Report.

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

Pre-tax pre-provision profit (PTPP) is total revenue less noninterest expense. Management believes that PTPP is a (3) 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) Consumer and small business banking deposits are total deposits excluding mortgage escrow and wholesale deposits.

The risk-based capital ratios presented at September 30 and June 30, 2016, and September 30, 2015 were calculated under the lower of Standardized or Advanced Approach determined pursuant to Basel III with (5) Transition Requirements. Accordingly, the total capital ratio was calculated under the Advanced Approach and the other ratios were calculated under the Standardized Approach, for each of the periods, respectively.

(6) See the "Capital Management" section and Note 19 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

(7)

Book value per common share is common stockholders' equity divided by common shares outstanding. Tangible book value per common share is tangible common equity divided by common shares outstanding.

Overview (continued)

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, 2015 (2015 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. See the Glossary of Acronyms for terms used throughout this Report.

Financial Review

Overview

Wells Fargo & Company is a diversified, community-based financial services company with \$1.9 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 8,600 locations, 13,000 ATMs, digital (online, mobile and social), and contact centers (phone, email and correspondence), and we have offices in 42 countries and territories to support customers who conduct business in the global economy. With approximately 269,000 active, full-time equivalent team members, we serve one in three households in the United States and ranked No. 27 on Fortune’s 2016 rankings of America’s largest corporations. We ranked third in assets and second in the market value of our common stock among all U.S. banks at September 30, 2016.

We use our Vision and Values to guide us toward growth and success. Our vision is to satisfy 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. We aspire to create deep and enduring relationships with our customers by providing them with an exceptional experience and by discovering their needs and delivering the most relevant products, services, advice, and guidance.

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. In addition to our five primary values, one of our key day-to-day priorities is to make risk management a competitive advantage by working hard to ensure that appropriate controls are in place to reduce risks to our customers, maintain and increase our competitive market position, and protect Wells Fargo’s long-term safety, soundness and reputation.

Sales Practices Matters

On September 8, 2016, we announced settlements with the Consumer Financial Protection Bureau (CFPB), the Office of the Comptroller of the Currency (OCC) and the Office of the Los Angeles City Attorney regarding allegations that some of our

retail customers received products and services they did not request. The amount of the settlements, which was fully accrued for as of June 30, 2016, totaled \$185 million, plus \$5 million in customer remediation. Our commitment to addressing the concerns raised by these settlements has included:

The Independent Directors of the Board have retained the law firm of Shearman & Sterling LLP to assist in its investigation into the Company's retail banking sales practices and related matters.

An extensive review was performed by an independent consulting firm going back to 2011, which was completed prior to these settlements. This review was conducted to identify financial harm stemming from potentially unauthorized accounts. The review identified approximately 2.1 million potentially unauthorized consumer and small business accounts, including 623,000 consumer and small business unsecured credit card accounts. As a result of this review, \$2.6 million has been refunded to customers for any fees associated with the potentially unauthorized accounts. Since the announcement of the settlements, the review has been voluntarily expanded to include 2009 and 2010.

Changes in senior management:

John Stumpf retired and has been replaced by Tim Sloan as CEO and Stephen Sanger, an independent member of the Board, as Chairman. Consistent with his recommendation, Mr. Stumpf forfeited unvested equity awards valued at approximately \$41 million.

Carrie Tolstedt left the Company and has been replaced by Mary Mack as head of Community Banking. Ms. Tolstedt forfeited unvested equity awards valued at approximately \$19 million, will not receive severance or retirement enhancements in connection with her separation from the Company, and has agreed not to exercise vested options during the investigation by the Independent Directors of the Board.

Neither executive will receive a bonus for 2016.

Eliminated product sales goals for retail banking team members. Implemented interim incentive-based compensation plans in retail banking for fourth quarter 2016. Management continues to review incentive-based compensation practices in retail banking.

Implemented procedures to send retail banking customers a confirmation email approximately an hour after opening a checking or savings account and an acknowledgment letter after submitting a credit card application.

Attempting to contact all retail and small business deposit customers across the country, including those who have already received refunded fees, to invite them to review their accounts with their banker. Also contacting credit card customers identified as possibly having unauthorized accounts to confirm whether they need or want their credit card.

Investments in enhanced team member training and monitoring and controls have been made, including reinforcement of our Code of Ethics and Business Conduct and our EthicsLine.

Evaluation of potential credit score and related impacts to customers to develop a plan for regulatory approval.

Expanding branch-based customer experience surveys and instituted mystery shopper program.

As we move forward we have a specific action plan in place that is focused on outreach to everyone who has been affected by retail banking sales practices including our community, our customers, our regulators, our team members and our investors. For additional information regarding sales practices matters, including related legal matters, see the "Earnings Performance – Operating Segment Results – Cross-sell" and "Risk Factors" sections and Note 11 (Legal Actions) to Financial Statements in this Report.

Financial Performance

Wells Fargo net income was \$5.6 billion in third quarter 2016 with diluted earnings per common share (EPS) of \$1.03, compared with \$5.8 billion and \$1.05, respectively, a year ago. We have now generated quarterly earnings of more than \$5 billion for 16 consecutive quarters, which reflected the ability of our diversified business model and risk discipline to generate consistent financial performance during a period that included persistent low interest rates, market volatility and economic uncertainty. We remain focused on meeting the financial needs of our customers and on investing in our businesses so we may continue to meet the evolving needs of our customers in the future.

Compared with a year ago:

revenue was \$22.3 billion, up 2%, with growth in net interest income despite equity investment gains being at a five quarter low and \$780 million lower than a year ago;

noninterest expense increased driven by higher personnel expenses and higher operating lease expense due to the GE Capital business acquisitions;

our investment securities reached a record \$390.8 billion, an increase of \$45.8 billion, or 13%;

our total loans reached a high of \$961.3 billion, an increase of \$58.1 billion, or 6%;

our deposit franchise generated strong customer and balance growth, with total deposits reaching a record \$1.28 trillion, up \$73.7 billion, or 6%, and we grew the number of primary consumer checking customers by 4.7% (August 2016 compared with August 2015); and

our solid capital position enabled us to return \$3.2 billion to shareholders through common stock dividends and net share repurchases, the fifth consecutive quarter of returning more than \$3 billion.

Balance Sheet and Liquidity

Our balance sheet maintained its strength in third quarter 2016 as we increased our liquidity position, generated loan, investment securities and deposit growth, experienced solid credit quality and maintained strong capital levels. We have been able to grow our loans on a year-over-year basis for 21 consecutive quarters (for the past 18 quarters year-over-year loan growth has been 3% or greater). Our loan portfolio increased \$44.8 billion from December 31, 2015, predominantly due to growth in commercial and industrial, real estate mortgage, real estate construction and lease financing loans within the commercial loan portfolio segment, which included \$26.5 billion of commercial and

industrial loans and capital leases acquired from GE Capital in the first nine months of 2016.

With the expectation of interest rates remaining lower for a longer period, we grew our investment securities portfolio by \$43.3 billion, or 12%, from December 31, 2015, with approximately \$57 billion of gross purchases during third quarter 2016, compared with last year's average of \$26 billion per quarter. The amount of investment securities purchased was higher than in prior quarters due to the fact that we did not add duration in the loan portfolio with interest rate swaps, as we had in prior quarters.

Our funding sources grew in third quarter 2016 with long-term debt up \$55.3 billion from December 31, 2015, on \$19.7 billion of issuances in third quarter 2016, including \$9.2 billion that we anticipate will be Total Loss Absorbing Capacity (TLAC) eligible. Deposit growth continued in the first nine months of 2016 with period-end deposits up \$52.6 billion, or 4%, from December 31, 2015. Our average deposit cost in third quarter 2016 was 11 basis points, up 3 basis points from a year ago, which reflected an increase in deposit pricing for certain wholesale banking customers.

We successfully grew our primary consumer checking customers (i.e., customers who actively use their checking account with transactions such as debit card purchases, online bill payments, and direct deposit) by 4.7% (August 2016 compared with August 2015).

Credit Quality

Solid overall credit results continued in third quarter 2016 as losses remained low and we continued to originate high quality loans, reflecting our long-term risk focus. Net charge-offs were \$805 million, or 0.33% (annualized) of average loans, in third quarter 2016, compared with \$703 million a year ago (0.31%). The increase in net charge-offs in third quarter 2016, compared with a year ago, was predominantly due to continued challenges in the oil and gas portfolio. However, our total oil and gas loan exposure, which includes unfunded commitments and loans outstanding, was down 10% from a year ago.

Our commercial portfolio net charge-offs were \$215 million, or 17 basis points of average commercial loans, in third quarter 2016, compared with net charge-offs of \$94 million, or 8 basis points, a year ago. Net consumer credit losses declined to 51 basis points of average consumer loans in third quarter 2016 from 53 basis points in third quarter 2015. Our commercial real estate portfolios were in a net recovery position for the 15th consecutive quarter, reflecting our conservative risk discipline and improved market conditions. Losses on our consumer real estate portfolios declined \$82 million from a year ago, down 54%. The lower consumer loss levels reflected the benefit of the continued improvement in the housing market and our continued focus on originating high quality loans. Approximately 72% of the consumer first mortgage portfolio was originated after 2008, when more stringent underwriting standards were implemented.

The allowance for credit losses as of September 30, 2016, increased \$132 million compared with a year ago. The allowance coverage for total loans was 1.32% at September 30, 2016, compared with 1.39% a year ago. The allowance covered 4.0 times annualized third quarter net charge-offs, compared with 4.5 times a year ago. Future allowance levels will be based on a variety of factors, including loan growth, portfolio performance and general economic conditions. Our provision for loan losses was \$805 million in third quarter 2016, up from \$703 million a year ago, reflecting losses in the oil and gas portfolio and the loan growth mentioned above.

Nonperforming assets decreased \$1.1 billion, or 8%, from June 30, 2016 with improvement across our consumer and

Overview (continued)

commercial portfolios and lower foreclosed assets. Nonperforming assets were only 1.25% of total loans, the lowest level since the merger with Wachovia in 2008. Nonaccrual loans decreased \$977 million from the prior quarter primarily due to a \$732 million decrease in consumer nonaccruals. In addition, foreclosed assets were down \$97 million from the prior quarter.

During the first week of October 2016, Hurricane Matthew caused destruction along the coasts of Florida, Georgia, South Carolina and North Carolina and resulted in, among other things, property damage for our customers and the closing of many businesses. We are currently assessing the impact to our customers and our business as a result of Hurricane Matthew. The financial impact to us is expected to primarily relate to our consumer real estate, commercial real estate and auto loan portfolios and will depend on a number of factors, including the types of loans most affected by the hurricane, the extent of damage to our collateral, the extent of available insurance coverage, the availability of government assistance for our borrowers, and whether our borrowers' ability to repay their loans has been diminished.

Capital

Our financial performance in third quarter 2016 resulted in strong capital generation, which increased total equity to a record \$204.0 billion at September 30, 2016, up \$1.3 billion from the prior quarter. We returned \$3.2 billion to shareholders in third quarter 2016 through common stock dividends and net share repurchases and our net payout ratio (which is the ratio of (i) common stock dividends and share repurchases less issuances and stock compensation-related items, divided by (ii) net income applicable to common stock) was 61%, compared with 62% in the prior quarter, and within our targeted range of 55-75%. We continued to reduce our common share count through the repurchase of 38.3 million common shares in the quarter. We also entered into a \$750 million forward repurchase contract with an unrelated third party in October 2016 that is expected to settle in first quarter 2017 for approximately 17 million shares. We expect to reduce our common shares outstanding through share repurchases throughout the remainder of 2016.

We believe an important measure of our capital strength is the Common Equity Tier 1 ratio under Basel III, fully phased-in, which was 10.71% at September 30, 2016. Likewise, our other regulatory capital ratios remained strong. See the "Capital Management" section in this Report for more information regarding our capital, including the calculation of our regulatory capital amounts.

Earnings Performance

Wells Fargo net income for third quarter 2016 was \$5.6 billion (\$1.03 diluted earnings per common share), compared with \$5.8 billion (\$1.05 diluted per share) for third quarter 2015. Net income for the first nine months of 2016 was \$16.7 billion (\$3.03), compared with \$17.3 billion (\$3.12) for the same period a year ago. Our third quarter and first nine months of 2016 earnings reflected continued execution of our business strategy as we continued to satisfy our customers' financial needs. We generated revenue growth across many of our businesses and grew loans and deposits. Our financial performance in the first nine months of 2016, compared with the same period a year ago, benefited from a \$1.6 billion increase in net interest income, which was offset by a \$1.4 billion increase in our provision for credit losses and a \$1.8 billion increase in noninterest expense. The key drivers of our financial performance in the third quarter and first nine months of 2016 were balanced net interest income and noninterest income, diversified sources of fee income, and a diversified and growing loan portfolio.

Revenue, the sum of net interest income and noninterest income, was \$22.3 billion in third quarter 2016, compared with \$21.9 billion in third quarter 2015. Revenue for the first nine months of 2016 was \$66.7 billion, up 3% from the first nine months of 2015. The increase in revenue for the third quarter and first nine months of 2016, compared with the same periods in 2015, was largely due to an increase in net interest income, reflecting increases in interest income from loans and trading assets, partially offset by higher long-term debt and deposit interest expense. In the third quarter and first nine months of 2016, net interest income represented 54% and 53% of revenue, respectively, compared with 52% for both periods in 2015.

Noninterest income was \$10.38 billion and \$31.33 billion in the third quarter and first nine months of 2016, representing 46% and 47% of revenue, respectively, compared with \$10.42 billion (48%) and \$30.76 billion (48%) in the third quarter and first nine months of 2015. Noninterest income in third quarter 2016 decreased \$42 million, compared with the same period in 2015, predominantly due to lower net gains on equity investments and insurance, partially offset by an increase in net gains from trading activities and lease income. Noninterest income for the first nine months of 2016, compared with the same period in 2015, reflected an increase in lease income related to the GE Capital business acquisitions, gains from the sale of our crop insurance and health benefit services businesses, and hedge ineffectiveness income, primarily on our long-term debt hedges, partially offset by lower trust and investment fees, and net gains on equity investments.

Noninterest expense was \$13.3 billion and \$39.2 billion in the third quarter and first nine months of 2016, respectively, compared with \$12.4 billion and \$37.4 billion for the same periods in 2015. The increase in noninterest expense for the third quarter and first nine months of 2016, compared with the same periods in 2015, was predominantly due to higher personnel expenses, operating lease expense, FDIC and other deposit assessments, and outside professional services and contract services, as well as increased operating losses, reflecting higher litigation accruals, partially offset by lower foreclosed assets expense, insurance and outside data processing. Noninterest expense as a percentage of revenue (efficiency ratio) was 59.4% in third quarter 2016 (58.7% in the first nine months of 2016), compared with 56.7% in third quarter 2015 (58.0% in the first nine months of 2015).

During first quarter 2016, we closed substantially all of the

acquisition of certain commercial lending businesses and assets from GE Capital. A portion of the assets were acquired in January 2016 with additional assets acquired in March 2016. In third quarter 2016, we closed the acquisition of the Asia, Australia, and New Zealand segments of GE Capital's Commercial Distribution Finance business. In October 2016, the final phase of our GE Capital business acquisitions was completed when we closed the acquisition of the Europe, Middle East, and Africa segments of the GE Capital Commercial Distribution Finance business.

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 assets portfolio and the cost of funding those assets. In addition, some variable sources of interest income, such as resolutions from purchased credit-impaired (PCI) loans, loan fees and collection of interest on nonaccrual loans, can vary from period to period. Net interest income and net interest margin growth has been challenged during the prolonged low interest rate environment as higher yielding loans and securities have run off and been replaced with lower yielding assets.

Net interest income on a taxable-equivalent basis was \$12.3 billion and \$36.3 billion in the third quarter and first nine months of 2016, respectively, compared with \$11.7 billion and \$34.5 billion for the same periods a year ago. The net interest margin was 2.82% and 2.86% for the third quarter and first nine months of 2016, down from 2.96% for both the third quarter and first nine months of 2015. The increase in net interest income in the third quarter and first nine months of 2016 from the same periods a year ago resulted from an increase in interest income, partially offset by an increase in funding interest expense. The increase in interest income was driven by growth in commercial and consumer loans, including the GE Capital business acquisitions that closed in 2016, growth in investment securities, increased trading income and higher short-term interest rates. Funding interest expense increased in the third quarter and first nine months of 2016, compared with the same periods a year ago, primarily due to growth and repricing of long-term debt. Deposit interest expense was also higher, predominantly due to an increase in wholesale pricing resulting from higher short-term interest rates.

The decline in net interest margin in the third quarter and first nine months of 2016, compared with the same periods a year ago, was primarily due to deposit growth and higher long-term debt balances, including debt issued to fund the GE Capital business acquisitions. As a result of growth in funding balances, net interest margin was diluted by an increase in cash, federal funds sold, and other short-term investments, which was partially offset by growth in loans, trading, and the benefit of higher short-term interest rates.

Earnings Performance (continued)

Average earning assets increased \$158.4 billion and \$135.5 billion in the third quarter and first nine months of 2016, respectively, compared with the same periods a year ago, as average loans increased \$62.4 billion in the third quarter and \$68.8 billion in the first nine months of 2016, average investment securities increased \$24.2 billion in the third quarter and \$21.5 billion in the first nine months of 2016, and average trading assets increased \$21.6 billion in the third quarter and \$17.6 billion in the first nine months of 2016, compared with the same periods a year ago. In addition, average federal funds sold and other short-term investments increased \$49.2 billion and \$28.4 billion in the third quarter and first nine months of 2016, respectively, compared with the same periods a year ago.

Deposits are an important low-cost source of funding and affect both net interest income and the net interest margin. Deposits include noninterest-bearing deposits, interest-bearing checking, market rate and other savings, savings certificates, other time deposits, and deposits in foreign offices. Average deposits of \$1.26 trillion increased in third quarter 2016 (\$1.24 trillion in the first nine months of 2016), compared with \$1.20 trillion in third quarter 2015 (\$1.19 trillion in the first nine months of 2015), and represented 132% of average loans in third quarter 2016 (131% in the first nine months of 2016), compared with 134% and 135% for the same periods a year ago. Average deposits decreased to 73% of average earning assets in both the third quarter and first nine months of 2016, compared with 76% for the same periods a year ago as the growth in total loans outpaced deposit growth.

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

| (in millions) | Quarter ended September 30, | | | | | |
|---|-----------------------------|------------------|--|-----------------|------------------|--|
| | Average balance | Yields/ rates | 2016 Interest income/ expense | Average balance | Yields/ rates | 2015 Interest income/ expense |
| Earning assets | | | | | | |
| Federal funds sold, securities purchased under resale agreements and other short-term investments | \$299,351 | 0.50 | % \$373 | 250,104 | 0.26 | % \$167 |
| Trading assets | 88,838 | 2.72 | 605 | 67,223 | 2.93 | 492 |
| Investment securities (3): | | | | | | |
| Available-for-sale securities: | | | | | | |
| Securities of U.S. Treasury and federal agencies | 25,817 | 1.52 | 99 | 35,709 | 1.59 | 143 |
| Securities of U.S. states and political subdivisions | 55,170 | 4.28 | 590 | 48,238 | 4.22 | 510 |
| Mortgage-backed securities: | | | | | | |
| Federal agencies | 105,780 | 2.39 | 631 | 98,459 | 2.70 | 665 |
| Residential and commercial | 18,080 | 5.54 | 250 | 21,876 | 5.84 | 319 |
| Total mortgage-backed securities | 123,860 | 2.85 | 881 | 120,335 | 3.27 | 984 |
| Other debt and equity securities | 54,176 | 3.37 | 459 | 50,371 | 3.40 | 430 |
| Total available-for-sale securities | 259,023 | 3.13 | 2,029 | 254,653 | 3.24 | 2,067 |
| Held-to-maturity securities: | | | | | | |
| Securities of U.S. Treasury and federal agencies | 44,678 | 2.19 | 246 | 44,649 | 2.18 | 245 |
| Securities of U.S. states and political subdivisions | 2,507 | 5.24 | 33 | 2,151 | 5.17 | 28 |
| Federal agency and other mortgage-backed securities | 47,971 | 1.97 | 236 | 27,079 | 2.38 | 161 |
| Other debt securities | 3,909 | 1.98 | 19 | 5,371 | 1.75 | 24 |
| Total held-to-maturity securities | 99,065 | 2.15 | 534 | 79,250 | 2.30 | 458 |
| Total investment securities | 358,088 | 2.86 | 2,563 | 333,903 | 3.02 | 2,525 |
| Mortgages held for sale (4) | 24,060 | 3.44 | 207 | 24,159 | 3.69 | 223 |
| Loans held for sale (4) | 199 | 3.04 | 2 | 568 | 2.57 | 4 |
| Loans: | | | | | | |
| Commercial: | | | | | | |
| Commercial and industrial – U.S. | 271,226 | 3.48 | 2,369 | 241,409 | 3.30 | 2,005 |
| Commercial and industrial – Non U.S. | 51,261 | 2.40 | 309 | 45,923 | 1.83 | 212 |
| Real estate mortgage | 128,809 | 3.48 | 1,127 | 120,983 | 3.31 | 1,009 |
| Real estate construction | 23,212 | 3.50 | 205 | 21,626 | 3.39 | 184 |
| Lease financing | 18,896 | 4.70 | 223 | 12,282 | 4.18 | 129 |
| Total commercial | 493,404 | 3.42 | 4,233 | 442,223 | 3.18 | 3,539 |
| Consumer: | | | | | | |
| Real estate 1-4 family first mortgage | 278,509 | 3.97 | 2,764 | 269,437 | 4.10 | 2,762 |
| Real estate 1-4 family junior lien mortgage | 48,927 | 4.37 | 537 | 55,298 | 4.22 | 588 |
| Credit card | 34,578 | 11.60 | 1,008 | 31,649 | 11.73 | 936 |
| Automobile | 62,461 | 5.60 | 880 | 58,534 | 5.80 | 855 |
| Other revolving credit and installment | 39,605 | 5.92 | 590 | 37,954 | 5.84 | 559 |
| Total consumer | 464,080 | 4.97 | 5,779 | 452,872 | 5.01 | 5,700 |
| Total loans (4) | 957,484 | 4.17 | 10,012 | 895,095 | 4.11 | 9,239 |
| Other | 6,488 | 2.30 | 36 | 5,028 | 5.11 | 64 |
| Total earning assets | \$1,734,508 | 3.17 | % \$13,798 | 1,576,080 | 3.21 | % \$12,714 |
| Funding sources | | | | | | |
| Deposits: | | | | | | |

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| | | | | | | |
|---|-------------|------|------------|------------|------|------------|
| Interest-bearing checking | \$44,056 | 0.15 | % \$17 | 37,783 | 0.05 | % \$5 |
| Market rate and other savings | 667,185 | 0.07 | 110 | 628,119 | 0.06 | 90 |
| Savings certificates | 25,185 | 0.30 | 19 | 30,897 | 0.58 | 44 |
| Other time deposits | 54,921 | 0.93 | 128 | 48,676 | 0.46 | 57 |
| Deposits in foreign offices | 107,072 | 0.30 | 82 | 111,521 | 0.13 | 36 |
| Total interest-bearing deposits | 898,419 | 0.16 | 356 | 856,996 | 0.11 | 232 |
| Short-term borrowings | 116,228 | 0.29 | 86 | 90,357 | 0.06 | 13 |
| Long-term debt | 252,400 | 1.59 | 1,006 | 180,569 | 1.45 | 655 |
| Other liabilities | 16,771 | 2.11 | 88 | 16,435 | 2.13 | 89 |
| Total interest-bearing liabilities | 1,283,818 | 0.48 | 1,536 | 1,144,357 | 0.34 | 989 |
| Portion of noninterest-bearing funding sources | 450,690 | — | — | 431,723 | — | — |
| Total funding sources | \$1,734,508 | 0.35 | 1,536 | 1,576,080 | 0.25 | 989 |
| Net interest margin and net interest income on a taxable-equivalent basis (5) | | 2.82 | % \$12,262 | | 2.96 | % \$11,725 |
| Noninterest-earning assets | | | | | | |
| Cash and due from banks | \$18,682 | | | 16,979 | | |
| Goodwill | 26,979 | | | 25,703 | | |
| Other | 134,417 | | | 127,640 | | |
| Total noninterest-earning assets | \$180,078 | | | 170,322 | | |
| Noninterest-bearing funding sources | | | | | | |
| Deposits | \$363,108 | | | 341,878 | | |
| Other liabilities | 63,777 | | | 67,964 | | |
| Total equity | 203,883 | | | 192,203 | | |
| Noninterest-bearing funding sources used to fund earning assets | (450,690) | | | (431,723) | | |
| Net noninterest-bearing funding sources | \$180,078 | | | 170,322 | | |
| Total assets | \$1,914,586 | | | 1,746,402 | | |

- Our average prime rate was 3.50% and 3.25% both for the quarters ended September 30, 2016 and 2015, and for the first nine months of 2016 and 2015, respectively. The average three-month London Interbank Offered Rate (LIBOR) was 0.79% and 0.31% for the quarters ended September 30, 2016 and 2015, respectively, and 0.69% and 0.28% for the first nine months of 2016 and 2015, respectively.
- (1) Yields/rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.
- (2) 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.
- (3) Nonaccrual loans and related income are included in their respective loan categories.
- (4) Includes taxable-equivalent adjustments of \$310 million and \$268 million for the quarters ended September 30, 2016 and 2015, respectively, and \$909 million and \$780 million for the first nine months of 2016 and 2015, respectively, predominantly related to tax-exempt income on certain loans and securities. The federal statutory tax rate utilized was 35% for the periods presented.
- (5)

| (in millions) | Nine months ended September 30, | | | | | |
|---|---------------------------------|---------------|-------------------------------|-----------------|---------------|-------------------------------|
| | Average balance | Yields/ rates | 2016 Interest income/ expense | Average balance | Yields/ rates | 2015 Interest income/ expense |
| Earning assets | | | | | | |
| Federal funds sold, securities purchased under resale agreements and other short-term investments | \$292,635 | 0.49 | % \$1,076 | 264,218 | 0.27 | % \$543 |
| Trading assets | 83,580 | 2.86 | 1,792 | 65,954 | 2.91 | 1,437 |
| Investment securities (3): | | | | | | |
| Available-for-sale securities: | | | | | | |
| Securities of U.S. Treasury and federal agencies | 30,588 | 1.56 | 358 | 31,242 | 1.57 | 368 |
| Securities of U.S. states and political subdivisions | 52,637 | 4.25 | 1,678 | 46,765 | 4.18 | 1,468 |
| Mortgage-backed securities: | | | | | | |
| Federal agencies | 98,099 | 2.57 | 1,889 | 99,523 | 2.71 | 2,021 |
| Residential and commercial | 19,488 | 5.39 | 787 | 22,823 | 5.80 | 992 |
| Total mortgage-backed securities | 117,587 | 3.03 | 2,676 | 122,346 | 3.28 | 3,013 |
| Other debt and equity securities | 53,680 | 3.36 | 1,349 | 48,758 | 3.44 | 1,257 |
| Total available-for-sale securities | 254,492 | 3.18 | 6,061 | 249,111 | 3.27 | 6,106 |
| Held-to-maturity securities: | | | | | | |
| Securities of U.S. Treasury and federal agencies | 44,671 | 2.19 | 733 | 44,010 | 2.19 | 722 |
| Securities of U.S. states and political subdivisions | 2,274 | 5.34 | 91 | 2,064 | 5.16 | 80 |
| Federal agency and other mortgage-backed securities | 37,087 | 2.08 | 577 | 19,871 | 2.14 | 319 |
| Other debt securities | 4,193 | 1.94 | 61 | 6,139 | 1.72 | 79 |
| Total held-to-maturity securities | 88,225 | 2.21 | 1,462 | 72,084 | 2.22 | 1,200 |
| Total investment securities | 342,717 | 2.93 | 7,523 | 321,195 | 3.03 | 7,306 |
| Mortgages held for sale (4) | 20,702 | 3.53 | 549 | 22,416 | 3.62 | 609 |
| Loans held for sale (4) | 240 | 3.71 | 7 | 644 | 2.93 | 14 |
| Loans: | | | | | | |
| Commercial: | | | | | | |
| Commercial and industrial – U.S. | 266,622 | 3.44 | 6,874 | 233,598 | 3.31 | 5,788 |
| Commercial and industrial – Non U.S. | 50,658 | 2.29 | 867 | 45,373 | 1.88 | 638 |
| Real estate mortgage | 125,902 | 3.43 | 3,236 | 115,224 | 3.45 | 2,972 |
| Real estate construction | 22,978 | 3.53 | 608 | 20,637 | 3.68 | 567 |
| Lease financing | 17,629 | 4.86 | 643 | 12,322 | 4.77 | 441 |
| Total commercial | 483,789 | 3.38 | 12,228 | 427,154 | 3.26 | 10,406 |
| Consumer: | | | | | | |
| Real estate 1-4 family first mortgage | 276,369 | 4.01 | 8,311 | 267,107 | 4.12 | 8,243 |
| Real estate 1-4 family junior lien mortgage | 50,585 | 4.38 | 1,659 | 57,068 | 4.24 | 1,812 |
| Credit card | 33,774 | 11.58 | 2,927 | 30,806 | 11.74 | 2,704 |
| Automobile | 61,246 | 5.64 | 2,588 | 57,180 | 5.87 | 2,512 |
| Other revolving credit and installment | 39,434 | 5.94 | 1,755 | 37,069 | 5.91 | 1,638 |
| Total consumer | 461,408 | 4.99 | 17,240 | 449,230 | 5.03 | 16,909 |
| Total loans (4) | 945,197 | 4.16 | 29,468 | 876,384 | 4.16 | 27,315 |
| Other | 6,104 | 2.23 | 101 | 4,874 | 5.21 | 191 |
| Total earning assets | \$1,691,175 | 3.20 | % \$40,516 | 1,555,685 | 3.21 | % \$37,415 |
| Funding sources | | | | | | |

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| | | | | | | |
|---|-------------|------|------------|------------|------|------------|
| Deposits: | | | | | | |
| Interest-bearing checking | \$40,858 | 0.13 | % \$41 | 38,491 | 0.05 | % \$15 |
| Market rate and other savings | 659,257 | 0.07 | 327 | 620,510 | 0.06 | 274 |
| Savings certificates | 26,432 | 0.37 | 73 | 32,639 | 0.66 | 160 |
| Other time deposits | 58,087 | 0.84 | 364 | 52,459 | 0.43 | 168 |
| Deposits in foreign offices | 100,783 | 0.25 | 190 | 107,153 | 0.13 | 105 |
| Total interest-bearing deposits | 885,417 | 0.15 | 995 | 851,252 | 0.11 | 722 |
| Short-term borrowings | 111,993 | 0.28 | 231 | 82,258 | 0.09 | 52 |
| Long-term debt | 235,209 | 1.57 | 2,769 | 183,130 | 1.37 | 1,879 |
| Other liabilities | 16,534 | 2.10 | 260 | 16,576 | 2.16 | 269 |
| Total interest-bearing liabilities | 1,249,153 | 0.45 | 4,255 | 1,133,216 | 0.34 | 2,922 |
| Portion of noninterest-bearing funding sources | 442,022 | | — | 422,469 | — | — |
| Total funding sources | \$1,691,175 | 0.34 | 4,255 | 1,555,685 | 0.25 | 2,922 |
| Net interest margin and net interest income on a taxable-equivalent basis (5) | | 2.86 | % \$36,261 | | 2.96 | % \$34,493 |
| Noninterest-earning assets | | | | | | |
| Cash and due from banks | \$18,499 | | | 17,167 | | |
| Goodwill | 26,696 | | | 25,703 | | |
| Other | 129,324 | | | 129,412 | | |
| Total noninterest-earning assets | \$174,519 | | | 172,282 | | |
| Noninterest-bearing funding sources | | | | | | |
| Deposits | \$353,870 | | | 335,160 | | |
| Other liabilities | 62,169 | | | 69,167 | | |
| Total equity | 200,502 | | | 190,424 | | |
| Noninterest-bearing funding sources used to fund earning assets | (442,022) | | | (422,469) | | |
| Net noninterest-bearing funding sources | \$174,519 | | | 172,282 | | |
| Total assets | \$1,865,694 | | | 1,727,967 | | |

Noninterest Income

Table 2: Noninterest Income

| (in millions) | Quarter ended | | % Change | Nine months | | % Change |
|---|-----------------|--------|-------------|-----------------------|--------|-------------|
| | Sep 30, 2016 | 2015 | | ended Sep 30, 2016 | 2015 | |
| Service charges on deposit accounts | \$1,370 | 1,335 | 3 | \$4,015 | 3,839 | 5 |
| Trust and investment fees: | | | | | | |
| Brokerage advisory, commissions and other fees | 2,344 | 2,368 | (1) | 6,874 | 7,147 | (4) |
| Trust and investment management | 849 | 843 | 1 | 2,499 | 2,556 | (2) |
| Investment banking | 420 | 359 | 17 | 1,172 | 1,254 | (7) |
| Total trust and investment fees | 3,613 | 3,570 | 1 | 10,545 | 10,957 | (4) |
| Card fees | 997 | 953 | 5 | 2,935 | 2,754 | 7 |
| Other fees: | | | | | | |
| Charges and fees on loans | 306 | 307 | — | 936 | 920 | 2 |
| Cash network fees | 138 | 136 | 1 | 407 | 393 | 4 |
| Commercial real estate brokerage commissions | 119 | 124 | (4) | 322 | 394 | (18) |
| Letters of credit fees | 81 | 89 | (9) | 242 | 267 | (9) |
| Wire transfer and other remittance fees | 103 | 95 | 8 | 296 | 275 | 8 |
| All other fees (1)(2)(3) | 179 | 348 | (49) | 562 | 1,035 | (46) |
| Total other fees | 926 | 1,099 | (16) | 2,765 | 3,284 | (16) |
| Mortgage banking: | | | | | | |
| Servicing income, net | 359 | 674 | (47) | 1,569 | 1,711 | (8) |
| Net gains on mortgage loan origination/sales activities | 1,308 | 915 | 43 | 3,110 | 3,130 | (1) |
| Total mortgage banking | 1,667 | 1,589 | 5 | 4,679 | 4,841 | (3) |
| Insurance | 293 | 376 | (22) | 1,006 | 1,267 | (21) |
| Net gains (losses) from trading activities | 415 | (26) | NM | 943 | 515 | 83 |
| Net gains on debt securities | 106 | 147 | (28) | 797 | 606 | 32 |
| Net gains from equity investments | 140 | 920 | (85) | 573 | 1,807 | (68) |
| Lease income | 534 | 189 | 183 | 1,404 | 476 | 195 |
| Life insurance investment income | 152 | 150 | 1 | 455 | 440 | 3 |
| All other (3) | 163 | 116 | 41 | 1,216 | (28) | NM |
| Total | \$10,376 | 10,418 | — | \$31,333 | 30,758 | 2 |

NM- Not meaningful

(1) Wire transfer and other remittance fees, reflected in all other fees prior to 2016, have been separately disclosed.

(2) All other fees have been revised to include merchant processing fees for all periods presented.

(3) Effective fourth quarter 2015, the Company's proportionate share of its merchant services joint venture earnings is included in All other income.

Noninterest income was \$10.38 billion and \$31.33 billion for the third quarter and first nine months of 2016, respectively, compared with \$10.42 billion and \$30.76 billion for the same periods a year ago. This income represented 46% and 47% of revenue for the third quarter and first nine months of 2016, respectively, compared with 48% for both the third quarter and first nine months of 2015. The decline in noninterest income in third quarter 2016, compared with the same period a year ago, was due to lower net gains on equity investments and insurance, partially offset by an increase in net gains from trading activities and lease income. The increase in noninterest income for the first nine months of 2016, compared with the same period a year ago, was driven by higher lease income related to the GE Capital business acquisitions, gains from the sale of our crop insurance and health benefit services businesses, and hedge ineffectiveness income primarily on our long-term debt hedges, partially offset by lower trust and investment fees, and net gains on equity investments. Many of our businesses, including consumer and small business deposits, credit and debit cards, capital markets, international, community lending, multi-family capital, corporate trust, equipment finance, and structured real estate, grew noninterest income in the third quarter and first nine months of

2016.

Service charges on deposit accounts were \$1.37 billion and \$4.02 billion in the third quarter and first nine months of 2016, respectively, compared with \$1.34 billion and \$3.84 billion in the third quarter and first nine months of 2015. The increase in third quarter 2016, compared with the same period a year ago, was driven by account growth and higher overdraft fee revenue, while the increase in the first nine months of 2016, compared with the same period a year ago, was driven by higher overdraft fee revenue, account growth and higher fees from commercial product sales and commercial product re-pricing.

Brokerage advisory, commissions and other fees are received for providing full-service and discount brokerage services predominantly to retail brokerage clients. Income from these brokerage-related activities include asset-based fees for advisory accounts, which are based on the market value of the client's assets, and transactional commissions based on the number and size of transactions executed at the client's direction. These fees decreased to \$2.3 billion and \$6.9 billion in the third quarter and first nine months of 2016, respectively, from \$2.4 billion and \$7.1 billion for the same periods in 2015. The decrease in third quarter 2016 was predominantly due to lower brokerage transaction revenue. The decrease for the first nine months of 2016 was due to lower brokerage transaction revenue and lower

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Earnings Performance (continued)

asset-based fees. Retail brokerage client assets totaled \$1.48 trillion at September 30, 2016, compared with \$1.35 trillion at September 30, 2015, with all retail brokerage services provided by our Wealth and Investment Management (WIM) operating segment. For additional information on retail brokerage client assets, see the discussion and Tables 4d and 4e in the "Operating Segment Results – Wealth and Investment Management – Retail Brokerage Client Assets" section in this Report.

We earn trust and investment management fees from managing and administering assets, including mutual funds, institutional separate accounts, corporate trust, personal trust, employee benefit trust and agency assets. Trust and investment management fee income is primarily from client assets under management (AUM) for which the fees are determined based on a tiered scale relative to the market value of the AUM. AUM consists of assets for which we have investment management discretion. Our AUM totaled \$667.5 billion at September 30, 2016, compared with \$639.9 billion at September 30, 2015, with substantially all of our AUM managed by our WIM operating segment. Additional information regarding our WIM operating segment AUM is provided in Table 4f and the related discussion in the "Operating Segment Results – Wealth and Investment Management – Trust and Investment Client Assets Under Management" section in this Report. In addition to AUM we have client assets under administration (AUA) that earn various administrative fees which are generally based on the type of services provided to administer the account. Our AUA totaled \$1.55 trillion at September 30, 2016, compared with \$1.52 trillion at September 30, 2015. Trust and investment management fees increased \$6 million to \$849 million in third quarter 2016, but decreased \$57 million to \$2.5 billion in the first nine months of 2016. The decrease in the first nine months of 2016 was due to lower average AUM and a shift of assets into lower yielding products.

We earn investment banking fees from underwriting debt and equity securities, arranging loan syndications, and performing other related advisory services. Investment banking fees increased to \$420 million in third quarter 2016 from \$359 million in third quarter 2015 driven by higher fee income across all products. Investment banking fees decreased to \$1.2 billion in the first nine months of 2016 from \$1.3 billion in the same period a year ago driven by declines in debt and equity originations due to market volatility.

Card fees were \$997 million and \$2.9 billion in the third quarter and first nine months of 2016, respectively, compared with \$953 million and \$2.8 billion for the same periods a year ago. The increase was predominantly due to account growth and increased purchase activity.

Other fees decreased to \$926 million and \$2.8 billion in the third quarter and first nine months of 2016, respectively, from \$1.1 billion and \$3.3 billion for the same periods in 2015, predominantly driven by lower all other fees. All other fees were \$179 million and \$562 million in the third quarter and first nine months of 2016, respectively, compared with \$348 million and \$1.0 billion for the same periods in 2015. The decrease was predominantly due to the deconsolidation of our merchant services joint venture in fourth quarter 2015, which resulted in a proportionate share of that income now being reported in all other income.

Mortgage banking noninterest income, consisting of net servicing income and net gains on loan origination/sales activities, totaled \$1.7 billion and \$4.7 billion in the third quarter and first nine months of 2016, respectively, compared with \$1.6 billion and \$4.8 billion for the same periods a year ago.

In addition to servicing fees, 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 \$359 million for third quarter 2016 included a \$134 million net MSR valuation gain (\$8 million decrease in the fair value of the MSRs and a \$142 million hedge gain). Net servicing income of \$674 million for third quarter 2015 included a \$253 million net MSR valuation gain (\$833 million decrease in the fair value of the MSRs and a \$1.1 billion hedge gain). For the first nine months of 2016, net servicing income of \$1.6 billion included a \$786 million net MSR valuation gain (\$1.8 billion decrease in the fair value of the MSRs and a \$2.6 billion hedge gain) and for the same period in 2015 net servicing income of \$1.7 billion included a \$468 million

net MSR valuation gain (\$553 million decrease in the fair value of the MSRs and a \$1.0 billion hedge gain). Net servicing income decreased in third quarter 2016, compared with the same period a year ago, from lower net MSR valuation gains, higher unreimbursed servicing costs related to FHA loans, lower contractual servicing fees due to servicing portfolio runoff and higher other changes in MSR fair value losses due to higher payoffs in third quarter 2016. The increase in net MSR valuation gains in the first nine months of 2016, compared with the same period in 2015, was predominantly attributable to MSR valuation adjustments in first quarter 2015 that reflected higher prepayment expectations due to the reduction in FHA mortgage insurance premiums as well as a reduction in forecasted prepayments in the first nine months of 2016 due to updated economic and mortgage market rate inputs. Our portfolio of loans serviced for others was \$1.70 trillion at September 30, 2016, and \$1.78 trillion at December 31, 2015. At September 30, 2016, the ratio of combined residential and commercial MSRs to related loans serviced for others was 0.69%, compared with 0.77% at December 31, 2015. See the “Risk Management – Asset/Liability 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/sales activities was \$1.3 billion and \$3.1 billion in the third quarter and first nine months of 2016, respectively, compared with \$915 million and \$3.1 billion for the same periods a year ago. The increase in third quarter 2016, compared with the same period a year ago, was primarily driven by higher originations, partially offset by lower production margins. Mortgage loan originations were \$70 billion and \$177 billion for the third quarter and first nine months of 2016, respectively, compared with \$55 billion and \$166 billion for the same periods a year ago. The production margin on residential held-for-sale mortgage originations, which represents net gains on residential mortgage loan origination/sales activities divided by total residential held-for-sale mortgage originations, provides a measure of the profitability of our residential mortgage origination activity. Table 2a presents the information used in determining the production margin.

Table 2a: Selected Mortgage Production Data

| | | Quarter | | Nine | |
|--|---------|---------------|--------|--------------------|--------------------|
| | | ended Sep 30, | | months | |
| | | 2016 | 2015 | ended Sep 30, 2016 | ended Sep 30, 2015 |
| Net gains on mortgage loan origination/sales activities (in millions): | | | | | |
| Residential | (A) | \$953 | 736 | 2,229 | 2,261 |
| Commercial | | 167 | 55 | 310 | 254 |
| Residential pipeline and unsold/repurchased loan management (1) | | 188 | 124 | 571 | 615 |
| Total | | \$1,308 | 915 | 3,110 | 3,130 |
| Residential real estate originations (in billions): | | | | | |
| Held-for-sale | (B) | \$53 | 39 | 130 | 122 |
| Held-for-investment | | 17 | 16 | 47 | 44 |
| Total | | \$70 | 55 | 177 | 166 |
| Production margin on residential held-for-sale mortgage originations | (A)/(B) | 1.81 | % 1.88 | 1.72 | 1.85 |

(1) Primarily includes the results of GNMA loss mitigation activities, interest rate management activities and changes in estimate to the liability for mortgage loan repurchase losses.

The production margin was 1.81% and 1.72% for the third quarter and first nine months of 2016, respectively, compared with 1.88% and 1.85% for the same periods a year ago. Mortgage applications were \$100 billion and \$272 billion for the third quarter and first nine months of 2016, respectively, compared with \$73 billion and \$247 billion for the same periods a year ago. The 1-4 family first mortgage unclosed pipeline was \$50 billion at September 30, 2016, compared with \$34 billion at September 30, 2015. For additional information about our mortgage banking activities and results, see the “Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk” section and Note 8 (Mortgage Banking Activities) and Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Net gains on mortgage loan origination/sales activities include adjustments to the mortgage repurchase liability. Mortgage loans are repurchased from third parties based on standard representations and warranties, and early payment default clauses in mortgage sale contracts. For the first nine months of 2016, we released a net \$106 million from the repurchase liability, including \$13 million in third quarter 2016, compared with a net \$40 million release for the first nine months of 2015, including \$6 million in third quarter 2015. For additional information about mortgage loan repurchases, see the “Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses” section and Note 8 (Mortgage Banking Activities) to Financial Statements in this Report.

Net gains from trading activities, which reflect both unrealized changes in fair value of our trading positions and realized gains, were \$415 million and \$943 million in the third quarter and first nine months of 2016, respectively, compared with \$(26) million and \$515 million for the same periods a year ago. The increase in the third quarter and the first nine months of 2016 was predominantly driven by higher deferred compensation gains (offset in employee benefits expense) and higher customer accommodation trading activity within our capital markets business reflecting higher fixed income trading gains. 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. For additional information about our trading activities, see the “Risk Management – Asset/Liability Management – Market Risk – Trading Activities” section in this Report.

Net gains on debt and equity securities totaled \$246 million and \$1.4 billion for the third quarter and first nine months of 2016, respectively, compared with \$1.1 billion and \$2.4 billion for the same periods in 2015, after other-than-temporary impairment (OTTI) write-downs of \$136 million and \$464 million, respectively, for the third quarter and first nine months of 2016, compared with \$140 million and \$308 million for the same periods in 2015. The decrease in net gains on debt and equity securities in the third quarter and first nine months of 2016, compared with the same periods a year ago, reflected lower net gains from equity investments as our portfolio benefited from

strong public and private equity markets in 2015.

Lease income was \$534 million and \$1.4 billion in the third quarter and first nine months of 2016, respectively, compared with \$189 million and \$476 million for the same periods a year ago, largely driven by the GE Capital business acquisitions.

All other income was \$163 million and \$1.2 billion in the third quarter and first nine months of 2016, respectively, compared with \$116 million and \$(28) million for the same periods a year ago. All other income includes ineffectiveness recognized on derivatives that qualify for hedge accounting, the results of certain economic hedges, losses on low income housing tax credit investments, foreign currency adjustments, and income from investments accounted for under the equity method, any of which can cause decreases and net losses in other income. The increase in other income for the third quarter and first nine months of 2016, compared with the same periods a year ago, reflected changes in ineffectiveness recognized on interest rate swaps used to hedge our exposure to interest rate risk on long-term debt and cross-currency swaps, cross-currency interest rate swaps and forward contracts used to hedge our exposure to foreign currency risk and interest rate risk involving non-U.S. dollar denominated long-term debt. A portion of the hedge ineffectiveness recognized was partially offset by the results of certain economic hedges and accordingly we recognized a net hedge benefit of \$142 million and \$577 million for the third quarter and first nine months of 2016, respectively, compared with a net hedge gain of \$109 million and \$56 million for the same periods a year ago. Other income for the first nine months of 2016 also included a \$381 million gain from the sale of our crop insurance business in first quarter 2016, and a \$290 million gain from the sale of our health benefit services business in second quarter 2016. For additional information about derivatives used as part of our asset/liability management, see Note 12 (Derivatives) to Financial Statements in this Report.

Earnings Performance (continued)

Noninterest Expense

Table 3: Noninterest Expense

| (in millions) | Quarter ended | | | Nine months ended Sep 30, | | |
|---------------------------------------|---------------|--------------|----------|---------------------------|--------------|----------|
| | Sep 30, 2016 | Sep 30, 2015 | % Change | Sep 30, 2016 | Sep 30, 2015 | % Change |
| Salaries | \$4,224 | 4,035 | 5 % | \$12,359 | 11,822 | 5 % |
| Commission and incentive compensation | 2,520 | 2,604 | (3) | 7,769 | 7,895 | (2) |
| Employee benefits | 1,223 | 821 | 49 | 3,993 | 3,404 | 17 |
| Equipment | 491 | 459 | 7 | 1,512 | 1,423 | 6 |
| Net occupancy | 718 | 728 | (1) | 2,145 | 2,161 | (1) |
| Core deposit and other intangibles | 299 | 311 | (4) | 891 | 935 | (5) |
| FDIC and other deposit assessments | 310 | 245 | 27 | 815 | 715 | 14 |
| Outside professional services | 802 | 663 | 21 | 2,154 | 1,838 | 17 |
| Operating losses | 577 | 523 | 10 | 1,365 | 1,339 | 2 |
| Outside data processing | 233 | 258 | (10) | 666 | 780 | (15) |
| Contract services | 313 | 249 | 26 | 878 | 712 | 23 |
| Postage, stationery and supplies | 150 | 174 | (14) | 466 | 525 | (11) |
| Travel and entertainment | 144 | 166 | (13) | 509 | 496 | 3 |
| Advertising and promotion | 117 | 135 | (13) | 417 | 422 | (1) |
| Insurance | 23 | 95 | (76) | 156 | 391 | (60) |
| Telecommunications | 101 | 109 | (7) | 287 | 333 | (14) |
| Foreclosed assets | (17) | 109 | NM | 127 | 361 | (65) |
| Operating leases | 363 | 79 | 359 | 950 | 205 | 363 |
| All other | 677 | 636 | 6 | 1,703 | 1,618 | 5 |
| Total | \$13,268 | 12,399 | 7 | \$39,162 | 37,375 | 5 |

NM - Not meaningful

Noninterest expense was \$13.3 billion in third quarter 2016 and \$39.2 billion in the first nine months of 2016, up 7% and 5%, respectively, from the same periods a year ago, driven predominantly by higher personnel expenses, operating lease expense, outside professional services and contract services, FDIC and other deposit assessments, and operating losses, partially offset by lower foreclosed assets expense, insurance, and outside data processing.

Personnel expenses, which include salaries, commissions, incentive compensation and employee benefits, were up \$507 million, or 7%, in third quarter 2016 compared with the same period a year ago, and up \$1.0 billion, or 4%, for the first nine months of 2016 compared with the same period a year ago. The increase in both periods was due to annual salary increases, higher deferred compensation expense (offset in trading revenue), and staffing growth driven by the GE Capital business acquisitions, as well as investments in risk management. The increase in the first nine months of 2016 was also driven by an extra payroll day.

Operating lease expense was up \$284 million in third quarter 2016 and \$745 million in the first nine months of 2016, compared with the same periods a year ago, largely due to depreciation expense on the operating leases acquired from GE Capital.

Outside professional services expense was up 21% and 17% in the third quarter and first nine months of 2016, respectively, compared with the same periods a year ago. Contract services expense was up 26% and 23% in the third quarter and first nine months of 2016, respectively, compared with the same periods a year ago. The increase in both expense categories reflected continued investments in our products, technology and service delivery, as well as costs to meet heightened regulatory expectations and evolving cybersecurity risk.

FDIC and other deposit assessments were up 27% and 14% in the third quarter and first nine months of 2016, respectively, compared with the same periods a year ago, due to an increase in deposit assessments as a result of a temporary surcharge which became effective on July 1, 2016. See the "Regulatory Reform" section in this Report for additional information.

Operating losses were up 10% and 2% in the third quarter and first nine months of 2016, respectively, compared with the same periods a year ago, predominantly due to higher litigation and compliance expense for various legal matters. Foreclosed assets expense was a net recovery in third quarter 2016 compared to a net expense in the same period a year ago. Higher gains on sales of foreclosed properties contributed to the net recovery in third quarter 2016.

Foreclosed assets expense was down 65% in the first nine months of 2016 compared with the same period a year ago, driven by lower operating expense and write-downs.

Insurance expense was down 76% and 60% in the third quarter and first nine months of 2016, respectively, compared with the same periods a year ago, due to the sale of our crop insurance business in first quarter 2016 and the sale of our Warranty Solutions business in third quarter 2015.

Outside data processing expense was down 10% and 15% in the third quarter and first nine months of 2016, respectively, compared with the same periods a year ago, predominantly due to the deconsolidation of our merchant services joint venture in fourth quarter 2015 as well as lower card processing expense.

All other expense in third quarter 2016 included a \$107 million contribution to the Wells Fargo Foundation, compared with \$126 million in third quarter 2015.

The efficiency ratio was 59.4% in third quarter 2016, compared with 56.7% in third quarter 2015. The Company expects the efficiency ratio to remain at an elevated level.

Income Tax Expense

Our effective tax rate was 31.5% and 32.5% for third quarter 2016 and 2015, respectively. The decrease in the effective tax rate for third quarter 2016 was largely due to an increase in tax credit investments, partially offset by the recognition of net changes in discrete tax benefits and expenses relating to tax disputes, settlements and uncertain tax positions. Our effective tax rate was 31.9% in the first nine months of 2016, up from 31.1% in the first nine months of 2015. The effective tax rate for the first nine months of 2015 reflected \$359 million of discrete tax benefits primarily from reductions in reserves for uncertain tax positions due to audit resolutions of prior period matters with U.S. federal and state taxing authorities.

Operating Segment Results

We are organized for management reporting purposes into three operating segments: Community Banking; Wholesale Banking; and Wealth and Investment Management (WIM). 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 additional description of our operating segments, including additional financial information and the underlying management accounting process, see Note 18 (Operating Segments) to Financial Statements in this Report.

Table 4: Operating Segment Results – Highlights

| (income/expense in millions, average balances in billions) Quarter ended Sep 30, | Community Banking | | Wholesale Banking | | Wealth and Investment Management | | Other (1) | | Consolidated Company | |
|--|----------------------|--------|----------------------|--------|--|--------|-----------|---------|-------------------------|---------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenue | \$12,387 | 12,933 | 7,147 | 6,326 | 4,099 | 3,878 | (1,305) | (1,262) | 22,328 | 21,875 |
| Provision (reversal of provision) for credit losses | 651 | 668 | 157 | 36 | 4 | (6) | (7) | 5 | 805 | 703 |
| Noninterest expense | 6,953 | 6,778 | 4,120 | 3,503 | 2,999 | 2,909 | (804) | (791) | 13,268 | 12,399 |
| Net income (loss) | 3,227 | 3,560 | 2,047 | 1,925 | 677 | 606 | (307) | (295) | 5,644 | 5,796 |
| Average loans | \$489.2 | 477.0 | 454.3 | 405.6 | 68.4 | 61.1 | (54.4) | (48.6) | 957.5 | 895.1 |
| Average deposits | 708.0 | 655.6 | 441.2 | 442.0 | 189.2 | 172.6 | (76.9) | (71.3) | 1,261.5 | 1,198.9 |
| Nine months ended Sep 30, | | | | | | | | | | |
| Revenue | \$37,205 | 37,011 | 21,389 | 19,345 | 11,872 | 11,830 | (3,781) | (3,715) | 66,685 | 64,471 |
| Provision (reversal of provision) for credit losses | 2,060 | 1,723 | 905 | (99) | (8) | (19) | 8 | 6 | 2,965 | 1,611 |
| Noninterest expense | 20,437 | 20,088 | 12,124 | 10,625 | 9,017 | 9,069 | (2,416) | (2,407) | 39,162 | 37,375 |
| Net income (loss) | 9,702 | 10,322 | 6,041 | 6,090 | 1,773 | 1,721 | (852) | (814) | 16,664 | 17,319 |
| Average loans | \$486.4 | 473.9 | 445.2 | 390.7 | 66.4 | 59.1 | (52.8) | (47.3) | 945.2 | 876.4 |
| Average deposits | 698.3 | 651.3 | 431.7 | 435.4 | 185.4 | 170.4 | (76.1) | (70.7) | 1,239.3 | 1,186.4 |

Includes the elimination of certain items that are included in more than one business segment, substantially all of (1) which represents products and services for WIM customers served through Community Banking distribution channels.

Cross-sell We aspire to create deep and enduring relationships with our customers by providing them with an exceptional experience and by discovering their needs and delivering the most relevant products, services, advice, and guidance. An outcome of offering customers the products and services they need, want and value is that we earn more opportunities to serve them, or what we call cross-sell. Cross-sell is the result of serving our customers well, understanding their financial needs and goals over their lifetimes, and ensuring we innovate our products, services and

channels so that we earn more of their business and help them succeed financially. Our customer-focused approach to cross-sell is needs-based as some customers will benefit from more products, and some may need fewer. We believe there is continued opportunity to meet our customers' financial needs as we build lifelong relationships with them.

One way we track the degree to which we are satisfying our customers' financial needs is through our cross-sell metrics, which help us measure the depth of relationships we have formed with our Community Banking, Wholesale Banking and WIM customers. For additional information regarding our cross-sell metrics, see the "Earnings Performance – Operating Segments – Cross-sell" section in our 2015 Form 10-K.

The "Earnings Performance – Operating Segments – Cross-sell" section in our 2015 Form 10-K described our methodology

for measuring and tracking cross-sell metrics. As described below, in second quarter 2016 we modified our methodology for Community Banking to better align our cross-sell metrics with ongoing changes in Community Banking's business and products. This change in methodology was unrelated to the sales practices settlements announced on September 8, 2016. Instead, the change in methodology was the result of a long-term evaluation spanning 18 months that explored several alternatives and involved product groups and lines of business in order to best align our Community Banking cross-sell metric with our strategic focus of long-term retail banking relationships. For similar reasons, we are currently in the process of evaluating changes in our cross-sell methodology for Wholesale Banking and WIM. In response to the sales practices settlements, however, we eliminated product sales goals for retail banking team members effective October 1, 2016.

For Community Banking, the cross-sell metric represents the average number of products per retail banking household. For example, one checking account and two loans for the same household would be treated as three products for the metric. During second quarter 2016, we changed how we determine retail banking households within Community Banking to include only those households that have a retail (consumer) checking account, which we believe provides the foundation for long-term retail

Earnings Performance (continued)

banking relationships. Previously, retail banking households were defined as a household that had at least one of the following retail products – a checking account, savings account, savings certificate, individual retirement account (IRA) certificate of deposit, IRA savings account, personal line of credit, personal loan, home equity line of credit or home equity loan. We continue to determine a retail banking household for Community Banking based on aggregating all products with the same address. This change to how we determine retail banking households resulted in the removal from the cross-sell metric of approximately 1.7 million households and over 3 million associated products. In order to provide a more comprehensive and holistic view of a retail banking household's entire relationship with us, during second quarter 2016 we also updated the products included in the Community Banking cross-sell metrics to capture business products (over 6 million business products added, consisting primarily of checking accounts and debit cards), in addition to retail products, that have the potential for revenue generation and long-term viability. Products and services that generally do not meet these criteria – such as ATM cards, online banking, bill pay and direct deposit – are not included. The removal of bill pay, which was previously included, resulted in over 9 million products being removed from the cross-sell metric, as we believe bill pay is better classified as one of the many omni-channel services we provide. On an ongoing basis, we may periodically update the products included in our cross-sell metrics to account for changes in our product offerings.

Our Community Banking cross-sell metrics, as revised for prior periods to conform to the current period presentation, were 6.33, 6.31, 6.37 and 6.36 as of August 2015 and November 2015, 2014 and 2013, respectively, reflecting a one month reporting lag for each period. Cross-sell metrics have not been adjusted to reflect the impact of approximately 2.1 million potentially unauthorized accounts identified in a review by an independent consulting firm. Due to our ongoing processes to actively monitor balances and usage of accounts and remove those that are inactive over established timeframes, not all of these potentially unauthorized accounts affected our cross-sell metrics at any one time. Accordingly, the maximum impact of these accounts to this reported metric in any one quarter was 0.02 products per household, or 0.3%.

Operating Segment Results

The following discussion provides a description of each of our operating segments, including cross-sell metrics and financial results. Operating segment results for 2016 reflect a shift in expenses between the personnel and other expense categories as a result of the movement of support staff from the Wholesale Banking and WIM segments into a consolidated organization within the Community Banking segment. Personnel expenses associated with the transferred support staff are now being allocated from Community Banking back to the Wholesale Banking and WIM segments through other expense.

Community Banking offers a complete line of diversified financial products and services for consumers and small businesses including checking and savings accounts, credit and debit cards, and automobile, student, and small business lending. These products also 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. The Community Banking segment also includes the results of our Corporate Treasury activities net of allocations in support of the other operating segments and results of investments in our affiliated venture capital partnerships. Our retail banking household cross-sell (on the revised basis described above) was 6.25 products per household in August 2016, compared with 6.33 in August 2015, reflecting a one month reporting lag for each period. Table 4a provides additional financial information for Community Banking.

Table 4a: Community Banking

| (in millions, except average balances which are in billions) | Quarter ended Sep 30, | | | Nine months ended Sep 30, | | |
|---|--------------------------|--------|-------------|------------------------------|--------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Net interest income | \$7,430 | 7,409 | — | \$22,277 | 21,833 | 2 |
| Noninterest income: | | | | | | |
| Service charges on deposit accounts | 821 | 793 | 4 | 2,347 | 2,232 | 5 |
| Trust and investment fees: | | | | | | |
| Brokerage advisory, commissions and other fees (1) | 479 | 516 | (7) | 1,384 | 1,545 | (10) |
| Trust and investment management (1) | 222 | 218 | 2 | 631 | 641 | (2) |
| Investment banking (2) | (23) | (35) | 34 | (92) | (95) | 3 |
| Total trust and investment fees | 678 | 699 | (3) | 1,923 | 2,091 | (8) |
| Card fees | 911 | 862 | 6 | 2,670 | 2,497 | 7 |
| Other fees | 362 | 369 | (2) | 1,100 | 1,091 | 1 |
| Mortgage banking | 1,481 | 1,513 | (2) | 4,314 | 4,523 | (5) |
| Insurance | 2 | 31 | (94) | 4 | 94 | (96) |
| Net gains (losses) from trading activities | 33 | (143) | 123 | (54) | (149) | 64 |
| Net gains on debt securities | 131 | 75 | 75 | 744 | 349 | 113 |
| Net gains from equity investments (3) | 109 | 825 | (87) | 448 | 1,438 | (69) |
| Other income of the segment | 429 | 500 | (14) | 1,432 | 1,012 | 42 |
| Total noninterest income | 4,957 | 5,524 | (10) | 14,928 | 15,178 | (2) |
| Total revenue | 12,387 | 12,933 | (4) | 37,205 | 37,011 | 1 |
| Provision for credit losses | 651 | 668 | (3) | 2,060 | 1,723 | 20 |
| Noninterest expense: | | | | | | |
| Personnel expense | 4,606 | 4,350 | 6 | 13,886 | 13,266 | 5 |
| Equipment | 462 | 420 | 10 | 1,421 | 1,315 | 8 |
| Net occupancy | 520 | 533 | (2) | 1,551 | 1,574 | (1) |
| Core deposit and other intangibles | 123 | 144 | (15) | 380 | 431 | (12) |
| FDIC and other deposit assessments | 159 | 140 | 14 | 453 | 398 | 14 |
| Outside professional services | 300 | 253 | 19 | 749 | 674 | 11 |
| Operating losses | 525 | 381 | 38 | 1,224 | 1,009 | 21 |
| Other expense of the segment | 258 | 557 | (54) | 773 | 1,421 | (46) |
| Total noninterest expense | 6,953 | 6,778 | 3 | 20,437 | 20,088 | 2 |
| Income before income tax expense and noncontrolling interests | 4,783 | 5,487 | (13) | 14,708 | 15,200 | (3) |
| Income tax expense | 1,546 | 1,785 | (13) | 4,910 | 4,695 | 5 |
| Net income from noncontrolling interests (4) | 10 | 142 | (93) | 96 | 183 | (48) |
| Net income | \$3,227 | 3,560 | (9) | \$9,702 | 10,322 | (6) |
| Average loans | \$489.2 | 477.0 | 3 | \$486.4 | 473.9 | 3 |
| Average deposits | 708.0 | 655.6 | 8 | 698.3 | 651.3 | 7 |

(1) Represents income on products and services for WIM customers served through Community Banking distribution channels and is eliminated in consolidation.

(2) Includes syndication and underwriting fees paid to Wells Fargo Securities which are offset in our Wholesale Banking segment.

(3) Primarily represents gains resulting from venture capital investments.

(4) Reflects results attributable to noncontrolling interests primarily associated with the Company's consolidated venture capital investments.

Community Banking reported net income of \$3.2 billion in third quarter 2016, down \$333 million, or 9%, from third quarter 2015, and \$9.7 billion for the first nine months of 2016, down \$620 million, or 6%, compared with the same period a year ago. Results from the first nine months of 2015 included a discrete tax benefit of \$359 million. Revenue of \$12.4 billion decreased \$546 million, or 4%, from third quarter 2015, and revenue of \$37.2 billion for the first nine months of 2016 increased \$194 million, or 1%, compared with the same period last year. The decrease from third quarter 2015 was driven by lower gains on equity investments and other income, partially offset by higher deferred compensation plan investment results (offset in employee benefits expense), higher gains on debt securities, revenue from debit and credit card volumes, and deposit service charges. The increase from the first nine months of 2015 was due to higher net interest income, other income driven by positive hedge ineffectiveness, gains on debt securities, revenue from debit and credit card volumes, and deposit service charges, partially offset by lower gains on equity investments, mortgage banking revenue, and trust and investment fees. Average loans of \$489.2 billion in third quarter 2016 increased \$12.2 billion, or 3%, from third quarter 2015, and average loans of \$486.4 billion in the first nine months of 2016 increased \$12.5 billion, or 3%, from the first nine months of 2015. Average deposits increased \$52.4 billion, or 8%, from third quarter 2015 and \$47.0 billion, or 7%, from the first nine months of 2015. Primary consumer

checking customers (customers who actively use their checking account with transactions such as debit card purchases, online bill payments, and direct deposit) as of August 2016 were up 4.7% from August 2015. Noninterest expense increased 3% from third quarter 2015 and increased 2% from the first nine months of 2015. The increase from third quarter 2015 was driven by higher deferred compensation plan expense (offset in trading revenue) and operating losses, partially offset by lower foreclosed assets expense and other expense. The increase from the first nine months of 2015 was due to higher personnel expense including higher deferred compensation plan expense (offset in trading revenue), operating losses, and equipment expense, partially offset by lower foreclosed assets expense, data processing, and other expense. The provision for credit losses decreased \$17 million from third quarter 2015 due to lower net charge-offs, and increased \$337 million from the first nine months of 2015 due to allowance releases in the prior year compared with an allowance build for the first nine months of 2016, reflecting loan growth in the automobile and credit card portfolios.

Wholesale Banking provides financial solutions to businesses across the United States and globally with annual sales generally in excess of \$5 million. Products and businesses include Business Banking, Middle Market Commercial Banking, Government and Institutional Banking, Corporate Banking, Commercial Real Estate, Treasury Management, Wells Fargo Capital Finance,

Earnings Performance (continued)

Insurance, International, Real Estate Capital Markets, Commercial Mortgage Servicing, Corporate Trust, Equipment Finance, Wells Fargo Securities, Principal Investments, and Asset Backed Finance. As previously mentioned, we are currently evaluating changes in our cross-sell methodology to better align

our metrics with ongoing changes in Wholesale Banking's business and products. Table 4b provides additional financial information for Wholesale Banking.

Table 4b: Wholesale Banking

| (in millions, except average balances which are in billions) | Quarter ended Sep 30, | | | Nine months ended Sep 30, | | |
|---|--------------------------|-------|-------------|------------------------------|--------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Net interest income | \$4,062 | 3,611 | 12 % | \$11,729 | 10,639 | 10 % |
| Noninterest income: | | | | | | |
| Service charges on deposit accounts | 549 | 542 | 1 | 1,667 | 1,606 | 4 |
| Trust and investment fees: | | | | | | |
| Brokerage advisory, commissions and other fees | 91 | 77 | 18 | 276 | 209 | 32 |
| Trust and investment management | 117 | 104 | 13 | 351 | 305 | 15 |
| Investment banking | 444 | 389 | 14 | 1,265 | 1,349 | (6) |
| Total trust and investment fees | 652 | 570 | 14 | 1,892 | 1,863 | 2 |
| Card fees | 85 | 90 | (6) | 263 | 255 | 3 |
| Other fees | 562 | 728 | (23) | 1,660 | 2,189 | (24) |
| Mortgage banking | 186 | 76 | 145 | 367 | 319 | 15 |
| Insurance | 291 | 345 | (16) | 1,002 | 1,172 | (15) |
| Net gains from trading activities | 302 | 187 | 61 | 853 | 671 | 27 |
| Net gains (losses) on debt securities | (25) | 72 | NM | 52 | 256 | (80) |
| Net gains from equity investments | 26 | 100 | (74) | 118 | 358 | (67) |
| Other income of the segment | 457 | 5 | NM | 1,786 | 17 | NM |
| Total noninterest income | 3,085 | 2,715 | 14 | 9,660 | 8,706 | 11 |
| Total revenue | 7,147 | 6,326 | 13 | 21,389 | 19,345 | 11 |
| Provision (reversal of provision) for credit losses | 157 | 36 | 336 | 905 | (99) | NM |
| Noninterest expense: | | | | | | |
| Personnel expense | 1,806 | 1,671 | 8 | 5,563 | 5,210 | 7 |
| Equipment | 18 | 26 | (31) | 55 | 69 | (20) |
| Net occupancy | 116 | 112 | 4 | 350 | 340 | 3 |
| Core deposit and other intangibles | 101 | 86 | 17 | 286 | 260 | 10 |
| FDIC and other deposit assessments | 125 | 87 | 44 | 299 | 262 | 14 |
| Outside professional services | 269 | 210 | 28 | 759 | 567 | 34 |
| Operating losses | 55 | 87 | (37) | 130 | 130 | — |
| Other expense of the segment | 1,630 | 1,224 | 33 | 4,682 | 3,787 | 24 |
| Total noninterest expense | 4,120 | 3,503 | 18 | 12,124 | 10,625 | 14 |
| Income before income tax expense and noncontrolling interests | 2,870 | 2,787 | 3 | 8,360 | 8,819 | (5) |
| Income tax expense | 827 | 815 | 1 | 2,341 | 2,583 | (9) |

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| | | | | | | | | |
|---|---------|-------|----|----|---------|-------|-----|----|
| Net income (loss) from noncontrolling interests | (4 |) | 47 | NM | (22 |) | 146 | NM |
| Net income | \$2,047 | 1,925 | 6 | | \$6,041 | 6,090 | (1 |) |
| Average loans | \$454.3 | 405.6 | 12 | | \$445.2 | 390.7 | 14 | |
| Average deposits | 441.2 | 442.0 | — | | 431.7 | 435.4 | (1 |) |

NM – Not meaningful

Wholesale Banking had net income of \$2.0 billion in third quarter 2016, up \$122 million, or 6%, from third quarter 2015. In the first nine months of 2016, net income of \$6.0 billion decreased \$49 million, or 1%, from the same period a year ago. The increase in the third quarter was driven by higher revenue, partially offset by higher expenses and provision for credit losses. The decline in the first nine months of 2016 was driven by increased provision for credit losses and noninterest expense, partially offset by increased revenue. Revenue of \$7.1 billion in third quarter 2016 increased \$821 million, or 13%, from third quarter 2015 and revenue of \$21.4 billion in the first nine months of 2016 increased \$2.0 billion, or 11%, from the first nine months of 2015 on higher net interest income and noninterest income. Net interest income increased \$451 million, or 12%, from third quarter 2015 and \$1.1 billion, or 10%, from the first nine months of 2015 driven by the GE Capital business acquisitions and broad-based loan growth. Noninterest income increased \$370 million, or 14%, from third quarter 2015 on higher lease income related to the GE Capital business acquisitions, higher customer accommodation trading, mortgage banking fees and investment banking fees, partially offset by lower gains on equity and debt

securities, lower insurance income as a result of the sale of our crop insurance business in first quarter 2016, and the deconsolidation of our merchant services joint venture in fourth quarter 2015, which previously recognized a large share of income in all other fees. Noninterest income increased \$1.0 billion, or 11%, from the first nine months of 2015 on higher lease income related to the GE Capital business acquisitions, gains on the sales of our crop insurance and health benefit services businesses, and higher customer accommodation trading, partially offset by lower insurance fees related to the sale of our crop insurance business, lower other fees related to lower commercial real estate brokerage fees and the deconsolidation of our merchant services joint venture, and lower gains on equity investments and debt securities. Average loans of \$454.3 billion in third quarter 2016 increased \$48.7 billion, or 12%, from third quarter 2015, driven by the GE Capital business acquisitions and broad based growth in asset backed finance, commercial real estate, corporate banking, equipment finance and structured real estate. Average deposits of \$441.2 billion in third quarter 2016 remained flat from third quarter 2015. Noninterest expense increased \$617 million, or 18%, from third quarter 2015 and

\$1.5 billion, or 14%, from the first nine months of 2015, due to higher personnel and operating lease expense related to the GE Capital business acquisitions as well as higher expenses related to growth initiatives, compliance and regulatory requirements. The provision for credit losses increased \$121 million from third quarter 2015 and \$1.0 billion from the first nine months of 2015 driven by increased losses and credit deterioration in the oil and gas portfolio.

Wealth and Investment Management provides a full range of personalized wealth management, investment and retirement products and services to clients across U.S. based businesses including Wells Fargo Advisors, The Private Bank, Abbot Downing, Wells Fargo Institutional Retirement and Trust, and

Wells Fargo Asset Management. We deliver financial planning, private banking, credit, investment management and fiduciary services to high-net worth and ultra-high-net worth individuals and families. We also serve clients' brokerage needs, supply retirement and trust services to institutional clients and provide investment management capabilities delivered to global institutional clients through separate accounts and the Wells Fargo Funds. As previously mentioned, we are currently evaluating changes in our cross-sell methodology to better align our metrics with ongoing changes in WIM's business and products. Table 4c provides additional financial information for WIM.

Table 4c: Wealth and Investment Management

| (in millions, except average balances which are in billions) | Quarter ended Sep 30, | | | Nine months ended Sep 30, | | |
|--|-----------------------|-------|----------|---------------------------|--------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Net interest income | \$977 | 887 | 10 % | \$2,852 | 2,545 | 12 % |
| Noninterest income: | | | | | | |
| Service charges on deposit accounts | 5 | 4 | 25 | 15 | 14 | 7 |
| Trust and investment fees: | | | | | | |
| Brokerage advisory, commissions and other fees | 2,256 | 2,295 | (2) | 6,618 | 6,942 | (5) |
| Trust and investment management | 738 | 747 | (1) | 2,168 | 2,274 | (5) |
| Investment banking (1) | — | 5 | (100) | (1) | — | NM |
| Total trust and investment fees | 2,994 | 3,047 | (2) | 8,785 | 9,216 | (5) |
| Card fees | 2 | 2 | — | 5 | 4 | 25 |
| Other fees | 4 | 4 | — | 13 | 12 | 8 |
| Mortgage banking | (2) | (2) | — | (6) | (5) | (20) |
| Insurance | — | — | NM | — | 1 | (100) |
| Net gains (losses) from trading activities | 80 | (70) | 214 | 144 | (7) | NM |
| Net gains on debt securities | — | — | NM | 1 | 1 | — |
| Net gains (losses) from equity investments | 5 | (5) | 200 | 7 | 11 | (36) |
| Other income of the segment | 34 | 11 | 209 | 56 | 38 | 47 |
| Total noninterest income | 3,122 | 2,991 | 4 | 9,020 | 9,285 | (3) |
| Total revenue | 4,099 | 3,878 | 6 | 11,872 | 11,830 | — |
| Provision (reversal of provision) for credit losses | 4 | (6) | 167 | (8) | (19) | 58 |
| Noninterest expense: | | | | | | |
| Personnel expense | 1,966 | 1,850 | 6 | 5,902 | 5,889 | — |
| Equipment | 12 | 14 | (14) | 40 | 42 | (5) |
| Net occupancy | 111 | 113 | (2) | 332 | 335 | (1) |
| Core deposit and other intangibles | 75 | 81 | (7) | 225 | 244 | (8) |
| FDIC and other deposit assessments | 44 | 30 | 47 | 106 | 93 | 14 |

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| | | | | | | |
|---|--------|-------|------|---------|-------|-------|
| Outside professional services | 241 | 207 | 16 | 668 | 619 | 8 |
| Operating losses | (1) | 57 | NM | 17 | 206 | (92) |
| Other expense of the segment | 551 | 557 | (1) | 1,727 | 1,641 | 5 |
| Total noninterest expense | 2,999 | 2,909 | 3 | 9,017 | 9,069 | (1) |
| Income before income tax expense and noncontrolling interests | 1,096 | 975 | 12 | 2,863 | 2,780 | 3 |
| Income tax expense | 415 | 371 | 12 | 1,087 | 1,054 | 3 |
| Net income (loss) from noncontrolling interests | 4 | (2) | 300 | 3 | 5 | (40) |
| Net income | \$677 | 606 | 12 | \$1,773 | 1,721 | 3 |
| Average loans | \$68.4 | 61.1 | 12 | \$66.4 | 59.1 | 12 |
| Average deposits | 189.2 | 172.6 | 10 | 185.4 | 170.4 | 9 |

NM – Not meaningful

(1) Includes syndication and underwriting fees paid to Wells Fargo Securities which are offset in our Wholesale Banking segment.

WIM reported net income of \$677 million in third quarter 2016, up \$71 million from third quarter 2015. The increase in net income from third quarter 2015 was driven by higher noninterest income and net interest income, partially offset by higher noninterest expense. Net income for the first nine months of 2016 was \$1.8 billion, up \$52 million, or 3%, compared with the same period a year ago, driven by higher net interest income and lower noninterest expense, primarily due to lower operating losses, partially offset by lower noninterest income. Revenue was up \$221 million, or 6%, from third quarter 2015 and up \$42 million from the first nine months of 2015, driven by growth in net interest income and gains on deferred compensation plan

investments (offset in employee benefits expense), partially offset by lower asset-based fees and lower brokerage transaction revenue. Net interest income increased 10% from third quarter 2015, and was up 12% from the first nine months of 2015, due to growth in loan balances and investment portfolios. Average loan balances of \$68.4 billion in third quarter 2016 increased 12% from third quarter 2015. Average loans in the first nine months of 2016 increased 12% from the same period a year ago. Average loan growth was driven by growth in non-conforming mortgage loans and securities-based lending. Average deposits in third quarter 2016 of \$189.2 billion increased 10% from third quarter 2015. Average deposits in the first nine months of 2016 increased

Earnings Performance (continued)

9% from the same period a year ago. Noninterest expense was up 3% from third quarter 2015, substantially driven by higher deferred compensation plan expense (offset in trading revenue), partially offset by lower operating losses, and down 1% from the first nine months of 2015, driven by lower operating losses and broker commissions, partially offset by higher deferred compensation plan expense (offset in trading revenue) and other non-personnel expenses. Provision for credit losses increased \$10 million from third quarter 2015 and \$11 million from the first nine months of 2015.

The following discussions provide additional information for client assets we oversee in our retail brokerage advisory and trust and investment management business lines.

Retail Brokerage Client Assets Brokerage advisory, commissions and other fees are received for providing full-service

and discount brokerage services predominantly to retail brokerage clients. Offering advisory account relationships to our brokerage clients is an important component of our broader strategy of meeting their financial needs. Although a majority of our retail brokerage client assets are in accounts that earn brokerage commissions, the fees from those accounts generally represent transactional commissions based on the number and size of transactions executed at the client's direction. Fees earned from advisory accounts are asset-based and depend on changes in the value of the client's assets as well as the level of assets resulting from inflows and outflows. A major portion of our brokerage advisory, commissions and other fee income is earned from advisory accounts. Table 4d shows advisory account client assets as a percentage of total retail brokerage client assets at September 30, 2016 and 2015.

Table 4d: Retail Brokerage Client Assets

| (in billions) | September 30, | |
|---|---------------|---------|
| | 2016 | 2015 |
| Retail brokerage client assets | \$1,483.3 | 1,351.7 |
| Advisory account client assets | 458.3 | 408.8 |
| Advisory account client assets as a percentage of total client assets | 31 | % 30 |

Retail Brokerage advisory accounts include assets that are financial advisor-directed and separately managed by third-party managers, as well as certain client-directed brokerage assets where we earn a fee for advisory and other services, but do not have investment discretion. These advisory accounts generate fees as a percentage of the market value of the assets, which vary across the account types based on the distinct services provided,

and are affected by investment performance as well as asset inflows and outflows. For the third quarter and first nine months of 2016 and 2015, the average fee rate by account type ranged from 80 to 120 basis points. Table 4e presents retail brokerage advisory account client assets activity by account type for the third quarter and first nine months of 2016 and 2015.

Table 4e: Retail Brokerage Advisory Account Client Assets

| (in billions) | Quarter ended September 30, 2016 | | | | Nine months ended September 30, 2016 | | | | | |
|--------------------------------|----------------------------------|-------------|--------------|-------------------|--------------------------------------|--------------|-------------|--------------|-------------------|--------------|
| | Jun 30, 2016 | Inflows (5) | Outflows (6) | Market impact (7) | Sep 30, 2016 | Dec 31, 2015 | Inflows (5) | Outflows (6) | Market impact (7) | Sep 30, 2016 |
| Client directed (1) | \$158.59.2 | | (9.5) |)3.1 | 161.3 | 154.7 | 27.4 | (27.7) |)6.9 | 161.3 |
| Financial advisor directed (2) | 104.2 | 6.3 | (4.7) |)4.7 | 110.5 | 91.9 | 21.4 | (13.5) |)10.7 | 110.5 |
| | 118.9 | 6.0 | (5.6) |)3.5 | 122.8 | 110.4 | 19.0 | (15.6) |)9.0 | 122.8 |

| | | | | | | | | | | |
|--------------------------------|----------------------------------|-------------|--------------|-------------------|--------------|--------------------------------------|-------------|--------------|-------------------|--------------|
| Separate accounts (3) | | | | | | | | | | |
| Mutual fund advisory (4) | 62.1 | 2.2 | (2.6 |)2.0 | 63.7 | 62.9 | 6.1 | (8.5 |)3.2 | 63.7 |
| Total advisory client assets | \$443.7 | 23.7 | (22.4 |)13.3 | 458.3 | 419.9 | 73.9 | (65.3 |)29.8 | 458.3 |
| | Quarter ended September 30, 2015 | | | | | Nine months ended September 30, 2015 | | | | |
| | Jun 30, 2015 | Inflows (5) | Outflows (6) | Market impact (7) | Sep 30, 2015 | Dec 31, 2014 | Inflows (5) | Outflows (6) | Market impact (7) | Sep 30, 2015 |
| Client directed (1) | \$161.8 | 9.2 | (9.0 |)10.2 | 151.8 | 159.8 | 30.0 | (27.9 |)10.1 | 151.8 |
| Financial advisor directed (2) | 91.4 | 4.8 | (4.1 |)4.4 | 87.7 | 85.4 | 15.4 | (12.5 |)0.6 | 87.7 |
| Separate accounts (3) | 113.0 | 4.9 | (5.3 |)5.8 | 106.8 | 110.7 | 16.5 | (15.4 |)5.0 | 106.8 |
| Mutual fund advisory (4) | 67.4 | 2.4 | (3.1 |)4.2 | 62.5 | 66.9 | 8.0 | (9.0 |)3.4 | 62.5 |
| Total advisory client assets | \$433.6 | 21.3 | (21.5 |)24.6 | 408.8 | 422.8 | 69.9 | (64.8 |)19.1 | 408.8 |

Investment advice and other services are provided to client, but decisions are made by the client and the fees (1) earned are based on a percentage of the advisory account assets, not the number and size of transactions executed by the client.

(2) Professionally managed portfolios with fees earned based on respective strategies and as a percentage of certain client assets.

(3) Professional advisory portfolios managed by Wells Fargo asset management advisors or third-party asset managers. Fees are earned based on a percentage of certain client assets.

(4) Program with portfolios constructed of load-waived, no-load and institutional share class mutual funds. Fees are earned based on a percentage of certain client assets.

(5) Inflows include new advisory account assets, contributions, dividends and interest.

(6) Outflows include closed advisory account assets, withdrawals, and client management fees.

(7) Market impact reflects gains and losses on portfolio investments.

Balance Sheet Analysis (continued)

Balance Sheet Analysis

At September 30, 2016, our assets totaled \$1.9 trillion, up \$154.5 billion from December 31, 2015. The predominant areas of asset growth were in federal funds sold and other short-term investments, which increased \$28.2 billion, investment securities, which increased \$43.3 billion, and loans, which increased \$44.8 billion (including \$26.5 billion from the GE Capital business acquisitions). Additionally, other assets increased \$22.8 billion due to \$5.9 billion in operating leases from the first quarter 2016 GE Capital business acquisitions, higher receivables related to unsettled trading security transactions and higher fair values for derivative assets designated as hedging instruments due to decreasing interest rates. An increase of \$55.3 billion in long-term debt (including

debt issued to fund the GE Capital business acquisitions and debt issued that is anticipated to be TLAC eligible), deposit growth of \$52.6 billion, an increase in short-term borrowings of \$27.1 billion, and total equity growth of \$10.1 billion from December 31, 2015, were the predominant sources that funded our asset growth in the first nine months of 2016. Equity growth benefited from \$9.4 billion in earnings net of dividends paid.

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

| (in millions) | September 30, 2016 | | | December 31, 2015 | | |
|-------------------------------------|--------------------|---------------------|------------|-------------------|---------------------|------------|
| | Amortized Cost | Net unrealized gain | Fair value | Amortized Cost | Net unrealized gain | Fair value |
| Available-for-sale securities: | | | | | | |
| Debt securities | \$286,367 | 3,991 | 290,358 | 263,318 | 2,403 | 265,721 |
| Marketable equity securities | 751 | 482 | 1,233 | 1,058 | 579 | 1,637 |
| Total available-for-sale securities | 287,118 | 4,473 | 291,591 | 264,376 | 2,982 | 267,358 |
| Held-to-maturity debt securities | 99,241 | 3,306 | 102,547 | 80,197 | 370 | 80,567 |
| Total investment securities (1) | \$386,359 | 7,779 | 394,138 | 344,573 | 3,352 | 347,925 |

(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 \$43.3 billion from December 31, 2015, predominantly due to purchases of federal agency mortgage-backed securities. The increase in investment securities was partially offset by sales and pay-downs of federal agency mortgage-backed securities and sales of U.S. Treasury securities in our available-for-sale portfolio.

The total net unrealized gains on available-for-sale securities were \$4.5 billion at September 30, 2016, up from \$3.0 billion at December 31, 2015, due to a decline in interest rates. For a discussion of our investment management objectives and practices, see the "Balance Sheet Analysis" section in our 2015 Form 10-K. Also, see the “Risk Management – Asset/Liability Management” section in this Report for information on our use of investments to manage liquidity and interest rate risk.

We analyze securities for other-than-temporary impairment (OTTI) quarterly or more often if a potential loss-triggering event occurs. Of the \$464 million in OTTI write-downs recognized in earnings in the first nine months of 2016, \$142 million related to debt securities and \$5 million related to marketable equity securities, which are included in available-for-sale securities. Another \$317 million in OTTI write-downs were related to nonmarketable equity investments, which are included in other assets. OTTI write-downs recognized in earnings related to oil and gas investments totaled \$185 million in the first nine months of 2016, of which \$57 million related to investment

securities and \$128 million related to nonmarketable equity investments. 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 2015 Form

10-K and Note 4 (Investment Securities) to Financial Statements in this Report.

At September 30, 2016, investment securities included \$58.4 billion of municipal bonds, of which 96.3% were rated "A-" or better based largely 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. The credit quality of 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 5.7 years at September 30, 2016. Because 53% 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 Available for Sale

| (in billions) | Fair value | Net unrealized gain (loss) | Expected remaining maturity (in years) |
|-----------------------------|------------|----------------------------|--|
| At September 30, 2016 | | | |
| Actual | \$ 154.1 | 3.7 | 5.3 |
| Assuming a 200 basis point: | | | |
| Increase in interest rates | 140.1 | (10.3) | 7.4 |
| Decrease in interest rates | 158.8 | 8.4 | 2.8 |

The weighted-average expected maturity of debt securities held-to-maturity was 5.5 years at September 30, 2016. See Note 4

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

Table 7 provides a summary of total outstanding loans by portfolio segment. Total loans increased \$44.8 billion from December 31, 2015, predominantly due to growth in commercial and industrial, real estate mortgage and lease financing loans within the commercial loan portfolio segment, which included \$26.5 billion of commercial and industrial loans and capital leases acquired from GE Capital.

Table 7: Loan Portfolios

| (in millions) | September 30, 2016 | December 31, 2015 |
|----------------------------|--------------------|-------------------|
| Commercial | \$ 496,454 | 456,583 |
| Consumer | 464,872 | 459,976 |
| Total loans | \$ 961,326 | 916,559 |
| Change from prior year-end | \$ 44,767 | 54,008 |

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 the contractual distribution of loans in those categories to changes in interest rates.

Table 8: Maturities for Selected Commercial Loan Categories

| (in millions) | September 30, 2016 | | | | December 31, 2015 | | | |
|---|--------------------|-----------------------------------|------------------|---------|-------------------|-----------------------------------|------------------|---------|
| | Within one year | After one year through five years | After five years | Total | Within one year | After one year through five years | After five years | Total |
| Selected loan maturities: | | | | | | | | |
| Commercial and industrial | \$97,678 | 199,697 | 26,645 | 324,020 | 91,214 | 184,641 | 24,037 | 299,892 |
| Real estate mortgage | 20,933 | 70,027 | 39,263 | 130,223 | 18,622 | 68,391 | 35,147 | 122,160 |
| Real estate construction | 8,583 | 13,447 | 1,310 | 23,340 | 7,455 | 13,284 | 1,425 | 22,164 |
| Total selected loans | \$ 127,194 | 283,171 | 67,218 | 477,583 | 117,291 | 266,316 | 60,609 | 444,216 |
| Distribution of loans to changes in interest rates: | | | | | | | | |

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| | | | | | | | | |
|---|-----------|---------|--------|---------|---------|---------|--------|---------|
| Loans at fixed interest rates | \$19,542 | 29,272 | 26,086 | 74,900 | 16,819 | 27,705 | 23,533 | 68,057 |
| Loans at floating/variable interest rates | 107,652 | 253,899 | 41,132 | 402,683 | 100,472 | 238,611 | 37,076 | 376,159 |
| Total selected loans | \$127,194 | 283,171 | 67,218 | 477,583 | 117,291 | 266,316 | 60,609 | 444,216 |

Balance Sheet Analysis (continued)

Deposits

Deposits increased \$52.6 billion from December 31, 2015, to \$1.28 trillion, reflecting continued broad-based growth in our consumer and small business banking deposits. Table 9 provides additional information regarding deposits. Information regarding

the impact of deposits on net interest income and a comparison of average deposit balances is provided in the “Earnings Performance – Net Interest Income” section and Table 1 earlier in this Report.

Table 9: Deposits

| (\$ in millions) | Sep 30, 2016 | % of total deposits | Dec 31, 2015 | % of total deposits | % Change |
|---------------------------------|-----------------|---------------------------|-----------------|---------------------------|----------|
| Noninterest-bearing | \$376,136 | 29 | % \$351,579 | 29 | % 7 |
| Interest-bearing checking | 44,738 | 4 | 40,115 | 3 | 12 |
| Market rate and other savings | 677,382 | 53 | 651,563 | 54 | 4 |
| Savings certificates | 24,816 | 2 | 28,614 | 2 | (13) |
| Other time and deposits | 46,926 | 4 | 49,032 | 4 | (4) |
| Deposits in foreign offices (1) | 105,896 | 8 | 102,409 | 8 | 3 |
| Total deposits | \$1,275,894 | 100 | % \$1,223,312 | 100 | % 4 |

(1) Includes Eurodollar sweep balances of \$64.3 billion and \$71.1 billion at September 30, 2016, and December 31, 2015, respectively.

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 2015 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). 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

| (\$ in billions) | September 30, 2016 | | December 31, 2015 | |
|---|--------------------|-------------|-------------------|-------------|
| | Total balance | Level 3 (1) | Total balance | Level 3 (1) |
| Assets carried at fair value (2) | \$447.9 | 25.9 | 384.2 | 27.6 |
| As a percentage of total assets | 23 | % 1 | 21 | 2 |
| Liabilities carried at fair value | \$34.8 | 1.8 | 29.6 | 1.5 |
| As a percentage of total liabilities | 2 | % * | 2 | * |

* Less than 1%.

(1) Before derivative netting adjustments.

Level 3 assets at December 31, 2015, have been revised in accordance with our adoption of Accounting Standards Update 2015-07 (Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)). See Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information.

See Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information on fair value measurements and a description of the Level 1, 2 and 3 fair value hierarchy.

Equity

Total equity was \$204.0 billion at September 30, 2016, compared with \$193.9 billion at December 31, 2015. The increase was predominantly driven by a \$9.4 billion increase in retained earnings from earnings net of dividends paid, and a \$2.4 billion increase in preferred stock, partially offset by a net reduction in common stock due to repurchases.

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 and purchase securities, 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 and Purchase Securities

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 is 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. We also enter into commitments to purchase securities under resale agreements. For more information on commitments to purchase securities under resale agreements, see Note 3 (Federal Funds Sold, Securities Purchased under Resale Agreements and Other Short-Term Investments) to Financial Statements in this Report.

Transactions with Unconsolidated Entities

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts, limited liability companies or partnerships that are established for a limited purpose. Generally, SPEs are formed in connection with securitization transactions and are considered variable interest entities (VIEs). For 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 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 volume 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 2015 Form 10-K. For more information on commitments to purchase debt and equity securities, see the "Off-Balance Sheet Arrangements" section in our 2015 Form 10-K.

Risk Management

Wells Fargo manages a variety of risks that can significantly affect our financial performance and our ability to meet the expectations of our customers, stockholders, regulators and other stakeholders. Among the risks that we manage are operational risk, credit risk, and asset/liability management risk, which includes interest rate risk, market risk, 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 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 2015 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 controls and processes, people and systems, or resulting from external events. These losses may be caused by events such as fraud, breaches of customer privacy, business disruptions, inappropriate employee behavior, vendors that do not perform their responsibilities, and regulatory fines and penalties.

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 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. Cyber attacks have also focused on targeting the infrastructure of the internet, causing the widespread unavailability of websites and degrading website performance. Wells Fargo has not experienced any material losses relating to these or other cyber attacks. Addressing cybersecurity risks is a priority for Wells Fargo, and we continue to develop and enhance our controls, processes and systems in order to protect our networks, computers, software and data from attack, damage or unauthorized access. We are also proactively involved in industry cybersecurity efforts and working with other parties, including our third-party service providers and governmental agencies, to continue to enhance defenses and improve resiliency to cybersecurity threats. See the "Risk Factors" section in our 2015 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

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). Credit risk exists with many of our assets and exposures such as debt security holdings, certain derivatives, and loans. The following discussion focuses on our loan portfolios, which represent the largest component of assets on our balance sheet for which we have credit risk. 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

| (in millions) | Sep 30, 2016 | Dec 31, 2015 |
|---|-----------------|--------------|
| Commercial: | | |
| Commercial and industrial | \$ 324,020 | 299,892 |
| Real estate mortgage | 130,223 | 122,160 |
| Real estate construction | 23,340 | 22,164 |
| Lease financing | 18,871 | 12,367 |
| Total commercial | 496,454 | 456,583 |
| Consumer: | | |
| Real estate 1-4 family first mortgage | 278,689 | 273,869 |
| Real estate 1-4 family junior lien mortgage | 48,105 | 53,004 |
| Credit card | 34,992 | 34,039 |
| Automobile | 62,873 | 59,966 |
| Other revolving credit and installment | 40,213 | 39,098 |

| | | |
|----------------|-----------|---------|
| Total consumer | 464,872 | 459,976 |
| Total loans | \$961,326 | 916,559 |

We manage our credit risk by establishing what we believe are sound credit policies for underwriting new business, while monitoring and reviewing the performance of our existing loan portfolios. We employ various credit risk management and monitoring activities to mitigate risks associated with multiple risk factors affecting loans we hold, could acquire or originate including:

- Loan concentrations and related credit quality
- Counterparty credit risk
- Economic and market conditions
- Legislative or regulatory mandates
- Changes in interest rates
- Merger and acquisition activities
- Reputation risk

Our credit risk management oversight process is governed centrally, but provides for decentralized management and accountability by our lines of business. Our overall credit process includes comprehensive credit policies, disciplined credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs, and a continual loan review and audit process.

A key to our credit risk management is adherence to a well-controlled underwriting process, which we believe is appropriate for the needs of our customers as well as investors who purchase the loans or securities collateralized by the loans.

Credit Quality Overview Credit quality remained solid in third quarter 2016 as our loss rate remained low at 0.33%. We continued to benefit from improvements in the performance of our residential real estate portfolio, which was partially offset by losses in our oil and gas portfolio. In particular:

Nonaccrual loans were \$11.0 billion at September 30, 2016, down from \$11.4 billion at December 31, 2015. Although commercial nonaccrual loans increased to \$4.3 billion at September 30, 2016, compared with \$2.4 billion at December 31, 2015, consumer nonaccrual loans declined to \$6.7 billion at September 30, 2016, compared with \$9.0 billion at December 31, 2015. The increase in commercial nonaccrual loans, predominantly driven by loans in our oil and gas portfolio, partially offset the decline in consumer nonaccrual loans, reflecting an improved housing market. Nonaccrual loans represented 1.14% of total loans at September 30, 2016, compared with 1.24% at December 31, 2015.

Net charge-offs (annualized) as a percentage of average total loans increased to 0.33% and 0.37% in the third quarter and first nine months of 2016, respectively, compared with 0.31% in both periods a year ago. Net charge-offs (annualized) as a percentage of our average commercial and consumer portfolios were 0.17% and 0.51% in third quarter and 0.22% and 0.52% in the first nine months of 2016, respectively, compared with 0.08% and 0.53% in the third quarter and 0.06% and 0.55% in the first nine months of 2015.

Loans that are not government insured/guaranteed and 90 days or more past due and still accruing were \$51 million and \$802 million in our commercial and consumer portfolios, respectively, at September 30, 2016, compared with \$114 million and \$867 million at December 31, 2015.

Our provision for credit losses was \$805 million and \$3.0 billion in the third quarter and first nine months of 2016, respectively, compared with \$703 million and \$1.6 billion, for the same periods a year ago.

The allowance for credit losses totaled \$12.7 billion, or 1.32% of total loans, at September 30, 2016, up from \$12.5 billion, or 1.37%, at December 31, 2015.

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

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 at September 30, 2016, which included \$290 million from the GE Capital business acquisitions, totaled \$17.7 billion, compared with \$20.0 billion at December 31, 2015, and \$58.8 billion at December 31, 2008. The decrease from December 31, 2015, was due in part to higher prepayment trends observed in our Pick-a-Pay PCI portfolio. PCI loans are considered to be accruing due to the existence of the accretable yield amount, which represents the cash expected to be collected in excess of their carrying value, and not based on consideration given to contractual interest payments. The accretable yield at September 30, 2016, was \$11.6 billion.

A nonaccretable difference is established for PCI loans to absorb losses expected on the contractual amounts of those loans in excess of the fair value recorded at the date of acquisition. Amounts absorbed by the nonaccretable difference do not affect the income statement or the allowance for credit losses. Since December 31, 2008, we have released \$12.9 billion in nonaccretable difference, including \$11.0 billion transferred from the nonaccretable difference to the accretable yield due to decreases in our initial estimate of loss on contractual amounts, 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 an \$11.2 billion reduction from December 31, 2008, through September 30, 2016, in our initial projected losses of \$41.0 billion on all PCI loans acquired in the Wachovia acquisition. At September 30, 2016, \$936 million in nonaccretable difference, which included \$116 million from the GE Capital business acquisitions, remained to absorb losses on PCI loans. For additional information on PCI loans, see the "Risk Management – Credit Risk Management – Real Estate 1-4 Family First and Junior Lien Mortgage Loans – Pick-a-Pay Portfolio" section in this Report, Note 1 (Summary of Significant

Accounting Policies) to Financial Statements in our 2015 Form 10-K, and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Risk Management - Credit Risk Management (continued)

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

COMMERCIAL AND INDUSTRIAL LOANS AND LEASE FINANCING For purposes of portfolio risk management, we aggregate commercial and industrial loans and lease financing according to market segmentation and standard industry codes. 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, doubtful and loss categories.

The commercial and industrial loans and lease financing portfolio totaled \$342.9 billion, or 36% of total loans, at September 30, 2016. The annualized net charge-off rate for this portfolio was 0.30% and 0.36% in the third quarter and first nine months of 2016, respectively, compared with 0.17% and 0.13% for the same periods a year ago. At September 30, 2016, 1.00% of this portfolio was nonaccruing, compared with 0.44% at December 31, 2015, an increase of \$2.0 billion. Also, \$23.7 billion of this portfolio was internally classified as criticized in accordance with regulatory guidance at September 30, 2016, compared with \$19.1 billion at December 31, 2015. The increase in criticized loans, which also includes the increase in nonaccrual loans, was primarily due to the initial classification of loans and capital leases acquired from GE Capital, and to deterioration in the oil and gas portfolio. Based on additional refinement of our initial classification of the criticized loans and leases acquired from GE Capital, we continued to see classification improvement.

Most 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 12 provides a breakout of commercial and industrial loans and lease financing by industry, and includes \$52.5 billion of foreign loans at September 30, 2016. Foreign loans totaled \$14.2 billion within the investor category, \$16.6 billion within the financial institutions category and \$2.1 billion within the oil and gas category.

The investors category includes loans to special purpose vehicles (SPVs) formed by sponsoring entities to invest in financial assets backed predominantly by commercial and residential real estate or corporate cash flow, and are repaid from the asset cash flows or the sale of assets by the SPV. We limit loan amounts to a percentage of the value of the underlying assets, as determined by us, based on analysis of underlying credit risk and other factors such as asset duration and ongoing performance.

We provide financial institutions with a variety of relationship focused products and services, including loans supporting short-term trade finance and working capital needs. The \$16.6 billion of foreign loans in the financial institutions category were predominantly originated by our Global Financial Institutions (GFI) business.

The oil and gas loan portfolio totaled \$16.0 billion, or 2% of total outstanding loans at September 30, 2016, compared with \$17.4 billion, or 2% of total outstanding loans, at December 31, 2015. Unfunded loan commitments in the oil and gas loan portfolio totaled \$22.3 billion at September 30, 2016. Approximately half of our oil and gas loans were to businesses in the exploration and production (E&P) sector. Most of these E&P loans are secured by oil and/or gas reserves and have underlying borrowing base arrangements which include regular (typically semi-annual) “redeterminations” that consider refinements to borrowing structure and prices used to determine borrowing limits. The majority of the other oil and gas loans were to midstream companies. We proactively monitor our oil and gas loan portfolio and work with customers to address any emerging issues. Oil and gas nonaccrual loans increased to \$2.5 billion at September 30, 2016, compared with \$844 million at December 31, 2015, due to weaker borrower financial performance.

Table 12: Commercial and Industrial Loans and Lease Financing by Industry (1)
September 30, 2016

| (in millions) | Nonaccrual loans | Total portfolio | (2) % of total loans |
|------------------------|---------------------|--------------------|----------------------------|
| Investors | \$7 | 54,252 | 6 % |
| Financial institutions | 19 | 37,975 | 4 |
| Cyclical retailers | 87 | 25,498 | 3 |
| Oil and gas | 2,525 | 16,010 | 2 |
| Healthcare | 36 | 15,682 | 2 |
| Food and beverage | 88 | 15,420 | 2 |
| Industrial equipment | 29 | 15,253 | 2 |
| Real estate lessor | 10 | 14,467 | 2 |
| Technology | 56 | 12,437 | 1 |
| Transportation | 96 | 9,614 | 1 |
| Public administration | 13 | 9,490 | 1 |
| Business services | 27 | 9,172 | 1 |
| Other | 430 | 107,621 | (3) 9 |
| Total | \$3,423 | 342,891 | 36 % |

Industry categories are based on the North American Industry Classification System and the amounts reported (1) include foreign loans. See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for a breakout of commercial foreign loans.

(2) Includes \$367 million of 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.

(3) No other single industry had total loans in excess of \$6.7 billion.

COMMERCIAL REAL ESTATE (CRE) We generally subject CRE loans 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, doubtful and loss categories. The CRE portfolio, which included \$8.8 billion of foreign CRE loans, totaled \$153.6 billion, or 16% of total loans, at September 30, 2016, and consisted of \$130.2 billion of mortgage loans and \$23.4 billion of construction loans. Table 13 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 CRE loans are in California, New York, Texas

and Florida, which combined represented 49% of the total CRE portfolio. By property type, the largest concentrations are office buildings at 28% and apartments at 16% of the portfolio. CRE nonaccrual loans totaled 0.5% of the CRE outstanding balance at September 30, 2016, compared with 0.7% at December 31, 2015. At September 30, 2016, we had \$5.6 billion of criticized CRE mortgage loans, compared with \$6.8 billion at December 31, 2015, and \$562 million of criticized CRE construction loans, compared with \$549 million at December 31, 2015.

At September 30, 2016, the recorded investment in PCI CRE loans totaled \$470 million, down from \$12.3 billion when acquired at December 31, 2008, reflecting principal payments, loan resolutions and write-downs.

Table 13: CRE Loans by State and Property Type

| (in millions) | September 30, 2016 | | | | | | | |
|------------------------------------|----------------------|-----------------|--------------------------|-----------------|----------------------|-----------------|----------------------|---|
| | Real estate mortgage | | Real estate construction | | Total | | | |
| | Nonaccrual loans | Total portfolio | (1) Nonaccrual loans | Total portfolio | (1) Nonaccrual loans | Total portfolio | (1) % of total loans | |
| By state: | | | | | | | | |
| California | \$200 | 36,635 | 11 | 4,252 | 211 | 40,887 | 4 | % |
| New York | 30 | 9,659 | — | 2,132 | 30 | 11,791 | 1 | |
| Texas | 53 | 9,452 | 1 | 2,227 | 54 | 11,679 | 1 | |
| Florida | 73 | 8,742 | 1 | 1,967 | 74 | 10,709 | 1 | |
| Arizona | 32 | 4,357 | 1 | 550 | 33 | 4,907 | 1 | |
| North Carolina | 46 | 3,907 | 6 | 891 | 52 | 4,798 | * | |
| Washington | 25 | 3,375 | — | 953 | 25 | 4,328 | * | |
| Georgia | 29 | 3,678 | 5 | 571 | 34 | 4,249 | * | |
| Virginia | 10 | 3,263 | — | 943 | 10 | 4,206 | * | |
| Illinois | 25 | 3,498 | — | 291 | 25 | 3,789 | * | |
| Other | 257 | 43,657 | 34 | 8,563 | 291 | 52,220 | (2) 5 | |
| Total | \$780 | 130,223 | 59 | 23,340 | 839 | 153,563 | 16 | % |
| By property: | | | | | | | | |
| Office buildings | \$224 | 40,197 | — | 2,896 | 224 | 43,093 | 4 | % |
| Apartments | 28 | 15,488 | — | 8,813 | 28 | 24,301 | 3 | |
| Industrial/warehouse | 115 | 15,498 | — | 1,522 | 115 | 17,020 | 2 | |
| Retail (excluding shopping center) | 104 | 15,237 | — | 863 | 104 | 16,100 | 2 | |
| Shopping center | 43 | 10,494 | — | 1,482 | 43 | 11,976 | 1 | |
| Hotel/motel | 15 | 10,509 | 4 | 1,098 | 19 | 11,607 | 1 | |
| Real estate - other | 95 | 8,148 | — | 228 | 95 | 8,376 | 1 | |
| Institutional | 30 | 3,123 | — | 1,025 | 30 | 4,148 | * | |
| 1-4 family structure | — | 3 | 7 | 2,663 | 7 | 2,666 | * | |
| Agriculture | 42 | 2,474 | — | 9 | 42 | 2,483 | * | |
| Other | 84 | 9,052 | 48 | 2,741 | 132 | 11,793 | 1 | |
| Total | \$780 | 130,223 | 59 | 23,340 | 839 | 153,563 | 16 | % |

*Less than 1%.

Includes a total of \$470 million PCI loans, consisting of \$410 million of real estate mortgage and \$60 million of (1) 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 \$3.6 billion.

Risk Management - Credit Risk Management (continued)

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 September 30, 2016, foreign loans totaled \$61.7 billion, representing approximately 6% of our total consolidated loans outstanding, compared with \$58.6 billion, or approximately 6% of total consolidated loans outstanding, at December 31, 2015. Foreign loans were approximately 3% of our consolidated total assets at September 30, 2016 and at December 31, 2015.

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 based on our assessment of ultimate risk, which is normally based on the country of residence of the guarantor or collateral location, and may be different from the reporting based on the borrower's primary address. Our largest single foreign country exposure on an ultimate risk basis at September 30, 2016, was the United Kingdom, which totaled \$26.9 billion, or approximately 1% of our total assets, and included \$3.5 billion of sovereign claims. Our United Kingdom sovereign claims arise predominantly from deposits we have placed with the Bank of England pursuant to regulatory requirements in support of our London branch. Britain's vote to withdraw from the European Union (Brexit) in June 2016 did not have a material impact on our United Kingdom or other foreign exposure as of September 30, 2016. As the United Kingdom prepares for the negotiations on the terms of its exit from the European Union, we will be reviewing our capabilities in the region and plan to make any adjustments necessary and prudent for serving our customers. Our exposure to Canada, our second largest foreign country exposure on an ultimate risk basis, totaled \$17.7 billion at September 30, 2016, up \$2.6 billion from December 31, 2015, predominantly due to the GE Capital business acquisitions.

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 14 provides information regarding our top 20 exposures by country (excluding the U.S.) and our Eurozone exposure, on an ultimate risk basis. Our exposure to Puerto Rico (considered part of U.S. exposure) is largely through automobile lending and was not material to our consolidated country risk exposure.

Table 14: Select Country Exposures
September 30, 2016

| (in millions) | Lending (1) | | Securities (2) | | Derivatives and other (3) | | Total exposure | | |
|---|-------------|---------------|----------------|---------------|---------------------------|---------------|----------------|---------------|-----------|
| | Sovereign | Non-Sovereign | Sovereign | Non-Sovereign | Sovereign | Non-Sovereign | Sovereign | Non-Sovereign | Total (4) |
| Top 20 country exposures: | | | | | | | | | |
| United Kingdom | \$3,522 | 16,743 | 7 | 3,557 | — | 3,096 | 3,529 | 23,396 | 26,925 |
| Canada | 1 | 16,190 | 71 | 567 | — | 836 | 72 | 17,593 | 17,665 |
| Cayman Islands | — | 4,597 | — | — | — | 237 | — | 4,834 | 4,834 |
| Ireland | — | 3,975 | — | 123 | — | 117 | — | 4,215 | 4,215 |
| Germany | 2,368 | 1,259 | — | 100 | — | 438 | 2,368 | 1,797 | 4,165 |
| Bermuda | — | 2,793 | — | 181 | — | 145 | — | 3,119 | 3,119 |
| Australia | — | 1,620 | — | 757 | — | 67 | — | 2,444 | 2,444 |
| India | — | 2,134 | — | 178 | — | 7 | — | 2,319 | 2,319 |
| Netherlands | — | 1,722 | — | 500 | — | 53 | — | 2,275 | 2,275 |
| Brazil | — | 1,880 | — | 11 | — | 8 | — | 1,899 | 1,899 |
| France | — | 840 | — | 919 | — | 91 | — | 1,850 | 1,850 |
| China | — | 1,732 | (2) | 77 | 8 | 1 | 6 | 1,810 | 1,816 |
| South Korea | — | 1,577 | (2) | 58 | 1 | 1 | (1) | 1,636 | 1,635 |
| Switzerland | — | 1,461 | — | 3 | — | 77 | — | 1,541 | 1,541 |
| Mexico | 193 | 1,262 | 1 | 16 | — | 8 | 194 | 1,286 | 1,480 |
| Guernsey | — | 1,463 | — | (2) | — | 1 | — | 1,462 | 1,462 |
| Chile | — | 1,435 | — | 5 | — | 9 | — | 1,449 | 1,449 |
| Turkey | — | 1,218 | — | 80 | — | 1 | — | 1,299 | 1,299 |
| Luxembourg | — | 977 | — | 153 | — | 15 | — | 1,145 | 1,145 |
| Jersey, C.I. | — | 790 | — | 236 | — | 29 | — | 1,055 | 1,055 |
| Total top 20 country exposures | \$6,084 | 65,668 | 75 | 7,519 | 9 | 5,237 | 6,168 | 78,424 | 84,592 |
| Eurozone exposure: | | | | | | | | | |
| Eurozone countries included in Top 20 above (5) | | | | | | | | | |
| | \$2,368 | 8,773 | — | 1,795 | — | 714 | 2,368 | 11,282 | 13,650 |
| Austria | — | 595 | — | — | — | 1 | — | 596 | 596 |
| Spain | — | 302 | — | 84 | — | 9 | — | 395 | 395 |
| Belgium | — | 288 | — | 3 | — | 1 | — | 292 | 292 |
| Other Eurozone exposure (6) | 22 | 109 | — | 38 | — | 8 | 22 | 155 | 177 |
| Total Eurozone exposure | \$2,390 | 10,067 | — | 1,920 | — | 733 | 2,390 | 12,720 | 15,110 |

Lending exposure includes funded loans and unfunded commitments, leveraged leases, and money market placements presented on a gross basis prior to the deduction of impairment allowance and collateral received under (1) the terms of the credit agreements. For the countries listed above, includes \$16 million in PCI loans, predominantly to customers in Germany and the Netherlands, and \$947 million in defeased leases secured primarily by U.S. Treasury and government agency securities, or government guaranteed.

(2) Represents exposure on debt and equity securities of foreign issuers. Long and short positions are netted and net short positions are reflected as negative exposure.

(3)

Represents counterparty exposure on foreign exchange and derivative contracts, and securities resale and lending agreements. This exposure is presented net of counterparty netting adjustments and reduced by the amount of cash collateral. It includes credit default swaps (CDS) predominantly used to manage our U.S. and London-based cash credit trading businesses, which sometimes results in selling and purchasing protection on the identical reference entity. Generally, we do not use market instruments such as CDS to hedge the credit risk of our investment or loan positions, although we do use them to manage risk in our trading businesses. At September 30, 2016, the gross notional amount of our CDS sold that reference assets in the Top 20 or Eurozone countries was \$2.3 billion, which was offset by the notional amount of CDS purchased of \$2.5 billion. We did not have any CDS purchased or sold that reference pools of assets that contain sovereign debt or where the reference asset was solely the sovereign debt of a foreign country.

(4) For countries presented in the table, total non-sovereign exposure comprises \$37.7 billion exposure to financial institutions and \$42.2 billion to non-financial corporations at September 30, 2016.

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

Includes non-sovereign exposure to Italy and Portugal in the amount of \$114 million and \$22 million, respectively,

(6) and no non-sovereign exposure in Greece. We had no sovereign debt exposure to Italy and Greece, and the exposure to Portugal was immaterial at September 30, 2016.

Risk Management - Credit Risk Management (continued)

REAL ESTATE 1-4 FAMILY FIRST AND JUNIOR LIEN MORTGAGE LOANS Our real estate 1-4 family first and junior lien mortgage loans, as presented in Table 15, include loans we have made to customers and retained as part of our asset/liability management strategy, the Pick-a-Pay portfolio acquired from

Wachovia which is discussed later in this Report and other purchased loans, and loans included on our balance sheet as a result of consolidation of variable interest entities (VIEs).

Table 15: Real Estate 1-4 Family First and Junior Lien Mortgage Loans

| (in millions) | September 30, 2016 | | December 31, 2015 | |
|---|-----------------------|-------------------|-------------------|-------------------|
| | Balance | % of portfolio | Balance | % of portfolio |
| Real estate 1-4 family first mortgage | \$278,689 | 85 % | \$273,869 | 84 % |
| Real estate 1-4 family junior lien mortgage | 48,105 | 15 % | 53,004 | 16 % |
| Total real estate 1-4 family mortgage loans | \$326,794 | 100 % | \$326,873 | 100 % |

The real estate 1-4 family mortgage loan portfolio includes some loans with adjustable-rate features and some with an interest-only feature as part of the loan terms. Interest-only loans were approximately 7% and 9% of total loans at September 30, 2016, and December 31, 2015, respectively. We believe we have manageable adjustable-rate mortgage (ARM) reset risk across our owned mortgage loan portfolios. We do not offer option ARM products, nor do we offer variable-rate mortgage products with fixed payment amounts, commonly referred to within the financial services industry as negative amortizing mortgage loans. The option ARMs we do have are included in the Pick-a-Pay portfolio which was acquired from Wachovia. Since our acquisition of the Pick-a-Pay loan portfolio at the end of 2008, the option payment portion of the portfolio has reduced from 86% to 37% at September 30, 2016, as a result of our modification activities and customers exercising their option to convert to fixed payments. For more information, see the “Pick-a-Pay Portfolio” section in this Report.

We continue to modify real estate 1-4 family mortgage loans to assist homeowners and other borrowers experiencing financial difficulties. For more information on our participation in the U.S. Treasury’s Making Home Affordable (MHA) programs, see the “Risk Management – Credit Risk Management – Real Estate 1-4 Family First and Junior Lien Mortgage Loans” section in our 2015 Form 10-K.

Part of our credit monitoring includes tracking delinquency, current FICO scores and loan/combined loan to collateral values (LTV/CLTV) on the entire real estate 1-4 family mortgage loan portfolio. These credit risk indicators, which exclude government insured/guaranteed loans, continued to improve in third quarter 2016 on the non-PCI mortgage portfolio. Loans 30 days or more delinquent at September 30, 2016, totaled \$6.0 billion, or 2% of total non-PCI mortgages, compared with \$8.3 billion, or 3%, at December 31, 2015. Loans with FICO scores lower than 640 totaled \$17.6 billion, or 6% of total non-PCI mortgages at September 30, 2016, compared with \$21.1 billion, or 7%, at December 31, 2015. Mortgages with a LTV/CLTV greater than 100% totaled \$10.5 billion at September 30, 2016, or 3% of total non-PCI mortgages, compared with \$15.1 billion, or 5%, at December 31, 2015. Information regarding credit quality indicators, including PCI credit quality indicators, can be found in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Real estate 1-4 family first and junior lien mortgage loans by state are presented in Table 16. Our real estate 1-4 family mortgage loans (including PCI loans) to borrowers in California represented approximately 12% of total loans at September 30, 2016, located mostly within the larger metropolitan areas, with no single California metropolitan area consisting of more than 5% of total loans. We monitor changes in real estate values and

underlying economic or market conditions for all geographic areas of our real estate 1-4 family mortgage portfolio as part of our credit risk management process. Our underwriting and periodic review of loans secured by residential real estate collateral includes appraisals or estimates from automated valuation models (AVMs) to support property values. Additional information about AVMs and our policy for their use can be found in Note 5 (Loans and Allowance for

Credit Losses) to Financial Statements in this Report and the “Risk Management – Credit Risk Management – Real Estate 1-4 Family First and Junior Lien Mortgage Loans” section in our 2015 Form 10-K.

Table 16: Real Estate 1-4 Family First and Junior Lien Mortgage Loans by State

| (in millions) | September 30, 2016 | | | | % of total loans |
|---|---------------------------------------|---|---------------------------------------|----|------------------|
| | Real estate 1-4 family first mortgage | Real estate 1-4 family junior lien mortgage | Total real estate 1-4 family mortgage | | |
| Real estate 1-4 family loans (excluding PCI): | | | | | |
| California | \$92,671 | 13,168 | 105,839 | 11 | % |
| New York | 23,198 | 2,253 | 25,451 | 2 | |
| Florida | 13,824 | 4,388 | 18,212 | 2 | |
| New Jersey | 12,529 | 4,160 | 16,689 | 2 | |
| Virginia | 7,456 | 2,780 | 10,236 | 1 | |
| Texas | 8,491 | 810 | 9,301 | 1 | |
| Washington | 7,615 | 1,105 | 8,720 | 1 | |
| Pennsylvania | 5,761 | 2,565 | 8,326 | 1 | |
| North Carolina | 6,086 | 2,217 | 8,303 | 1 | |
| Other (1) | 64,511 | 14,617 | 79,128 | 8 | |
| Government insured/guaranteed loans (2) | 19,717 | — | 19,717 | 2 | |
| Real estate 1-4 family loans (excluding PCI) | 261,859 | 48,063 | 309,922 | 32 | |
| Real estate 1-4 family PCI loans (3) | 16,830 | 42 | 16,872 | 2 | |
| Total | \$278,689 | 48,105 | 326,794 | 34 | % |

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

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

(3) Includes \$11.7 billion in real estate 1-4 family mortgage PCI loans in California.

First Lien Mortgage Portfolio Our total real estate 1-4 family first lien mortgage portfolio increased \$1.5 billion in third quarter 2016 and \$4.8 billion in the first nine months of 2016, as we retained \$15.9 billion and \$43.9 billion in non-conforming originations, consisting of loans that exceed conventional conforming loan amount limits established by federal government-sponsored entities (GSEs), in the third quarter and first nine months of 2016, respectively. The credit performance associated with our real estate 1-4 family first lien mortgage portfolio continued to improve in third quarter 2016, as measured through net charge-offs and nonaccrual loans. Net charge-offs (annualized) as a percentage of average real estate 1-4 family first lien mortgage loans improved

to 0.03% and 0.04% in the third quarter and first nine months of 2016, respectively, compared with 0.09% and 0.11% for the same periods a year ago. Nonaccrual loans were \$5.3 billion at September 30, 2016, compared with \$7.3 billion at December 31, 2015. Improvement in the credit performance was driven by an improving housing environment. Real estate 1-4 family first lien mortgage loans originated after 2008, which generally utilized tighter underwriting standards, have resulted in minimal losses to date and were approximately 72% of our total real estate 1-4 family first lien mortgage portfolio as of September 30, 2016.

Table 17 shows certain delinquency and loss information for the first lien mortgage portfolio and lists the top five states by outstanding balance.

Table 17: First Lien Mortgage Portfolio Performance

| (in millions) | Outstanding balance | | % of loans 30 days or more past due | | Loss (recovery) rate (annualized) quarter ended | | | | |
|-------------------------------------|---------------------|--------------|-------------------------------------|--------------|---|--------------|--------------|--------------|--------------|
| | Sep 30, 2016 | Dec 31, 2015 | Sep 30, 2016 | Dec 31, 2015 | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 | Dec 31, 2015 | Sep 30, 2015 |
| California | \$92,671 | 88,367 | 1.29 | %1.87 | (0.08) | (0.09) | (0.07) | (0.05) | (0.05) |
| New York | 23,198 | 20,962 | 2.03 | 3.07 | 0.07 | 0.11 | 0.12 | 0.08 | 0.13 |
| Florida | 13,824 | 14,068 | 3.73 | 5.14 | (0.04) | (0.19) | 0.03 | 0.02 | 0.16 |
| New Jersey | 12,529 | 11,825 | 3.79 | 5.68 | 0.37 | 0.42 | 0.44 | 0.33 | 0.38 |
| Texas | 8,491 | 8,153 | 2.21 | 2.80 | 0.06 | 0.09 | 0.10 | 0.02 | — |
| Other | 91,429 | 88,951 | 2.58 | 3.72 | 0.10 | 0.10 | 0.18 | 0.21 | 0.23 |
| Total | 242,142 | 232,326 | 2.15 | %3.11 | 0.03 | 0.02 | 0.08 | 0.09 | 0.11 |
| Government insured/guaranteed loans | 19,717 | 22,353 | | | | | | | |
| PCI | 16,830 | 19,190 | | | | | | | |
| Total first lien mortgages | \$278,689 | \$273,869 | | | | | | | |

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

The Pick-a-Pay portfolio includes loans that offer payment options (Pick-a-Pay option payment loans), and also includes loans that were originated without the option payment feature, loans that no longer offer the option feature as a result of our modification efforts since the acquisition, and loans where the customer voluntarily converted to a fixed-rate product. The Pick-a-Pay portfolio is included in the consumer real estate 1-4 family

first mortgage class of loans throughout this Report. Table 18 provides balances by types of loans as of September 30, 2016, as a result of modification efforts, compared to the types of loans included in the portfolio at acquisition. Total adjusted unpaid principal balance of PCI Pick-a-Pay loans was \$21.4 billion at September 30, 2016, compared with \$61.0 billion at acquisition. Due to loan modification and loss mitigation efforts, the adjusted unpaid principal balance of option payment PCI loans has declined to 14% of the total Pick-a-Pay portfolio at September 30, 2016, compared with 51% at acquisition.

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

December 31,

| (in millions) | September 30, 2016 | | 2015 | | 2008 | |
|--|---|---------------|---|---------------|---|---------------|
| | Adjusted unpaid principal balance (1) | % of total | Adjusted unpaid principal balance (1) | % of total | Adjusted unpaid principal balance (1) | % of total |
| Option payment loans | \$14,378 | 37 % | \$16,828 | 39 % | \$99,937 | 86 % |
| Non-option payment adjustable-rate and fixed-rate loans | 4,907 | 13 | 5,706 | 13 | 15,763 | 14 |
| Full-term loan modifications | 19,333 | 50 | 21,193 | 48 | — | — |
| Total adjusted unpaid principal balance | \$38,618 | 100 % | \$43,727 | 100 % | \$115,700 | 100 % |
| Total carrying value | \$33,999 | | 39,065 | | 95,315 | |

Adjusted unpaid principal balance includes write-downs taken on loans where severe delinquency (normally 180 (1) 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.

Risk Management - Credit Risk Management (continued)

Table 19 reflects the geographic distribution of the Pick-a-Pay portfolio broken out between PCI loans and all other loans. The LTV ratio is a useful metric in evaluating future real estate 1-4 family first mortgage loan performance, including potential charge-offs. Because PCI loans were initially recorded at fair value, including write-downs for expected credit losses, the ratio

of the carrying value to the current collateral value will be lower compared with the LTV based on the adjusted unpaid principal balance. For informational purposes, we have included both ratios for PCI loans in the following table.

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

| (in millions) | September 30, 2016 | | | All other loans | | |
|------------------------|---------------------------------------|-----------------------|--------------------|--|--------------------|--|
| | Adjusted unpaid principal balance (2) | Current LTV ratio (3) | Carrying value (4) | Ratio of carrying value to current value (5) | Carrying value (4) | Ratio of carrying value to current value (5) |
| California | \$14,852 | 66 | % \$11,643 | 51 | % \$8,330 | 48 |
| Florida | 1,701 | 76 | 1,266 | 55 | 1,740 | 61 |
| New Jersey | 697 | 80 | 509 | 57 | 1,142 | 67 |
| New York | 494 | 75 | 415 | 57 | 561 | 64 |
| Texas | 182 | 50 | 161 | 44 | 686 | 40 |
| Other states | 3,458 | 75 | 2,712 | 58 | 4,834 | 61 |
| Total Pick-a-Pay loans | \$21,384 | 69 | \$16,706 | 53 | \$17,293 | 54 |

(1) The individual states shown in this table represent the top five states based on the total net carrying value of the Pick-a-Pay loans at the beginning of 2016.

Adjusted unpaid principal balance includes write-downs taken on loans where severe delinquency (normally 180 (2) 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.

The current LTV ratio is calculated as the adjusted unpaid principal balance divided by the collateral value.

(3) Collateral values are generally determined using automated valuation models (AVM) and are updated quarterly. AVMs are computer-based tools used to estimate market values of homes based on processing large volumes of market data including market comparables and price trends for local market areas.

(4) Carrying value does not reflect related allowance for loan losses but does reflect remaining purchase accounting adjustments and any charge-offs.

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

Since the Wachovia acquisition, we have completed over 135,000 proprietary and Home Affordability Modification Program (HAMP) Pick-a-Pay loan modifications, including over 900 modifications in third quarter 2016. Pick-a-Pay loan modifications have resulted in over \$6.1 billion of principal forgiveness. We have also provided interest rate reductions and loan term extensions of up to 40 years to enable sustainable homeownership for our Pick-a-Pay customers. As a result of these loss mitigation programs, approximately 70% of our Pick-a-Pay PCI adjusted unpaid principal balance as of September 30, 2016 has been modified.

The predominant portion of our PCI loans is included in the Pick-a-Pay portfolio. We regularly evaluate our estimates, of cash flows expected to be collected on our PCI loans. Our cash flows expected to be collected have been favorably affected over time by lower expected defaults and losses as a result of observed and forecasted economic strengthening, particularly in housing prices, and our loan modification efforts. When we periodically update our cash flow estimates we have historically expected that the credit-stressed borrower characteristics and distressed collateral values associated with our Pick-a-Pay PCI loans would limit the ability of these borrowers to prepay their loans, thus

increasing the future expected weighted-average life of the portfolio since acquisition. However, over the last several quarters we have observed a higher prepayment trend emerging in our Pick-a-Pay PCI loans portfolio. We attribute this favorable prepayment experience to the benefits of home price appreciation which has resulted in loan (unpaid principal balance) to value ratios reaching an important industry refinancing inflection point of below 80%. As a result, we have experienced an increased level of borrowers qualifying for products to refinance their loans which may not have previously been available to them. Therefore, for third quarter 2016, we revised our Pick-a-Pay PCI loan cash flow estimates to reflect our expectation that the modified portion of the portfolio will have significantly higher

prepayments over the remainder of its life. The recent reductions in loan to value ratios and projections of sustained higher housing prices have reduced our loss estimates for this portfolio. The significant increase in expected prepayments lowered our estimated weighted-average life to approximately 7.6 years at September 30, 2016, from 11.5 years at June 30, 2016. Also, our revised cash flow estimates resulted in a \$4.1 billion reduction in the accretable yield balance as of September 30, 2016, driven by a \$4.9 billion reduction in expected cash flows resulting from the shorter estimated weighted-average life, partially offset by a transfer of \$1.2 billion from nonaccretable difference to accretable yield due to the reduction in expected losses. Because the \$1.2 billion transfer from nonaccretable difference to accretable yield resulted in a high amount of accretable yield relative to the shortened estimated weighted-average life, we expect the accretable yield percentage to be 8.22% for fourth quarter 2016, up from 6.68% at September 30, 2016.

Since acquisition, due to better than expected performance observed on the PCI portion of the Pick-a-Pay portfolio compared with the original acquisition estimates, we have reclassified \$8.3 billion from the nonaccretable difference to the accretable yield. Fluctuations in the accretable yield are driven by changes in interest rate indices for variable rate PCI loans, prepayment assumptions, and expected principal and interest payments over the estimated life of the portfolio, which will be affected by the pace and degree of improvements in the U.S. economy and housing markets and projected lifetime performance resulting from loan modification activity. Changes in the projected timing of cash flow events, including loan liquidations, modifications and short sales, can also affect the accretable yield and the estimated weighted-average life of the portfolio.

For further information on the judgment involved in estimating expected cash flows for PCI loans, see the “Critical Accounting Policies – Purchased Credit-Impaired Loans” section

and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2015 Form 10-K. For further information on the Pick-a-Pay portfolio, including recast risk, deferral of interest and loan modifications, see the "Risk Management – Credit Risk Management – Pick-a-Pay Portfolio" section in our 2015 Form 10-K.

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

We continuously monitor the credit performance of our junior lien mortgage portfolio for trends and factors that influence the frequency and severity of loss. We have observed that the severity of loss for junior lien mortgages is high and generally not affected by whether we or a third party own or service the related first lien mortgage, but the frequency of delinquency is typically lower when we own or service the first lien mortgage. In general, we have limited information available on the delinquency status of the third party owned or serviced

senior lien where we also hold a junior lien. To capture this inherent loss content, our allowance process for junior lien mortgages considers the relative difference in loss experience for junior lien mortgages behind first lien mortgage loans we own or service, compared with those behind first lien mortgage loans owned or serviced by third parties. In addition, our allowance process for junior lien mortgages that are current, but are in their revolving period, considers the inherent loss where the borrower is delinquent on the corresponding first lien mortgage loans.

Table 20 shows certain delinquency and loss information for the junior lien mortgage portfolio and lists the top five states by outstanding balance. The decrease in outstanding balances since December 31, 2015, predominantly reflects loan paydowns. As of September 30, 2016, 13% of the outstanding balance of the junior lien mortgage portfolio was associated with loans that had a combined loan to value (CLTV) ratio in excess of 100%. Of those junior lien mortgages with a CLTV ratio in excess of 100%, 2.64% were 30 days or more past due. CLTV means the ratio of the total loan balance of first lien mortgages and junior lien mortgages (including unused line amounts for credit line products) to property collateral value. The unsecured portion (the outstanding amount that was in excess of the most recent property collateral value) of the outstanding balances of these loans totaled 5% of the junior lien mortgage portfolio at September 30, 2016.

Table 20: Junior Lien Mortgage Portfolio Performance

| (in millions) | Outstanding balance | | % of loans 30 days or more past due | | Loss rate (annualized) quarter ended | | | | |
|-----------------------------|---------------------|--------------|-------------------------------------|--------------|--------------------------------------|--------------|--------------|--------------|--------------|
| | Sep 30, 2016 | Dec 31, 2015 | Sep 30, 2016 | Dec 31, 2015 | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 | Dec 31, 2015 | Sep 30, 2015 |
| California | \$13,168 | 14,554 | 1.77 | % 2.03 | (0.13 |) 0.07 | 0.27 | 0.12 | 0.21 |
| Florida | 4,388 | 4,823 | 2.21 | 2.45 | 0.56 | 0.76 | 0.79 | 0.51 | 1.02 |
| New Jersey | 4,160 | 4,462 | 2.89 | 3.06 | 0.96 | 1.10 | 0.84 | 0.77 | 1.23 |
| Virginia | 2,780 | 2,991 | 1.85 | 2.05 | 0.55 | 0.87 | 0.80 | 0.77 | 0.73 |
| Pennsylvania | 2,565 | 2,748 | 2.14 | 2.35 | 0.75 | 0.58 | 0.55 | 0.66 | 0.79 |
| Other | 21,002 | 23,357 | 1.96 | 2.24 | 0.51 | 0.53 | 0.63 | 0.68 | 0.70 |
| Total | 48,063 | 52,935 | 2.01 | % 2.27 | 0.40 | 0.49 | 0.57 | 0.52 | 0.64 |
| PCI | 42 | 69 | | | | | | | |
| Total junior lien mortgages | \$48,105 | 53,004 | | | | | | | |

Risk Management - Credit Risk Management (continued)

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

On a monthly basis, we monitor the payment characteristics of borrowers in our junior lien portfolio. In September 2016, approximately 48% of these borrowers paid only the minimum amount due and approximately 46% paid more than the minimum amount due. The rest were either delinquent or paid less than the minimum amount due. For the borrowers with an interest only payment feature, approximately 35% paid only the

minimum amount due and approximately 60% paid more than the minimum amount due.

The lines that enter their amortization period may experience higher delinquencies and higher loss rates than the ones in their draw or term period. We have considered this increased inherent risk in our allowance for credit loss estimate. In anticipation of our borrowers reaching the end of their contractual commitment, we have created a program to inform, educate and help these borrowers transition from interest-only to fully-amortizing payments or full repayment. We monitor the performance of the borrowers moving through the program in an effort to refine our ongoing program strategy.

Table 21 reflects the outstanding balance of our portfolio of junior lien mortgages, including lines and loans, and senior lien lines segregated into scheduled end of draw or end of term periods and products that are currently amortizing, or in balloon repayment status. It excludes real estate 1-4 family first lien line reverse mortgages, which total \$2.0 billion, because they are predominantly insured by the FHA, and it excludes PCI loans, which total \$67 million, because their losses were generally reflected in our nonaccretable difference established at the date of acquisition.

Table 21: Junior Lien Mortgage Line and Loan and Senior Lien Mortgage Line Portfolios Payment Schedule
Scheduled end of draw / term

| (in millions) | Outstanding balance September 30, 2016 | Remainder of 2016 | 2017 | 2018 | 2019 | 2020 | 2021 and thereafter (1) | Amortizing |
|-----------------------------|---|-------------------|-------|-------|-------|-------|----------------------------|------------|
| Junior lien lines and loans | \$ 48,063 | 853 | 4,222 | 2,483 | 1,004 | 904 | 25,466 | 13,131 |
| First lien lines | 15,459 | 116 | 634 | 770 | 356 | 325 | 11,259 | 1,999 |
| Total (2)(3) | \$ 63,522 | 969 | 4,856 | 3,253 | 1,360 | 1,229 | 36,725 | 15,130 |
| % of portfolios | 100 | % 2 | 8 | 5 | 2 | 2 | 58 | 23 |

(1) Substantially all lines and loans are scheduled to convert to amortizing loans by the end of 2026, with annual scheduled amounts through that date ranging from \$2.4 billion to \$8.1 billion and averaging \$6.1 billion per year.

(2) Junior and first lien lines are mostly interest-only during their draw period. The unfunded credit commitments for junior and first lien lines totaled \$66.6 billion at September 30, 2016.

Includes scheduled end-of-term balloon payments for lines and loans totaling \$31 million, \$281 million, \$359 million, \$346 million, \$373 million and \$963 million for 2016 2017, 2018, 2019, 2020, and 2021 and thereafter, (3) respectively. Amortizing lines and loans include \$133 million of end-of-term balloon payments, which are past due. At September 30, 2016, \$503 million, or 4% of outstanding lines of credit that are amortizing, are 30 days or more past due compared to \$737 million or 2% for lines in their draw period.

CREDIT CARDS Our credit card portfolio totaled \$35.0 billion at September 30, 2016, which represented 4% of our total outstanding loans. The net charge-off rate (annualized) for our credit card portfolio was 2.82% for third quarter 2016, compared with 2.71% for third quarter 2015 and 3.07% and 3.03% for the first nine months of 2016 and 2015, respectively.

AUTOMOBILE Our automobile portfolio, predominantly composed of indirect loans, totaled \$62.9 billion at September 30, 2016. The net charge-off rate (annualized) for our automobile portfolio was 0.87% for third quarter 2016, compared with 0.76% for third quarter 2015 and 0.77% and 0.66% for the first nine months of 2016 and 2015, respectively. The increase in net charge-offs in 2016 as compared with 2015 was consistent with trends in the automobile lending industry.

OTHER REVOLVING CREDIT AND INSTALLMENT Other revolving credit and installment loans totaled \$40.2 billion at September 30, 2016, and primarily included student and security-based loans. Student loans totaled \$12.5 billion at September 30, 2016. The net charge-off rate (annualized) for other revolving credit and installment loans was 1.40% for third quarter 2016, compared with 1.35% for third quarter 2015 and 1.38% and 1.31% for the first nine months of 2016 and 2015, respectively.

NONPERFORMING ASSETS (NONACCRUAL LOANS AND FORECLOSED ASSETS) Table 22 summarizes nonperforming assets (NPAs) for each of the last four quarters. Total NPAs decreased \$1.1 billion from second quarter 2016 to \$12.0 billion with improvement across our consumer and commercial portfolios. Nonaccrual loans decreased \$977 million from second quarter to \$11.0 billion led by a \$732 million decrease in consumer nonaccruals, which included the sale of nonaccrual loans during third quarter 2016. Foreclosed assets of \$1.0 billion were down \$97 million from second quarter 2016.

We generally place loans on nonaccrual status when:

the full and timely collection of interest or principal becomes uncertain (generally based on an assessment of the borrower's financial condition and the adequacy of collateral, if any);

they are 90 days (120 days with respect to real estate 1-4 family first and junior lien mortgages) past due for interest or principal, unless both well-secured and in the process of collection;

part of the principal balance has been charged off;

for junior lien mortgages, we have evidence that the related first lien mortgage may be 120 days past due or in the process of foreclosure regardless of the junior lien delinquency status; or

consumer real estate and automobile loans are discharged in bankruptcy, regardless of their delinquency status.

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

| (\$ in millions) | September 30, 2016 | | June 30, 2016 | | March 31, 2016 | | December 31, 2015 | |
|---|-----------------------|------------------------|---------------|------------------------|-------------------|------------------------|----------------------|------------------------|
| | Balance | % of total loans | Balance | % of total loans | Balance | % of total loans | Balance | % of total loans |
| Nonaccrual loans: | | | | | | | | |
| Commercial: | | | | | | | | |
| Commercial and industrial | \$3,331 | 1.03 % | \$3,464 | 1.07 % | \$2,911 | 0.91 % | \$1,363 | 0.45 % |
| Real estate mortgage | 780 | 0.60 | 872 | 0.68 | 896 | 0.72 | 969 | 0.79 |
| Real estate construction | 59 | 0.25 | 59 | 0.25 | 63 | 0.27 | 66 | 0.30 |
| Lease financing | 92 | 0.49 | 112 | 0.59 | 99 | 0.52 | 26 | 0.21 |
| Total commercial | 4,262 | 0.86 | 4,507 | 0.91 | 3,969 | 0.81 | 2,424 | 0.53 |
| Consumer: | | | | | | | | |
| Real estate 1-4 family first mortgage (1) | 5,310 | 1.91 | 5,970 | 2.15 | 6,683 | 2.43 | 7,293 | 2.66 |
| Real estate 1-4 family junior lien mortgage | 1,259 | 2.62 | 1,330 | 2.67 | 1,421 | 2.77 | 1,495 | 2.82 |
| Automobile | 108 | 0.17 | 111 | 0.18 | 114 | 0.19 | 121 | 0.20 |
| Other revolving credit and installment | 47 | 0.12 | 45 | 0.11 | 47 | 0.12 | 49 | 0.13 |
| Total consumer | 6,724 | 1.45 | 7,456 | 1.61 | 8,265 | 1.80 | 8,958 | 1.95 |
| Total nonaccrual loans (2)(3)(4) | 10,986 | 1.14 | 11,963 | 1.25 | 12,234 | 1.29 | 11,382 | 1.24 |
| Foreclosed assets: | | | | | | | | |
| Government insured/guaranteed (5) | 282 | | 321 | | 386 | | 446 | |
| Non-government insured/guaranteed | 738 | | 796 | | 893 | | 979 | |
| Total foreclosed assets | 1,020 | | 1,117 | | 1,279 | | 1,425 | |
| Total nonperforming assets | \$12,006 | 1.25 % | \$13,080 | 1.37 % | \$13,513 | 1.43 % | \$12,807 | 1.40 % |
| Change in NPAs from prior quarter | \$(1,074) | | (433) | | 706 | | (497) | |

(1) Includes MHFS of \$150 million, \$155 million, \$157 million, and \$177 million at September 30, June 30 and March 31, 2016, and December 31, 2015, respectively.

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

- Real estate 1-4 family mortgage loans predominantly insured by the FHA or guaranteed by the VA and student
- (3) loans predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the Federal Family Education Loan Program are not placed on nonaccrual status because they are insured or guaranteed.
- (4) See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for further information on impaired loans.

Consistent with regulatory reporting requirements, foreclosed real estate resulting from government insured/guaranteed loans are classified as nonperforming. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA. Foreclosure of certain government guaranteed residential real estate mortgage loans that meet criteria

(5) specified by Accounting Standards Update (ASU) 2014-14, Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure, effective as of January 1, 2014 are excluded from this table and included in Accounts Receivable in Other Assets. For more information on the changes in foreclosures for government guaranteed residential real estate mortgage loans, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2015 Form 10-K.

Risk Management - Credit Risk Management (continued)

Table 23 provides an analysis of the changes in nonaccrual loans.

Table 23: Analysis of Changes in Nonaccrual Loans

| (in millions) | Quarter ended | | | | |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 | Dec 31, 2015 | Sep 30, 2015 |
| Commercial nonaccrual loans | | | | | |
| Balance, beginning of period | \$4,507 | 3,969 | 2,424 | 2,336 | 2,522 |
| Inflows | 1,180 | 1,936 | 2,291 | 793 | 382 |
| Outflows: | | | | | |
| Returned to accruing | (80) | (32) | (34) | (44) | (26) |
| Foreclosures | (1) | (6) | (4) | (72) | (32) |
| Charge-offs | (290) | (420) | (317) | (243) | (135) |
| Payments, sales and other (1) | (1,054) | (940) | (391) | (346) | (375) |
| Total outflows | (1,425) | (1,398) | (746) | (705) | (568) |
| Balance, end of period | 4,262 | 4,507 | 3,969 | 2,424 | 2,336 |
| Consumer nonaccrual loans | | | | | |
| Balance, beginning of period | 7,456 | 8,265 | 8,958 | 9,201 | 9,921 |
| Inflows | 868 | 829 | 964 | 1,226 | 1,019 |
| Outflows: | | | | | |
| Returned to accruing | (597) | (546) | (584) | (646) | (676) |
| Foreclosures | (85) | (85) | (98) | (89) | (99) |
| Charge-offs | (192) | (167) | (203) | (204) | (228) |
| Payments, sales and other (1) | (726) | (840) | (772) | (530) | (736) |
| Total outflows | (1,600) | (1,638) | (1,657) | (1,469) | (1,739) |
| Balance, end of period | 6,724 | 7,456 | 8,265 | 8,958 | 9,201 |
| Total nonaccrual loans | \$10,986 | 11,963 | 12,234 | 11,382 | 11,537 |

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

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

While nonaccrual loans are not free of loss content, we believe exposure to loss is significantly mitigated by the following factors at September 30, 2016:

94% of total commercial nonaccrual loans and over 99% of total consumer nonaccrual loans are secured. Of the consumer nonaccrual loans, 98% are secured by real estate and 78% have a combined LTV (CLTV) ratio of 80% or less.

Losses of \$463 million and \$2.3 billion have already been recognized on 13% of commercial nonaccrual loans and 48% of consumer nonaccrual loans, respectively. Generally, when a consumer real estate loan is 120 days past due (except when required earlier by guidance issued by bank regulatory agencies), we transfer it to nonaccrual status.

When the loan reaches 180 days past due, or is discharged in bankruptcy, it is our policy to write these loans down to net realizable value (fair value of collateral less estimated costs to sell), except for modifications in their trial period that are not written down as long as trial payments are made on time. Thereafter, we reevaluate each loan regularly and record additional write-downs if needed.

88% of commercial nonaccrual loans were current on interest, but were on nonaccrual status because the full or timely collection of interest or principal had become uncertain.

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

\$1.7 billion of consumer loans discharged in bankruptcy and classified as nonaccrual were 60 days or less past due, of which \$1.6 billion were current.

We continue to work with our customers experiencing financial difficulty to determine if they can qualify for a loan modification so that they can stay in their homes. Under both our proprietary modification programs and the MHA programs, customers may be required to provide updated documentation, and some programs require completion of payment during trial periods to demonstrate sustained performance before the loan can be removed from nonaccrual status.

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

Table 24: Foreclosed Assets

| (in millions) | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 | Dec 31, 2015 | Sep 30, 2015 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Summary by loan segment | | | | | |
| Government insured/guaranteed | \$282 | 321 | 386 | 446 | 502 |
| PCI loans: | | | | | |
| Commercial | 98 | 124 | 142 | 152 | 297 |
| Consumer | 88 | 91 | 97 | 103 | 126 |
| Total PCI loans | 186 | 215 | 239 | 255 | 423 |
| All other loans: | | | | | |
| Commercial | 298 | 313 | 357 | 384 | 437 |
| Consumer | 254 | 268 | 297 | 340 | 405 |
| Total all other loans | 552 | 581 | 654 | 724 | 842 |
| Total foreclosed assets | \$1,020 | 1,117 | 1,279 | 1,425 | 1,767 |
| Analysis of changes in foreclosed assets | | | | | |
| Balance, beginning of period | \$1,117 | 1,279 | 1,425 | 1,767 | 1,958 |
| Net change in government insured/guaranteed (1) | (39) | (65) | (60) | (56) | (86) |
| Additions to foreclosed assets (2) | 261 | 281 | 290 | 327 | 325 |
| Reductions: | | | | | |
| Sales | (421) | (405) | (390) | (719) | (468) |
| Write-downs and gains (losses) on sales | 102 | 27 | 14 | 106 | 38 |
| Total reductions | (319) | (378) | (376) | (613) | (430) |
| Balance, end of period | \$1,020 | 1,117 | 1,279 | 1,425 | 1,767 |

Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as servicer, until reimbursement is received from FHA or VA. The net change in government insured/guaranteed foreclosed assets is made up of inflows from mortgages held for investment and MHFS, and outflows when we are reimbursed by (1) FHA/VA. Transfers from government insured/guaranteed loans to foreclosed assets amounted to \$110 million, \$45 million, \$61 million, \$46 million and \$38 million for the quarters ended September 30, June 30 and March 31, 2016, and December 31 and September 30, 2015, respectively.

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

Foreclosed assets at September 30, 2016, included \$604 million of foreclosed residential real estate, of which 47% is predominantly FHA insured or VA guaranteed and expected to have minimal or no loss content. The remaining foreclosed assets balance of \$416 million has been written down to estimated net realizable value. Foreclosed assets at September 30, 2016 decreased compared with December 31, 2015. Of the \$1.0 billion in foreclosed assets at September 30, 2016, 53% have been in the foreclosed assets portfolio one year or less.

Risk Management - Credit Risk Management (continued)

TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 25: Troubled Debt Restructurings (TDRs)

| (in millions) | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 | Dec 31, 2015 | Sep 30, 2015 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Commercial: | | | | | |
| Commercial and industrial | \$2,445 | 1,951 | 1,606 | 1,123 | 999 |
| Real estate mortgage | 1,256 | 1,324 | 1,364 | 1,456 | 1,623 |
| Real estate construction | 95 | 106 | 116 | 125 | 207 |
| Lease financing | 8 | 5 | 6 | 1 | 1 |
| Total commercial TDRs | 3,804 | 3,386 | 3,092 | 2,705 | 2,830 |
| Consumer: | | | | | |
| Real estate 1-4 family first mortgage | 14,761 | 15,518 | 16,299 | 16,812 | 17,193 |
| Real estate 1-4 family junior lien mortgage | 2,144 | 2,214 | 2,261 | 2,306 | 2,336 |
| Credit Card | 294 | 291 | 295 | 299 | 307 |
| Automobile | 89 | 92 | 97 | 105 | 109 |
| Other revolving credit and installment | 93 | 86 | 81 | 73 | 63 |
| Trial modifications | 348 | 364 | 380 | 402 | 421 |
| Total consumer TDRs (1) | 17,729 | 18,565 | 19,413 | 19,997 | 20,429 |
| Total TDRs | \$21,533 | 21,951 | 22,505 | 22,702 | 23,259 |
| TDRs on nonaccrual status | \$6,429 | 6,404 | 6,484 | 6,506 | 6,709 |
| TDRs on accrual status (1) | 15,104 | 15,547 | 16,021 | 16,196 | 16,550 |
| Total TDRs | \$21,533 | 21,951 | 22,505 | 22,702 | 23,259 |

TDR loans include \$1.6 billion, \$1.7 billion, \$1.8 billion, \$1.8 billion, and \$1.8 billion at September 30, June 30, (1) and March 31, 2016, and December 31, and September 30, 2015, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and accruing.

Table 25 provides information regarding the recorded investment of loans modified in TDRs. The allowance for loan losses for TDRs was \$2.4 billion and \$2.7 billion at September 30, 2016, and December 31, 2015, respectively. See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for additional information regarding TDRs. In those situations where principal is forgiven, the entire amount of such forgiveness is immediately charged off to the extent not done so prior to the modification. We sometimes delay the timing on the repayment of a portion of principal (principal forbearance) and charge off the amount of forbearance if that amount is not considered fully collectible.

For more information on our nonaccrual policies when a restructuring is involved, see the "Risk Management – Credit Risk Management – Troubled Debt Restructurings (TDRs)" section in our 2015 Form 10-K.

Table 26 provides an analysis of the changes in TDRs. Loans modified more than once are reported as TDR inflows only in the period they are first modified. Other than resolutions such as foreclosures, sales and transfers to held for sale, we may remove loans held for investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

Table 26: Analysis of Changes in TDRs

| (in millions) | Quarter ended | | | | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 | Dec 31, 2015 | Sep 30, 2015 |
| Commercial: | | | | | |
| Balance, beginning of quarter | \$3,386 | 3,092 | 2,705 | 2,830 | 2,786 |
| Inflows (1) | 914 | 797 | 866 | 474 | 573 |
| Outflows | | | | | |
| Charge-offs | (76) | (153) | (124) | (109) | (86) |
| Foreclosures | (2) | — | (1) | (64) | (30) |
| Payments, sales and other (2) | (418) | (350) | (354) | (426) | (413) |
| Balance, end of quarter | 3,804 | 3,386 | 3,092 | 2,705 | 2,830 |
| Consumer: | | | | | |
| Balance, beginning of quarter | 18,565 | 19,413 | 19,997 | 20,429 | 21,008 |
| Inflows (1) | 542 | 508 | 661 | 672 | 753 |
| Outflows | | | | | |
| Charge-offs | (65) | (38) | (67) | (73) | (79) |
| Foreclosures | (230) | (217) | (238) | (226) | (226) |
| Payments, sales and other (2) | (1,067) | (1,085) | (917) | (786) | (998) |
| Net change in trial modifications (3) | (16) | (16) | (23) | (19) | (29) |
| Balance, end of quarter | 17,729 | 18,565 | 19,413 | 19,997 | 20,429 |
| Total TDRs | \$21,533 | 21,951 | 22,505 | 22,702 | 23,259 |

(1) Inflows include loans that both modify and resolve within the period as well as advances on loans that modified in a prior period.

Other outflows include normal amortization/accretion of loan basis adjustments and loans transferred to held-for-sale. It also includes \$6 million of loans refinanced or restructured at market terms and qualifying as new (2) loans and removed from TDR classification for the quarter ended December 31, 2015, while no loans were removed from TDR classification for the quarters ended September 30, June 30, and March 31, 2016, and September 30, 2015.

Net change in trial modifications includes: inflows of new TDRs entering the trial payment period, net of outflows for modifications that either (i) successfully perform and enter into a permanent modification, or (ii) did not (3) successfully perform according to the terms of the trial period plan and are subsequently charged-off, foreclosed upon or otherwise resolved. Our experience is that substantially all of the mortgages that enter a trial payment period program are successful in completing the program requirements.

Risk Management - Credit Risk Management (continued)

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING

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

Excluding insured/guaranteed loans, loans 90 days or more past due and still accruing at September 30, 2016, were down \$128 million, or 13%, from December 31, 2015, due to payoffs, modifications and other loss mitigation activities and credit

stabilization. Also, fluctuations from quarter to quarter are influenced by seasonality.

Loans 90 days or more past due and still accruing whose repayments are predominantly insured by the FHA or guaranteed by the VA for mortgages and the U.S. Department of Education for student loans under the Federal Family Education Loan Program (FFELP) were \$11.2 billion at September 30, 2016, down from \$13.4 billion at December 31, 2015, due to seasonally lower delinquencies.

Table 27 reflects non-PCI loans 90 days or more past due and still accruing by class for loans not government insured/guaranteed. For additional information on delinquencies by loan class, see Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

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

| (in millions) | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 | Dec 31, 2015 | Sep 30, 2015 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total (excluding PCI (1)): | \$12,068 | 12,385 | 13,060 | 14,380 | 14,405 |
| Less: FHA insured/VA guaranteed (2)(3) | 11,198 | 11,577 | 12,233 | 13,373 | 13,500 |
| Less: Student loans guaranteed under the FFELP (4) | 17 | 20 | 24 | 26 | 33 |
| Total, not government insured/guaranteed | \$853 | 788 | 803 | 981 | 872 |
| By segment and class, not government insured/guaranteed: | | | | | |
| Commercial: | | | | | |
| Commercial and industrial | \$47 | 36 | 24 | 97 | 53 |
| Real estate mortgage | 4 | 22 | 8 | 13 | 24 |
| Real estate construction | — | — | 2 | 4 | — |
| Total commercial | 51 | 58 | 34 | 114 | 77 |
| Consumer: | | | | | |
| Real estate 1-4 family first mortgage (3) | 171 | 169 | 167 | 224 | 216 |
| Real estate 1-4 family junior lien mortgage (3) | 54 | 52 | 55 | 65 | 61 |
| Credit card | 392 | 348 | 389 | 397 | 353 |
| Automobile | 81 | 64 | 55 | 79 | 66 |
| Other revolving credit and installment | 104 | 97 | 103 | 102 | 99 |
| Total consumer | 802 | 730 | 769 | 867 | 795 |
| Total, not government insured/guaranteed | \$853 | 788 | 803 | 981 | 872 |

(1) PCI loans totaled \$2.2 billion, \$2.4 billion, \$2.7 billion, \$2.9 billion, and \$3.2 billion at September 30, June 30, and March 31, 2016, and December 31, and September 30, 2015, respectively.

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

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

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

NET CHARGE-OFFS

Table 28: Net Charge-offs

| (\$ in millions) | Sep 30, 2016 | | Jun 30, 2016 | | Mar 31, 2016 | | Dec 31, 2015 | | Quarter ended Sep 30, 2015 | | | |
|---|----------------------|--------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------------|---------------------|---|--|
| | Net loan charge-offs | % of avg. loans(1) | Net loan charge-offs | % of avg. loans (1) | Net loan charge-offs | % of avg. loans (1) | Net loan charge-offs | % of avg. loans (1) | Net loan charge-offs | % of avg. loans (1) | % | |
| Commercial: | | | | | | | | | | | | |
| Commercial and industrial | \$259 | 0.32 | % \$368 | 0.46 | % \$273 | 0.36 | % \$215 | 0.29 | % \$122 | 0.17 | % | |
| Real estate mortgage | (28) | (0.09) | (20) | (0.06) | (29) | (0.10) | (19) | (0.06) | (23) | (0.08) | | |
| Real estate construction | (18) | (0.32) | (3) | (0.06) | (8) | (0.13) | (10) | (0.18) | (8) | (0.15) | | |
| Lease financing | 2 | 0.04 | 12 | 0.27 | 1 | 0.01 | 1 | 0.01 | 3 | 0.11 | | |
| Total commercial | 215 | 0.17 | 357 | 0.29 | 237 | 0.20 | 187 | 0.16 | 94 | 0.08 | | |
| Consumer: | | | | | | | | | | | | |
| Real estate 1-4 family first mortgage | 20 | 0.03 | 14 | 0.02 | 48 | 0.07 | 50 | 0.07 | 62 | 0.09 | | |
| Real estate 1-4 family junior lien mortgage | 49 | 0.40 | 62 | 0.49 | 74 | 0.57 | 70 | 0.52 | 89 | 0.64 | | |
| Credit card | 245 | 2.82 | 270 | 3.25 | 262 | 3.16 | 243 | 2.93 | 216 | 2.71 | | |
| Automobile | 137 | 0.87 | 90 | 0.59 | 127 | 0.85 | 135 | 0.90 | 113 | 0.76 | | |
| Other revolving credit and installment | 139 | 1.40 | 131 | 1.32 | 138 | 1.42 | 146 | 1.49 | 129 | 1.35 | | |
| Total consumer | 590 | 0.51 | 567 | 0.49 | 649 | 0.57 | 644 | 0.56 | 609 | 0.53 | | |
| Total | \$805 | 0.33 | % \$924 | 0.39 | % \$886 | 0.38 | % \$831 | 0.36 | % \$703 | 0.31 | % | |

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

Table 28 presents net charge-offs for third quarter 2016 and the previous four quarters. Net charge-offs in third quarter 2016 were \$805 million (0.33% of average total loans outstanding) compared with \$703 million (0.31%) in third quarter 2015.

The increase in commercial and industrial net charge-offs from third quarter 2015 reflected higher oil and gas portfolio losses. Our commercial real estate portfolios were in a net recovery position. Total consumer net charge-offs decreased slightly from the prior year.

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

We apply a disciplined process and methodology to establish our allowance for credit losses each quarter. This process takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific characteristics. The process involves subjective and complex judgments. In addition, we review a variety of credit metrics and trends. These credit metrics and trends, however, do not solely determine the amount of the allowance as we use several analytical tools. Our estimation approach for the commercial portfolio reflects the estimated probability of default in accordance with the borrower's financial strength, and the severity of loss in the event of default, considering the quality of any underlying collateral. Probability of default and severity at the time of default are statistically derived through historical observations of defaults and losses after default within each credit risk rating. Our estimation approach for the consumer portfolio uses forecasted losses that represent our best estimate of inherent loss based on historical experience, quantitative and other mathematical techniques. For additional information on our allowance for credit losses, see the "Critical Accounting Policies – Allowance for Credit Losses" section in our 2015 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 29 presents the allocation of the allowance for credit losses by loan segment and class for the most recent quarter end and last four year ends.

Risk Management - Credit Risk Management (continued)

Table 29: Allocation of the Allowance for Credit Losses (ACL)

| (in millions) | Sep 30, 2016 | | Dec 31, 2015 | | Dec 31, 2014 | | Dec 31, 2013 | | Dec 31, 2012 | |
|--|--------------|---------------------------|--------------|---------------------------|--------------|---------------------------|--------------|---------------------------|--------------|---------------------------|
| | ACL | Loans as % of total loans | ACL | Loans as % of total loans | ACL | Loans as % of total loans | ACL | Loans as % of total loans | ACL | Loans as % of total loans |
| Commercial: | | | | | | | | | | |
| Commercial and industrial | \$4,723 | 34 % | \$4,231 | 33 % | \$3,506 | 32 % | \$3,040 | 29 % | \$2,789 | 28 % |
| Real estate mortgage | 1,199 | 14 | 1,264 | 13 | 1,576 | 13 | 2,157 | 14 | 2,284 | 13 |
| Real estate construction | 1,269 | 2 | 1,210 | 3 | 1,097 | 2 | 775 | 2 | 552 | 2 |
| Lease financing | 178 | 2 | 167 | 1 | 198 | 1 | 131 | 1 | 89 | 2 |
| Total commercial | 7,369 | 52 | 6,872 | 50 | 6,377 | 48 | 6,103 | 46 | 5,714 | 45 |
| Consumer: | | | | | | | | | | |
| Real estate 1-4 family first mortgage | 1,513 | 29 | 1,895 | 30 | 2,878 | 31 | 4,087 | 32 | 6,100 | 31 |
| Real estate 1-4 family junior lien mortgage | 892 | 5 | 1,223 | 6 | 1,566 | 7 | 2,534 | 8 | 3,462 | 10 |
| Credit card | 1,518 | 4 | 1,412 | 4 | 1,271 | 4 | 1,224 | 3 | 1,234 | 3 |
| Automobile | 739 | 6 | 529 | 6 | 516 | 6 | 475 | 6 | 417 | 6 |
| Other revolving credit and installment | 663 | 4 | 581 | 4 | 561 | 4 | 548 | 5 | 550 | 5 |
| Total consumer | 5,325 | 48 | 5,640 | 50 | 6,792 | 52 | 8,868 | 54 | 11,763 | 55 |
| Total | \$12,694 | 100 % | \$12,512 | 100 % | \$13,169 | 100 % | \$14,971 | 100 % | \$17,477 | 100 % |
| Components: | | | | | | | | | | |
| Allowance for loan losses | \$11,583 | | 11,545 | | 12,319 | | 14,502 | | 17,060 | |
| Allowance for unfunded credit commitments | 1,111 | | 967 | | 850 | | 469 | | 417 | |
| Allowance for credit losses | \$12,694 | | 12,512 | | 13,169 | | 14,971 | | 17,477 | |
| Allowance for loan losses as a percentage of total loans | 1.20 | % | 1.26 | % | 1.43 | % | 1.76 | % | 2.13 | % |
| Allowance for loan losses as a percentage of total net charge-offs (1) | 362 | | 399 | | 418 | | 322 | | 189 | |
| Allowance for credit losses as a percentage of total loans | 1.32 | | 1.37 | | 1.53 | | 1.82 | | 2.19 | |
| Allowance for credit losses as a percentage of total nonaccrual loans | 116 | | 110 | | 103 | | 96 | | 85 | |

(1) Total net charge-offs are annualized for quarter ended September 30, 2016.

In addition to the allowance for credit losses, there was \$936 million at September 30, 2016, and \$1.9 billion at December 31, 2015, of nonaccretable difference to absorb losses for PCI loans, which totaled \$17.7 billion at September 30, 2016. The allowance for credit losses is lower than otherwise would have been required without PCI loan accounting. As a result of PCI loans, certain ratios of the Company may not be directly comparable with credit-related metrics for other financial institutions. Additionally, loans purchased at fair value, including loans from the GE Capital business acquisitions, generally reflect a lifetime credit loss adjustment and therefore do not initially require additions to the allowance as is typically associated with loan growth. For additional information on PCI loans, see the “Risk Management – Credit Risk Management – Purchased Credit-Impaired Loans” section and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

The ratio of the allowance for credit losses to total nonaccrual loans may fluctuate significantly from period to period due to such factors as the mix of loan types in the portfolio, borrower credit strength and the value and marketability of collateral. Our nonaccrual loans consisted

primarily of real estate 1-4 family first and junior lien mortgage loans at September 30, 2016.

The allowance for credit losses increased \$182 million, or 1%, from December 31, 2015, due to an increase in our commercial allowance reflecting deterioration in the oil and gas portfolio, and loan growth in the commercial, automobile and credit card portfolios, partially offset by continued improvement in the residential real estate portfolios. Total provision for credit losses was \$805 million in third quarter 2016, compared with \$703 million in third quarter 2015. The increase in the provision for credit losses reflected deterioration in the oil and gas portfolio as well as the growth in the loan portfolios mentioned above.

We believe the allowance for credit losses of \$12.7 billion at September 30, 2016, was appropriate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at that date. Approximately \$1.4 billion of the allowance at September 30, 2016 was allocated to our oil and gas portfolio, compared with \$1.2 billion at December 31, 2015. This represented 8.8% and 6.7% of total oil and gas loans outstanding at September 30, 2016, and December 31, 2015, respectively. However, the entire allowance is available to absorb credit losses inherent in the total loan portfolio. The allowance for credit

losses is subject to change and reflects existing factors as of the date of determination, including economic or market conditions and ongoing internal and external examination processes. Due to the sensitivity of the allowance for credit losses to changes in the economic and business environment, it is possible that we will incur incremental credit losses not anticipated as of the balance sheet date. Future allowance levels will be based on a variety of factors, including loan growth, portfolio performance and general economic conditions. Our process for determining the allowance for credit losses is discussed in the “Critical Accounting Policies – Allowance for Credit Losses” section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2015 Form 10-K.

LIABILITY FOR MORTGAGE LOAN REPURCHASE LOSSES

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

Because we typically retain the servicing for the mortgage loans we sell or securitize, we believe the quality of our residential mortgage loan servicing portfolio provides helpful information in evaluating our repurchase liability. Of the \$1.6 trillion in the residential mortgage loan servicing portfolio at September 30, 2016, 95% was current and less than 2% was subprime at origination. Our combined delinquency and foreclosure rate on this portfolio was 4.63% at September 30, 2016, compared with 5.18% at December 31, 2015. Two percent of this portfolio is private label securitizations for which we originated the loans and, therefore have some repurchase risk.

The overall level of unresolved repurchase demands and mortgage insurance rescissions outstanding at September 30, 2016, was \$57 million, representing 298 loans, down from a year ago both in number of outstanding loans and in total dollar balances as we observed a decline in new demands, continued to work through the outstanding demands and mortgage insurance rescissions, and resolved certain exposures.

Our liability for mortgage repurchases, included in “Accrued expenses and other liabilities” in our consolidated balance sheet, represents our best estimate of the probable loss that we expect to incur for various representations and warranties in the contractual provisions of our sales of mortgage loans. The liability was \$239 million at September 30, 2016, and \$378 million at December 31, 2015. In third quarter 2016, we released \$13 million, which increased net gains on mortgage loan origination/sales activities, compared with a release of \$6 million in third quarter 2015. The release in third quarter 2016 was due to a re-estimation of our liability based on recently observed trends. We incurred net losses on repurchased loans and investor reimbursements totaling \$3 million in third quarter 2016, compared with \$13 million in third quarter 2015.

Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that are reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of

assumptions that are subject to change. The high end of this range of reasonably possible losses exceeded our recorded liability by \$191 million at September 30, 2016, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) used in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions.

For additional information on our repurchase liability, see the “Risk Management – Credit Risk Management – Liability For Mortgage Loan Repurchase Losses” section in our 2015 Form 10-K and Note 8 (Mortgage Banking Activities) to Financial Statements in this Report.

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

relief, refinancing relief, and foreclosure prevention and assistance, as well as imposed certain monetary penalties on us.

For additional information about the risks and various settlements related to our servicing activities, see the “Risk Management – Credit Risk Management – Risks Relating to Servicing Activities” section in our 2015 Form 10-K.

Asset/Liability Management (continued)

Asset/Liability Management

Asset/liability management involves evaluating, monitoring and managing interest rate risk, market risk, liquidity and funding. Primary oversight of interest rate risk and market risk resides with the Finance Committee of our Board of Directors (Board), which oversees the administration and effectiveness of financial risk management policies and processes used to assess and manage these risks. Primary oversight of liquidity and funding resides with the Risk Committee of the Board. At the management level we utilize a Corporate Asset/Liability Management Committee (Corporate ALCO), which consists of senior financial, risk, and business executives, to oversee these risks and report on them periodically to the Board's Finance Committee and Risk Committee as appropriate. Each of our principal lines of business has its own asset/liability management committee and process linked to the Corporate ALCO process. As discussed in more detail for trading activities below, we employ separate management level oversight specific to market risk.

INTEREST RATE RISK Interest rate risk, which potentially can have a significant earnings impact, is an integral part of being a financial intermediary.

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

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

The degree to which these sensitivities offset each other is dependent upon the timing and magnitude of changes in interest rates, and the slope of the yield curve. During a transition to a higher or lower interest rate environment, a reduction or increase in interest-sensitive earnings from the mortgage banking business could occur quickly, while the benefit or detriment from balance sheet repricing could take more time to develop. For example, our lower rate scenarios (scenario 1 and scenario 2) in the following table measure a decline in interest rates versus our most likely scenario. Although the performance in these rate scenarios contain benefits from increased mortgage banking activity, the result is lower earnings relative to the most likely scenario over time given pressure on net interest income. The higher rate scenarios (scenario 3 and scenario 4) measure the impact of varying degrees of rising short-term and long-term

interest rates over the course of the forecast horizon relative to the most likely scenario, both resulting in positive earnings sensitivity.

For more information about the various causes of interest rate risk, see the "Risk Management–Asset/Liability Management–Interest Rate Risk" section in our 2015 Form 10-K.

As of September 30, 2016, our most recent simulations estimate earnings at risk over the next 24 months under a range of both lower and higher interest rates. The results of the simulations are summarized in Table 30, indicating cumulative net income after tax earnings sensitivity relative to the most likely earnings plan over the 24 month horizon (a positive range indicates a beneficial earnings sensitivity measurement relative to the most likely earnings plan and a negative range indicates a detrimental earnings sensitivity relative to the most likely earnings plan).

Table 30: Earnings Sensitivity Over 24 Month Horizon Relative to Most Likely Earnings Plan

| | Most likely | Lower rates Scenario 1 | Scenario 2 | Higher rates Scenario 3 | Scenario 4 |
|----------------------------------|-------------|------------------------|------------|-------------------------|------------|
| Ending rates: | | | | | |
| Federal funds | 1.84 | %0.25 | 1.64 | 2.10 | 5.25 |
| 10-year treasury (1) | 2.97 | 1.55 | 2.47 | 3.47 | 5.90 |
| Earnings relative to most likely | N/A | (2)-(3)% | (2)-(3) | 0-5 | 0-5 |

(1)U.S. Constant Maturity Treasury Rate

We use the investment securities portfolio and exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. See the “Balance Sheet Analysis – Investment Securities” section in this Report for more information on the use of the available-for-sale and held-to-maturity securities portfolios. The notional or contractual amount, credit risk amount and fair value of the derivatives used to hedge our interest rate risk exposures as of September 30, 2016, and December 31, 2015, are presented in Note 12 (Derivatives) to Financial Statements in this Report. We use derivatives for asset/liability management in two main ways:

- to convert the cash flows from selected asset and/or liability instruments/portfolios including investments, commercial loans and long-term debt, from fixed-rate payments to floating-rate payments, or vice versa; and
- to economically hedge our mortgage origination pipeline, funded mortgage loans and MSRMs using interest rate swaps, swaptions, futures, forwards and options.

MORTGAGE BANKING INTEREST RATE AND MARKET RISK We originate, fund and service mortgage loans, which subjects us to various risks, including credit, liquidity and interest rate risks. For more information on mortgage banking interest rate and market risk, see the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section in our 2015 Form 10-K.

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

other changes in the market for mortgage forwards that affect the implied carry.

The total carrying value of our residential and commercial MSR's was \$11.8 billion at September 30, 2016, and \$13.7 billion at December 31, 2015. The weighted-average note rate on our portfolio of loans serviced for others was 4.28% at September 30, 2016, and 4.37% at December 31, 2015. The carrying value of our total MSR's represented 0.69% of mortgage loans serviced for others at September 30, 2016, and 0.77% at December 31, 2015.

MARKET RISK – TRADING ACTIVITIES The Finance Committee of our Board of Directors reviews the acceptable market risk appetite for our trading activities. We engage in trading activities to accommodate the investment and risk management activities of our customers (which involves transactions that are recorded as trading assets and liabilities on our balance sheet), and to execute economic hedging to manage certain balance sheet risks. These activities largely occur within our Wholesale Banking businesses and to a lesser extent other divisions of the Company. All of our trading assets and liabilities, including securities, foreign exchange transactions, commodity transactions, and derivatives are carried at fair value. Income earned related to these trading activities include net interest income and changes in fair value related to trading assets and liabilities. Net interest income earned on trading assets and liabilities is reflected in the interest income and interest expense components of our income statement. Changes in fair value of trading assets and liabilities are reflected in net gains on trading activities, a component of noninterest income in our income statement.

Table 31 presents total revenue from trading activities.

Table 31: Net gains (losses) from Trading Activities

| | Quarter ended | | Nine months ended | |
|---|---------------|-------|-------------------|-------|
| | September 30, | | September 30, | |
| (in millions) | 2016 | 2015 | 2016 | 2015 |
| Interest income (1) | \$593 | 485 | 1,761 | 1,413 |
| Less: Interest expense (2) | 88 | 89 | 260 | 269 |
| Net interest income | 505 | 396 | 1,501 | 1,144 |
| Noninterest income: | | | | |
| Net gains (losses) from trading activities (3): | | | | |
| Customer accommodation | 348 | 168 | 947 | 723 |
| Economic hedges and other (4) | 67 | (194) | (4) | (208) |
| Total net gains from trading activities | 415 | (26) | 943 | 515 |
| Total trading-related net interest and noninterest income | \$920 | 370 | 2,444 | 1,659 |

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

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

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

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

Customer accommodation Customer accommodation activities are conducted to help customers manage their investment and risk management needs. We engage in market-making activities or act as an intermediary to purchase or sell financial instruments in anticipation of or in response to customer needs.

This category also includes positions we use to manage our exposure to customer transactions.

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

recorded in net gains on trading activities.

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

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

Daily Trading-Related Revenue Table 32 provides information on the distribution of daily trading-related revenues for the Company's trading portfolio. This trading-related revenue is defined as the change in value of the trading assets and trading liabilities, trading-related net interest income, and trading-related intra-day gains and losses. Net trading-related revenue does not include activity related to long-term positions held for economic hedging purposes, period-end adjustments, and other activity not representative of daily price changes driven by market factors.

Asset/Liability Management (continued)

Table 32: Distribution of Daily Trading-Related Revenues

Market risk is the risk of possible economic loss from adverse changes in market risk factors such as interest rates, credit spreads, foreign exchange rates, equity, commodity prices, mortgage rates, and market liquidity. Market risk is intrinsic to the Company's sales and trading, market making, investing, and risk management activities.

The Company uses value-at-risk (VaR) metrics complemented with sensitivity analysis and stress testing in measuring and monitoring market risk. VaR is a statistical risk measure used to estimate the potential loss from adverse moves in the financial markets.

Trading VaR is the measure used to provide insight into the market risk exhibited by the Company's trading positions. The

Company calculates Trading VaR for risk management purposes to establish line of business and Company-wide risk limits. Trading VaR is calculated based on all trading positions classified as trading assets or trading liabilities on our balance sheet.

Table 33 shows the Company's Trading General VaR by risk category. As presented in the table, average Company Trading General VaR was \$22 million for the quarter ended September 30, 2016, compared with \$21 million for the quarter ended June 30, 2016. The increase was primarily driven by changes in portfolio composition.

Table 33: Trading 1-Day 99% General VaR by Risk Category

| (in millions) | Quarter ended | | | | | | | |
|---|--------------------|---------|-----|------|---------------|---------|-----|------|
| | September 30, 2016 | | | | June 30, 2016 | | | |
| | Period end | Average | Low | High | Period end | Average | Low | High |
| Company Trading General VaR Risk Categories | | | | | | | | |
| Credit | \$15 | 17 | 14 | 20 | 16 | 15 | 12 | 18 |
| Interest rate | 12 | 11 | 5 | 17 | 15 | 10 | 5 | 19 |
| Equity | 16 | 16 | 15 | 17 | 14 | 15 | 11 | 19 |
| Commodity | 1 | 2 | 1 | 3 | 1 | 2 | 1 | 3 |
| Foreign exchange | 1 | 1 | 1 | 2 | 1 | 1 | — | 2 |
| Diversification benefit (1) | (22) | (25) | | | (27) | (22) | | |
| Company Trading General VaR | \$23 | 22 | | | 20 | 21 | | |

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

Regulatory Market Risk Capital reflects U.S. regulatory agency risk-based capital regulations that are based on the Basel Committee Capital Accord of the Basel Committee on Banking Supervision. The Company must calculate regulatory capital under the Basel III market risk capital rule, which requires banking organizations with significant trading activities to adjust their capital requirements to reflect the market risks of those activities based on comprehensive and risk sensitive methods and models. The market risk capital rule is intended to cover the risk of loss in value of covered positions due to changes in market conditions.

Composition of Material Portfolio of Covered Positions The positions that are “covered” by the market risk capital rule are generally a subset of our trading assets and trading liabilities, specifically those held by the Company for the purpose of short-term resale or with the intent of benefiting from actual or expected short-term price movements, or to lock in arbitrage profits. Positions excluded from market risk regulatory capital treatment are subject to the credit risk capital rules applicable to the “non-covered” trading positions.

The material portfolio of the Company’s “covered” positions is predominantly concentrated in the trading assets and trading liabilities managed within Wholesale Banking where the substantial portion of market risk capital resides. Wholesale Banking engages in the fixed income, traded credit, foreign exchange, equities, and commodities markets businesses. Other business segments hold smaller trading positions covered under the market risk capital rule.

Regulatory Market Risk Capital Components The capital required for market risk on the Company’s “covered” positions is

determined by internally developed models or standardized specific risk charges. The market risk regulatory capital models are subject to internal model risk management and validation. The models are continuously monitored and enhanced in response to changes in market conditions, improvements in system capabilities, and changes in the Company’s market risk exposure. The Company is required to obtain and has received prior written approval from its regulators before using its internally developed models to calculate the market risk capital charge.

Basel III prescribes various VaR measures in the determination of regulatory capital and RWAs. The Company uses the same VaR models for both market risk management purposes as well as regulatory capital calculations. For regulatory purposes, we use the following metrics to determine the Company’s market risk capital requirements:

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

Table 34 shows the General VaR measure categorized by major risk categories. Average 10-day Company Regulatory General VaR was \$13 million for the quarter ended September 30, 2016, compared with \$27 million for the quarter ended June 30, 2016. The decrease was primarily driven by changes in portfolio composition.

Table 34: Regulatory 10-Day 99% General VaR by Risk Category

| (in millions) | Quarter ended | | | | | | | |
|---|--------------------|-----------|----------|-----------|---------------|-----------|-----------|-----------|
| | September 30, 2016 | | | | June 30, 2016 | | | |
| | Period end | Average | Low | High | Period end | Average | Low | High |
| Wholesale Regulatory General VaR Risk Categories | | | | | | | | |
| Credit | \$30 | 27 | 20 | 33 | 31 | 25 | 18 | 35 |
| Interest rate | 28 | 26 | 9 | 43 | 42 | 27 | 18 | 56 |
| Equity (1) | 4 | 2 | 0 | 5 | 6 | 4 | 1 | 8 |
| Commodity | 5 | 7 | 4 | 13 | 8 | 6 | 3 | 11 |
| Foreign exchange | 2 | 2 | 1 | 4 | 1 | 3 | 1 | 9 |
| Diversification benefit (2) | (49) | (51) |) | | (64) | (38) |) | |
| Wholesale Regulatory General VaR | \$20 | 13 | 7 | 21 | 24 | 27 | 17 | 39 |

Company Regulatory General VaR 20 13 6 24 21 27 16 41

(1) The low in the Wholesale equity risk category was driven by equity option positions that reduced potential trading losses.

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

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

Total VaR (as presented in Table 35) is composed of General VaR and Specific Risk and uses the previous 12 months of historical market data in compliance with regulatory requirements.

Total Stressed VaR (as presented in Table 35) uses a historical period of significant financial stress over a continuous 12 month period using historically available market data and is composed

of Stressed General VaR and Stressed Specific Risk. Total Stressed VaR uses the same methodology and models as Total VaR.

Incremental Risk Charge (as presented in Table 35) captures losses due to both issuer default and migration risk at the 99.9% confidence level over the one-year capital horizon under the assumption of constant level of risk or a constant position assumption. The model covers non-securitized credit-sensitive trading products.

The Company calculates Incremental Risk by generating a portfolio loss distribution using Monte Carlo simulation, which

Asset/Liability Management (continued)

assumes numerous scenarios, where an assumption is made that the portfolio's composition remains constant for a one-year time horizon. Individual issuer credit grade migration and issuer default risk is modeled through generation of the issuer's credit rating transition based upon statistical modeling. Correlation between credit grade migration and default is captured by a multifactor proprietary model which takes into account industry classifications as well as regional effects. Additionally, the impact of market and issuer specific concentrations is reflected in the modeling framework by assignment of a higher charge for

portfolios that have increasing concentrations in particular issuers or sectors. Lastly, the model captures product basis risk; that is, it reflects the material disparity between a position and its hedge.

Table 35 provides information on Total VaR, Total Stressed VaR and the Incremental Risk Charge results for the quarter ended September 30, 2016. For the Incremental Risk Charge, the required capital for market risk at quarter end equals the average for the quarter.

Table 35: Market Risk Regulatory Capital Modeled Components

| (in millions) | Quarter ended September 30, 2016 | | | | September 30, 2016 | |
|-------------------------|----------------------------------|-----|------|------------|------------------------|--------------------------|
| | Average | Low | High | Period end | Risk-based capital (1) | Risk-weighted assets (1) |
| Total VaR | \$97 | 68 | 116 | 100 | 292 | 3,653 |
| Total Stressed VaR | 329 | 231 | 459 | 411 | 988 | 12,347 |
| Incremental Risk Charge | 259 | 213 | 308 | 238 | 259 | 3,238 |

(1) Results represent the risk-based capital and RWAs based on the VaR and Incremental Risk Charge models.

Securitized Products Charge Basel III requires a separate market risk capital charge for positions classified as a securitization or re-securitization. The primary criteria for classification as a securitization are whether there is a transfer of risk and whether the credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority. Covered trading securitizations positions include consumer and commercial asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), and collateralized loan and other debt obligations (CLO/CDO) positions. The securitization capital requirements are the greater of the capital requirements of the net long or short exposure, and are capped at the maximum loss that could be incurred on any given transaction.

Table 36 shows the aggregate net fair market value of securities and derivative securitization positions by exposure type that meet the regulatory definition of a covered trading securitization position at September 30, 2016, and December 31, 2015.

Table 36: Covered Securitization Positions by Exposure Type (Net Market Value)

| (in millions) | ABS | CMBS | RMBS | CLO/CDO |
|--------------------------|-------|------|------|---------|
| September 30, 2016 | | | | |
| Securitization exposure: | | | | |
| Securities | \$957 | 411 | 740 | 613 |
| Derivatives | 4 | 6 | 1 | (10) |
| Total | \$961 | 417 | 741 | 603 |
| December 31, 2015 | | | | |
| Securitization exposure: | | | | |
| Securities | \$962 | 402 | 571 | 667 |
| Derivatives | 15 | 6 | 2 | (21) |
| Total | \$977 | 408 | 573 | 646 |

Securitization Due Diligence and Risk Monitoring The market risk capital rule requires that the Company conduct due diligence on the risk of each position within three days of the purchase of a securitization position. The Company's due diligence seeks to provide an understanding of the features that would materially affect the performance of a securitization or re-securitization. The due diligence analysis is re-performed on a quarterly basis for each securitization and re-securitization position. The Company uses an automated solution to track the due diligence associated with securitization activity. The Company aims to manage the risks associated with securitization and re-securitization positions through the use of offsetting positions and portfolio diversification.

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

Comprehensive Risk Charge / Correlation Trading The market risk capital rule requires capital for correlation trading positions. The Company's remaining correlation trading exposure covered under the market risk capital rule matured in fourth quarter 2014.

Table 37 summarizes the market risk-based capital requirements charge and market RWAs in accordance with the Basel III market risk capital rule as of September 30, 2016, and December 31, 2015. The market RWAs are calculated as the sum of the components in the table below.

Table 37: Market Risk Regulatory Capital and RWAs

| (in millions) | September 30, 2016 | | December 31, 2015 | |
|---|---------------------------|-----------------------------|---------------------------|-----------------------------|
| | Risk- based capital | Risk- weighted assets | Risk- based capital | Risk- weighted assets |
| Total VaR | \$292 | 3,653 | 188 | 2,350 |
| Total Stressed VaR | 988 | 12,347 | 773 | 9,661 |
| Incremental Risk Charge | 259 | 3,238 | 309 | 3,864 |
| Securitized Products Charge | 615 | 7,683 | 616 | 7,695 |
| Standardized Specific Risk Charge | 1,357 | 16,963 | 1,048 | 13,097 |
| De minimis Charges (positions not included in models) | 93 | 1,170 | 19 | 243 |
| Total | \$3,604 | 45,054 | 2,953 | 36,910 |

RWA Rollforward Table 38 depicts the changes in the market risk regulatory capital and RWAs under Basel III for the first nine months and third quarter of 2016.

Table 38: Analysis of Changes in Market Risk Regulatory Capital and RWAs

| (in millions) | Risk- based capital | Risk- weighted assets |
|-----------------------------------|---------------------------|-----------------------------|
| Balance, December 31, 2015 | \$2,953 | 36,910 |
| Total VaR | 104 | 1,302 |
| Total Stressed VaR | 215 | 2,686 |
| Incremental Risk Charge | (50) | (626) |
| Securitized Products Charge | (1) | (12) |
| Standardized Specific Risk Charge | 309 | 3,866 |
| De minimis Charges | 74 | 928 |
| Balance, September 30, 2016 | \$3,604 | 45,054 |
| Balance, June 30, 2016 | \$2,817 | 35,207 |
| Total VaR | 96 | 1,198 |
| Total Stressed VaR | 301 | 3,761 |
| Incremental Risk Charge | (17) | (212) |
| Securitized Products Charge | 166 | 2,081 |
| Standardized Specific Risk Charge | 155 | 1,936 |
| De minimis Charges | 86 | 1,083 |
| Balance, September 30, 2016 | \$3,604 | 45,054 |

The largest contributor to the changes to market risk regulatory capital and RWAs in third quarter and first nine months of 2016 were associated with changes in positions due to normal trading activity. RWAs in third quarter 2016 primarily increased from an increase in index trading.

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

The clean P&L measure of revenue is used to evaluate the performance of the Total VaR and is not comparable to our actual daily trading net revenues, as reported elsewhere in this Report.

Any observed clean P&L loss in excess of the Total VaR is considered a market risk regulatory capital backtesting exception. The actual number of exceptions (that is, the number of business days for which the clean P&L losses exceed the corresponding 1-day, 99% Total VaR measure) over the preceding 12 months is used to determine the capital multiplier for the capital calculation. The number of actual backtesting exceptions is dependent on current market performance relative to historic market volatility in addition to model performance and assumptions. This capital multiplier increases from a minimum of three to a maximum of four, depending on the number of exceptions. No backtesting exceptions occurred over the preceding 12 months. Backtesting is also performed at granular levels within the Company.

Table 39 shows daily Total VaR (1-day, 99%) used for regulatory market risk capital backtesting for the 12 months ended September 30, 2016. The Company's average Total VaR for third quarter 2016 was \$32 million with a low of \$23 million and a high of \$38 million. The increase in Total 1-day VaR is attributable to index trading activity.

Asset/Liability Management (continued)

Table 39: Daily Total 1-Day 99% VaR Measure (Rolling 12 Months)

Market Risk Governance, Measurement, Monitoring and Model Risk Management We employ a well-defined and structured market risk governance process and market risk measurement process, which incorporates value-at-risk (VaR) measurements combined with sensitivity analysis and stress testing to help us monitor our market risk. These monitoring measurements require the use of market risk models, which we govern by our Corporate Model Risk policies and procedures. For more information on our governance, measurement, monitoring, and model risk management practices, see the "Risk Management – Asset/Liability Management – Market Risk – Trading Activities" section in our 2015 Form 10-K.

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

In conjunction with the March 2008 initial public offering (IPO) of Visa, Inc. (Visa), we received approximately 20.7 million shares of Visa Class B common stock, the class which was apportioned to member banks of Visa at the time of the IPO. To manage our exposure to Visa and realize the value of the appreciated Visa shares, we incrementally sold these shares

through a series of sales over the past few years, thereby eliminating this position as of September 30, 2015. As part of these sales, we agreed to compensate the buyer for any additional contributions to a litigation settlement fund for the litigation matters associated with the Class B shares we sold. Our exposure to this retained litigation risk has been updated quarterly and is reflected on our balance sheet. For additional information about the associated litigation matters, see the "Interchange Litigation" section in Note 15 (Legal Actions) to Financial Statements in the 2015 Form 10-K as supplemented by Note 11 (Legal Actions) to Financial Statements in our 2016 Quarterly Reports on Form 10-Q.

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

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

Table 40 provides information regarding our marketable and nonmarketable equity investments as of September 30, 2016, and December 31, 2015.

Table 40: Nonmarketable and Marketable Equity Investments

| (in millions) | Sep 30, 2016 | Dec 31, 2015 |
|--|-----------------|-----------------|
| Nonmarketable equity investments: | | |
| Cost method: | | |
| Federal bank stock | \$6,072 | 4,814 |
| Private equity | 1,459 | 1,626 |
| Auction rate securities | 546 | 595 |
| Total cost method | 8,077 | 7,035 |
| Equity method: | | |
| LIHTC (1) | 9,228 | 8,314 |
| Private equity | 3,674 | 3,300 |
| Tax-advantaged renewable energy | 1,599 | 1,625 |
| New market tax credit and other | 312 | 408 |
| Total equity method | 14,813 | 13,647 |
| Fair value (2) | 3,441 | 3,065 |
| Total nonmarketable equity investments (3) | \$26,331 | 23,747 |
| Marketable equity securities: | | |
| Cost | \$751 | 1,058 |
| Net unrealized gains | 482 | 579 |
| Total marketable equity securities (4) | \$1,233 | 1,637 |

(1) Represents low income housing tax credit investments.

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

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

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

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

Liquidity Standards On September 3, 2014, the FRB, OCC and FDIC issued a final rule that implements a quantitative liquidity requirement consistent with the liquidity coverage ratio (LCR) established by the Basel Committee on Banking Supervision (BCBS). The rule requires banking institutions, such as Wells Fargo, to hold high-quality liquid assets, such as central bank reserves and government and corporate debt that can be converted easily and quickly into cash, in an amount equal to or greater than its projected net cash outflows during a 30-day stress period. A minimum LCR of 90 percent was required as of January 1, 2016, and will increase to 100 percent on January 1, 2017. These minimum requirements are applicable to the Company on a consolidated basis and to our insured depository institutions with total assets greater than \$10 billion. In addition, the FRB finalized rules imposing enhanced liquidity management standards on large bank holding companies (BHC) such as Wells Fargo, and has proposed a rule that would require large bank holding companies to publicly disclose on a quarterly basis certain

quantitative and qualitative information regarding their LCR calculations.

The FRB, OCC and FDIC recently proposed a rule that would implement a stable funding requirement, the net stable funding ratio (NSFR), which would require large banking organizations, such as Wells Fargo, to maintain a sufficient amount of stable funding in relation to their assets, derivative exposures and commitments over a one-year horizon period. As proposed, the rule would become effective on January 1, 2018.

Liquidity Sources We maintain liquidity in the form of cash, cash equivalents and unencumbered high-quality, liquid securities. These assets make up our primary sources of liquidity which are presented in Table 41. Our cash is predominantly on deposit with the Federal Reserve. Securities included as part of our primary sources of liquidity are comprised of U.S. Treasury and federal agency debt, and mortgage-backed securities issued by federal agencies within our investment securities portfolio. We believe these securities provide quick sources of liquidity through sales or by pledging to obtain financing, regardless of market conditions. Some of these securities are within the held-to-maturity portion of our investment securities portfolio and as such are not intended for sale but may be pledged to obtain financing. Some of the legal entities within our consolidated group of companies are subject to various regulatory, tax, legal and other restrictions that can limit the transferability of their funds. We believe we maintain adequate liquidity for these entities in consideration of such funds transfer restrictions.

Table 41: Primary Sources of Liquidity

| (in millions) | September 30, 2016 | | | December 31, 2015 | | |
|--|--------------------|------------|--------------|-------------------|------------|--------------|
| | Total | Encumbered | Unencumbered | Total | Encumbered | Unencumbered |
| Interest-earning deposits | \$224,438 | — | 224,438 | \$220,409 | — | 220,409 |
| Securities of U.S. Treasury and federal agencies | 73,267 | 5,193 | 68,074 | 81,417 | 6,462 | 74,955 |
| Mortgage-backed securities of federal agencies (1) | 184,363 | 65,582 | 118,781 | 132,967 | 74,778 | 58,189 |
| Total | \$482,068 | 70,775 | 411,293 | \$434,793 | 81,240 | 353,553 |

(1) Included in encumbered securities at September 30, 2016, were securities with a fair value of \$9.4 billion which were purchased in September 2016, but settled in October 2016.

In addition to our primary sources of liquidity shown in Table 41, liquidity is also available through the sale or financing of other securities including trading and/or available-for-sale securities, as well as through the sale, securitization or financing of loans, to the extent such securities and loans are not

encumbered. In addition, other securities in our held-to-maturity portfolio, to the extent not encumbered, may be pledged to obtain financing.

Deposits have historically provided a sizeable source of relatively low-cost funds. Deposits were 133% of total loans at

Asset/Liability Management (continued)

both September 30, 2016 and December 31, 2015. Additional funding is provided by long-term debt and short-term borrowings.

Table 42 shows selected information for short-term borrowings, which generally mature in less than 30 days.

Table 42: Short-Term Borrowings

| (in millions) | Quarter ended | | | | |
|--|---------------|--------------|--------------|--------------|--------------|
| | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 | Dec 31, 2015 | Sep 30, 2015 |
| Balance, period end | | | | | |
| Federal funds purchased and securities sold under agreements to repurchase | \$108,468 | 104,812 | 92,875 | 82,948 | 74,652 |
| Commercial paper | 123 | 154 | 519 | 334 | 393 |
| Other short-term borrowings | 16,077 | 15,292 | 14,309 | 14,246 | 13,024 |
| Total | \$124,668 | 120,258 | 107,703 | 97,528 | 88,069 |
| Average daily balance for period | | | | | |
| Federal funds purchased and securities sold under agreements to repurchase | \$101,252 | 97,702 | 93,502 | 88,949 | 79,445 |
| Commercial paper | 137 | 326 | 442 | 414 | 484 |
| Other short-term borrowings | 14,839 | 13,820 | 13,913 | 13,552 | 10,428 |
| Total | \$116,228 | 111,848 | 107,857 | 102,915 | 90,357 |
| Maximum month-end balance for period | | | | | |
| Federal funds purchased and securities sold under agreements to repurchase (1) | \$108,468 | 104,812 | 98,718 | 89,800 | 80,961 |
| Commercial paper (2) | 138 | 451 | 519 | 461 | 510 |
| Other short-term borrowings (3) | 16,077 | 15,292 | 14,593 | 14,246 | 13,024 |

(1) Highest month-end balance in each of the last five quarters was in September, June and February 2016, and October and August 2015.

(2) Highest month-end balance in each of the last five quarters was in July, April and March 2016, and November and July 2015.

(3) Highest month-end balance in each of the last five quarters was in September, June and February 2016, and December and September 2015.

We access domestic and international capital markets for long-term funding (generally greater than one year) through issuances of registered debt securities, private placements and asset-backed secured funding.

Long-Term Debt We issue long-term debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. Long-term debt of \$254.8 billion at September 30, 2016, increased \$55.3 billion from December 31, 2015, including \$24.4 billion in Parent

issuances that are anticipated to be TLAC eligible. We issued \$19.7 billion of long-term debt in third quarter 2016, including \$9.2 billion that we anticipate will be TLAC eligible. For more information regarding TLAC, see the "Capital Management – Other Regulatory Capital Matters" section in this Report. Table 43 provides the aggregate carrying value of long-term debt maturities (based on contractual payment dates) for the remainder of 2016 and the following years thereafter, as of September 30, 2016.

Table 43: Maturity of Long-Term Debt

| (in millions) | September 30, 2016 | | | | | |
|---------------|--------------------|------|------|------|------|------------------|
| | Remaining 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter Total |
| | | | | | | |

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| | | | | | | | |
|--|----------|--------|--------|--------|--------|---------|---------|
| Wells Fargo & Company (Parent Only) | | | | | | | |
| Senior notes | \$4,049 | 13,127 | 7,916 | 6,555 | 13,351 | 62,977 | 107,975 |
| Subordinated notes | 1,657 | — | 588 | — | — | 26,807 | 29,052 |
| Junior subordinated notes | — | — | — | — | — | 1,817 | 1,817 |
| Total long-term debt - Parent | \$5,706 | 13,127 | 8,504 | 6,555 | 13,351 | 91,601 | 138,844 |
| Wells Fargo Bank, N.A. and other bank entities (Bank) | | | | | | | |
| Senior notes | \$4,146 | 9,436 | 28,955 | 22,189 | 11,011 | 8,181 | 83,918 |
| Subordinated notes | — | 1,339 | — | — | — | 5,741 | 7,080 |
| Junior subordinated notes | — | — | — | — | — | 330 | 330 |
| Securitized and other bank debt | 1,490 | 4,266 | 2,010 | 612 | 572 | 10,991 | 19,941 |
| Total long-term debt - Bank | \$5,636 | 15,041 | 30,965 | 22,801 | 11,583 | 25,243 | 111,269 |
| Other consolidated subsidiaries | | | | | | | |
| Senior notes | \$— | 1,142 | 778 | 1,161 | — | 1,412 | 4,493 |
| Junior subordinated notes | — | — | — | — | — | 155 | 155 |
| Securitized and other bank debt | — | 1 | 73 | — | — | — | 74 |
| Total long-term debt - Other consolidated subsidiaries | \$— | 1,143 | 851 | 1,161 | — | 1,567 | 4,722 |
| Total long-term debt | \$11,342 | 29,311 | 40,320 | 30,517 | 24,934 | 118,411 | 254,835 |

Parent Under SEC rules, our Parent is classified as a “well-known seasoned issuer,” which allows it to file a registration statement that does not have a limit on issuance capacity. In May 2014, the Parent filed a registration statement with the SEC for the issuance of senior and subordinated notes, preferred stock and other securities. The Parent’s ability to issue debt and other securities under this registration statement is limited by the debt issuance authority granted by the Board. As of September 30, 2016, the Parent was authorized by the Board to issue \$60 billion in outstanding short-term debt and \$170 billion in outstanding long-term debt. At September 30, 2016, the Parent had available \$40.5 billion in short-term debt issuance authority and \$29.5 billion in long-term debt issuance authority. In October 2016, the Board decreased the Parent’s short-term debt issuance authority from \$60 billion to \$50 billion and increased the Parent’s long-term debt issuance authority from \$170 billion to \$180 billion. The Parent’s debt issuance authority granted by the Board includes short-term and long-term debt issued to affiliates. During the first nine months of 2016, the Parent issued \$23.9 billion of senior notes, of which \$15.8 billion were registered with the SEC. The Parent issued \$2.0 billion of subordinated notes during the first nine months of 2016, all of which were registered with the SEC. In addition, in October 2016, the Parent issued \$6.3 billion of senior notes, all of which were registered with the SEC. The Parent’s proceeds from securities issued were used for general corporate purposes, and, unless otherwise specified in the applicable prospectus or prospectus supplement, we expect the proceeds from securities issued in the future will be used for the same purposes. Depending on market conditions, we may purchase our outstanding debt securities from time to time in privately negotiated or open market transactions, by tender offer, or otherwise.

Wells Fargo Bank, N.A. Wells Fargo Bank, N.A. is authorized by its board of directors to issue \$100 billion in outstanding short-term debt and \$125 billion in outstanding long-term debt. At September 30, 2016, Wells Fargo Bank, N.A. had available \$100 billion in short-term debt issuance authority and \$34.5 billion in long-term debt issuance authority. In April 2015, Wells Fargo Bank, N.A. established a \$100 billion bank note program under which, subject to any other debt outstanding under the limits described above, it may issue \$50 billion in outstanding short-term senior notes and \$50 billion in outstanding long-term senior or subordinated notes. At September 30, 2016, Wells Fargo Bank, N.A. had remaining

issuance capacity under the bank note program of \$50.0 billion in short-term senior notes and \$41.0 billion in long-term senior or subordinated notes. During the first nine months of 2016, Wells Fargo Bank, N.A. issued \$10.0 billion of unregistered senior notes, of which \$9.0 billion were issued under the bank note program. In addition, during the first nine months of 2016, Wells Fargo Bank, N.A. executed advances of \$31.6 billion with the Federal Home Loan Bank of Des Moines, and as of September 30, 2016, Wells Fargo Bank, N.A. had outstanding advances of \$68.7 billion across the Federal Home Loan Bank System.

Credit Ratings Investors in the long-term capital markets, as well as other market participants, generally will consider, among other factors, a company’s debt rating in making investment decisions. Rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, the level and quality of earnings, and rating agency assumptions regarding the probability and extent of federal financial assistance or support for certain large financial institutions. Adverse changes in these factors could result in a reduction of our credit rating; however, our debt securities do not contain credit rating covenants.

On October 4, 2016, Fitch Ratings ("Fitch") affirmed the Company's ratings and revised the rating outlook to negative from stable. Fitch noted that the outlook was revised given the uncertain impact to the Company's franchise following the regulatory settlements regarding sales practices in the retail bank. On October 18, 2016, Standard and Poor's (S&P) also affirmed the Company's ratings and revised the rating outlook to negative from stable, noting similar concerns. Both the Parent and Wells Fargo Bank, N.A. remain among the top-rated financial firms in the U.S. See the “Risk Management – Asset/Liability Management” section in this Report and the "Risk Factors" section in our 2015 Form 10-K for additional information regarding our credit ratings and the potential impact a credit rating downgrade would have on our liquidity and operations, as well as Note 12 (Derivatives) to Financial Statements in this Report for information regarding additional collateral and funding obligations required for certain derivative instruments in the event our credit ratings were to fall below investment grade.

The credit ratings of the Parent and Wells Fargo Bank, N.A. as of September 30, 2016, are presented in Table 44.

Table 44: Credit Ratings as of September 30, 2016

| | Wells Fargo & Company | Wells Fargo Bank, N.A. | Wells Fargo Bank, N.A. | Wells Fargo Bank, N.A. |
|---------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| | Senior debt | Short-term borrowings | Long-term deposits | Short-term borrowings |
| Moody's | A2 | P-1 | Aa1 | P-1 |
| S&P | A | A-1 | AA- | A-1+ |
| Fitch Ratings, Inc. | AA- | F1+ | AA+ | F1+ |
| DBRS | AA | R-1* | AA** | R-1** |

* middle ** high

FEDERAL HOME LOAN BANK MEMBERSHIP The Federal Home Loan Banks (the FHLBs) are a group of cooperatives that lending institutions use to finance housing and economic development in local communities. We are a member of the FHLBs based in Dallas, Des Moines and San Francisco. Each member of the FHLBs is required to maintain a minimum

investment in capital stock of the applicable FHLB. The board of directors of each FHLB can increase the minimum investment requirements in the event it has concluded that additional capital is required to allow it to meet its own regulatory capital requirements. Any increase in the minimum investment requirements outside of specified ranges requires the approval of

Asset/Liability Management (continued)

the Federal Housing Finance Board. Because the extent of any obligation to increase our investment in any of the FHLBs depends entirely upon the occurrence of a future event, potential future payments to the FHLBs are not determinable.

Capital Management

We have an active program for managing capital through a comprehensive process for assessing the Company's overall capital adequacy. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. We primarily fund our capital needs through the retention of earnings net of dividends as well as the issuance of preferred stock and long and short-term debt. Retained earnings increased \$9.4 billion from December 31, 2015, predominantly from Wells Fargo net income of \$16.7 billion, less common and preferred stock dividends of \$7.0 billion. During third quarter 2016, we issued 13.7 million shares of common stock, and repurchased 38.3 million shares of common stock in open market transactions, private transactions and from employee benefit plans, at a cost of \$1.8 billion. We also entered into a \$750 million forward repurchase contract with an unrelated third party in October 2016 that is expected to settle in first quarter 2017 for approximately 17 million shares. For additional information about our forward repurchase agreements, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Regulatory Capital Guidelines

The Company and each of our insured depository institutions are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC. Risk-based capital (RBC) guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures as discussed below.

RISK-BASED CAPITAL AND RISK-WEIGHTED ASSETS The Company is subject to final and interim final rules issued by federal banking regulators to implement Basel III capital requirements for U.S. banking organizations. These rules are based on international guidelines for determining regulatory capital issued by the Basel Committee on Banking Supervision (BCBS). The federal banking regulators' capital rules, among other things, require on a fully phased-in basis:

- a minimum Common Equity Tier 1 (CET1) ratio of 9.0%, comprised of a 4.5% minimum requirement plus a capital conservation buffer of 2.5% and for us, as a global systemically important bank (G-SIB), a capital surcharge to be calculated annually, which is 2.0% based on our year-end 2014 data;
- a minimum tier 1 capital ratio of 10.5%, comprised of a 6.0% minimum requirement plus the capital conservation buffer of 2.5% and the G-SIB capital surcharge of 2.0%;
- a minimum total capital ratio of 12.5%, comprised of a 8.0% minimum requirement plus the capital conservation buffer of 2.5% and the G-SIB capital surcharge of 2.0%;
- a potential countercyclical buffer of up to 2.5% to be added to the minimum capital ratios, which is currently not in effect but could be imposed by regulators at their discretion if it is determined that a period of excessive credit growth is contributing to an increase in systemic risk;
- a minimum tier 1 leverage ratio of 4.0%; and
- a minimum supplementary leverage ratio (SLR) of 5.0% (comprised of a 3.0% minimum requirement plus a supplementary leverage buffer of 2.0%) for large and internationally active bank holding companies (BHCs).

We were required to comply with the final Basel III capital rules beginning January 2014, with certain provisions subject to phase-in periods. The Basel III capital rules are scheduled to be fully phased in by the end of 2021. The Basel III capital rules contain two frameworks for calculating capital requirements, a Standardized Approach, which replaced Basel I, and an Advanced Approach applicable to certain institutions, including Wells Fargo. Accordingly, in

the assessment of our capital adequacy, we must report the lower of our CET1, tier 1 and total capital ratios calculated under the Standardized Approach and under the Advanced Approach.

Because the Company has been designated as a G-SIB, we will also be subject to the FRB's rule implementing the additional capital surcharge of between 1.0-4.5% on G-SIBs. Under the rule, we must annually calculate our surcharge under two methods and use the higher of the two surcharges. The first method (method one) will consider our size, interconnectedness, cross-jurisdictional activity, substitutability, and complexity, consistent with a methodology developed by the BCBS and the Financial Stability Board (FSB). The second (method two) will use similar inputs, but will replace substitutability with use of short-term wholesale funding and will generally result in higher surcharges than the BCBS methodology. The phase-in period for the G-SIB surcharge began on January 1, 2016 and will become fully effective on January 1, 2019. Based on year-end 2014 data, our 2016 G-SIB surcharge under method two is 2.0% of the Company's RWAs, which is the higher of method one and method two. Because the G-SIB surcharge is calculated annually based on data that can differ over time, the amount of the surcharge is subject to change in future years. Under the Standardized Approach (fully phased-in), our CET1 ratio of 10.71% exceeded the minimum of 9.0% by 171 basis points at September 30, 2016.

The tables that follow provide information about our risk-based capital and related ratios as calculated under Basel III capital guidelines. For banking industry regulatory reporting purposes, we report our capital in accordance with Transition Requirements but are managing our capital based on a fully phased-in calculation. For information about our capital requirements calculated in accordance with Transition Requirements, see Note 19 (Regulatory and Agency Capital

Requirements) to Financial Statements in this Report.

Table 45 summarizes our CET1, tier 1 capital, total capital, risk-weighted assets and capital ratios on a fully phased-in basis at September 30, 2016 and December 31, 2015. As of September 30, 2016, our CET1 and tier 1 capital ratios were lower using RWAs calculated under the Standardized Approach.

Table 45: Capital Components and Ratios (Fully Phased-In) (1)

| (in millions) | | September 30, 2016 | | December 31, 2015 | | |
|------------------------------------|---------|--------------------|-----------------------|-------------------|-----------------------|---|
| | | Advanced Approach | Standardized Approach | Advanced Approach | Standardized Approach | |
| Common Equity Tier 1 | (A) | \$147,830 | 147,830 | 142,367 | 142,367 | |
| Tier 1 Capital | (B) | 170,528 | 170,528 | 162,810 | 162,810 | |
| Total Capital | (C) | 199,360 | 210,586 | 190,374 | 200,750 | |
| Risk-Weighted Assets | (D) | 1,332,796 | 1,380,006 | 1,282,849 | 1,321,703 | |
| Common Equity Tier 1 Capital Ratio | (A)/(D) | 11.09 | % 10.71 | * 11.10 | 10.77 | * |
| Tier 1 Capital Ratio | (B)/(D) | 12.79 | 12.36 | * 12.69 | 12.32 | * |
| Total Capital Ratio | (C)/(D) | 14.96 | * 15.26 | 14.84 | * 15.19 | |

*Denotes the lowest capital ratio as determined under the Advanced and Standardized Approaches.

Fully phased-in regulatory capital amounts, ratios and RWAs are considered non-GAAP financial measures that are used by management, bank regulatory agencies, investors and analysts to assess and monitor the Company's (1) capital position. See Table 46 for information regarding the calculation and components of CET1, tier 1 capital, total capital and RWAs, as well as the corresponding reconciliation of our regulatory capital amounts to GAAP financial measures.

Capital Management (continued)

Table 46 provides information regarding the calculation and composition of our risk-based capital under the Advanced and Standardized Approaches at September 30, 2016 and December 31, 2015.

Table 46: Risk-Based Capital Calculation and Components

| (in millions) | September 30, 2016 | | December 31, 2015 | |
|---|--------------------|-----------------------|-------------------|-----------------------|
| | Advanced Approach | Standardized Approach | Advanced Approach | Standardized Approach |
| Total equity | \$203,958 | 203,958 | 193,891 | 193,891 |
| Adjustments: | | | | |
| Preferred stock | (24,594 |) (24,594 |) (22,214 |) (22,214 |
| Additional paid-in capital on ESOP preferred stock | (130 |) (130 |) (110 |) (110 |
| Unearned ESOP shares | 1,612 | 1,612 | 1,362 | 1,362 |
| Noncontrolling interests | (930 |) (930 |) (893 |) (893 |
| Total common stockholders' equity | 179,916 | 179,916 | 172,036 | 172,036 |
| Adjustments: | | | | |
| Goodwill | (26,688 |) (26,688 |) (25,529 |) (25,529 |
| Certain identifiable intangible assets (other than MSRs) | (3,001 |) (3,001 |) (3,167 |) (3,167 |
| Other assets (1) | (2,230 |) (2,230 |) (2,074 |) (2,074 |
| Applicable deferred taxes (2) | 1,832 | 1,832 | 2,071 | 2,071 |
| Investment in certain subsidiaries and other | (1,999 |) (1,999 |) (970 |) (970 |
| Common Equity Tier 1 (Fully Phased-In) | 147,830 | 147,830 | 142,367 | 142,367 |
| Effect of Transition Requirements | 1,015 | 1,015 | 1,880 | 1,880 |
| Common Equity Tier 1 (Transition Requirements) | \$148,845 | 148,845 | 144,247 | 144,247 |
| Common Equity Tier 1 (Fully Phased-In) | \$147,830 | 147,830 | 142,367 | 142,367 |
| Preferred stock | 24,594 | 24,594 | 22,214 | 22,214 |
| Additional paid-in capital on ESOP preferred stock | 130 | 130 | 110 | 110 |
| Unearned ESOP shares | (1,612 |) (1,612 |) (1,362 |) (1,362 |
| Other | (414 |) (414 |) (519 |) (519 |
| Total Tier 1 capital (Fully Phased-In) (A) | 170,528 | 170,528 | 162,810 | 162,810 |
| Effect of Transition Requirements | 963 | 963 | 1,774 | 1,774 |
| Total Tier 1 capital (Transition Requirements) | \$171,491 | 171,491 | 164,584 | 164,584 |
| Total Tier 1 capital (Fully Phased-In) | \$170,528 | 170,528 | 162,810 | 162,810 |
| Long-term debt and other instruments qualifying as Tier 2 | 27,687 | 27,687 | 25,818 | 25,818 |
| Qualifying allowance for credit losses (3) | 1,468 | 12,694 | 2,136 | 12,512 |
| Other | (323 |) (323 |) (390 |) (390 |
| Total Tier 2 capital (Fully Phased-In) (B) | 28,832 | 40,058 | 27,564 | 37,940 |
| Effect of Transition Requirements | 1,859 | 1,859 | 3,005 | 3,005 |

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| | | | | |
|--|-------------------|-----------|-----------|-----------|
| Total Tier 2 capital (Transition Requirements) | \$ 30,691 | 41,917 | 30,569 | 40,945 |
| Total qualifying capital (Fully Phased-In) | (A)+(B)\$ 199,360 | 210,586 | 190,374 | 200,750 |
| Total Effect of Transition Requirements | 2,822 | 2,822 | 4,779 | 4,779 |
| Total qualifying capital (Transition Requirements) | \$ 202,182 | 213,408 | 195,153 | 205,529 |
| Risk-Weighted Assets (RWAs) | | | | |
| (4)(5): | | | | |
| Credit risk | \$ 990,754 | 1,334,952 | 989,639 | 1,284,793 |
| Market risk | 45,054 | 45,054 | 36,910 | 36,910 |
| Operational risk | 296,988 | N/A | 256,300 | N/A |
| Total RWAs (Fully Phased-In) | \$ 1,332,796 | 1,380,006 | 1,282,849 | 1,321,703 |
| Credit risk | \$ 971,038 | 1,316,351 | 969,972 | 1,266,238 |
| Market risk | 45,054 | 45,054 | 36,910 | 36,910 |
| Operational risk | 296,988 | N/A | 256,300 | N/A |
| Total RWAs (Transition Requirements) | \$ 1,313,080 | 1,361,405 | 1,263,182 | 1,303,148 |

(1) Represents goodwill and other intangibles on nonmarketable equity investments, which are included in other assets.

(2) Applicable deferred taxes relate to goodwill and other intangible assets. They were determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period end.

(3) Under the Advanced Approach the allowance for credit losses that exceeds expected credit losses is eligible for inclusion in Tier 2 Capital, to the extent the excess allowance does not exceed 0.6% of Advanced credit RWAs, and under the Standardized Approach, the allowance for credit losses is includable in Tier 2 Capital up to 1.25% of Standardized credit RWAs, with any excess allowance for credit losses being deducted from total RWAs.

(4) RWAs calculated under the Advanced Approach utilize a risk-sensitive methodology, which relies upon the use of internal credit models based upon our experience with internal rating grades. Advanced Approach also includes an operational risk component, which reflects the risk of operating loss resulting from inadequate or failed internal processes or systems.

(5) Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total RWAs.

Table 47 presents the changes in Common Equity Tier 1 under the Advanced Approach for the nine months ended September 30, 2016.

Table 47: Analysis of Changes in Common Equity Tier 1
(in millions)

| | |
|--|------------|
| Common Equity Tier 1 (Fully Phased-In) at December 31, 2015 | \$ 142,367 |
| Net income | 15,501 |
| Common stock dividends | (5,752) |
| Common stock issued, repurchased, and stock compensation-related items | (3,707) |
| Goodwill | (1,160) |
| Certain identifiable intangible assets (other than MSRs) | 167 |
| Other assets (1) | (156) |
| Applicable deferred taxes (2) | (240) |
| Investment in certain subsidiaries and other | 810 |
| Change in Common Equity Tier 1 | 5,463 |
| Common Equity Tier 1 (Fully Phased-In) at September 30, 2016 | \$ 147,830 |

(1) Represents goodwill and other intangibles on nonmarketable equity investments, which are included in other assets.

(2) Applicable deferred taxes relate to goodwill and other intangible assets. They were determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period end.

Table 48 presents net changes in the components of RWAs under the Advanced and Standardized Approaches for the nine months ended September 30, 2016.

Table 48: Analysis of Changes in RWAs

| (in millions) | Advanced Approach | Standardized Approach |
|--|----------------------|--------------------------|
| RWAs (Fully Phased-In) at December 31, 2015 | \$ 1,282,849 | 1,321,703 |
| Net change in credit risk RWAs | 1,115 | 50,159 |
| Net change in market risk RWAs | 8,144 | 8,144 |
| Net change in operational risk RWAs | 40,688 | N/A |
| Total change in RWAs | 49,947 | 58,303 |
| RWAs (Fully Phased-In) at September 30, 2016 | 1,332,796 | 1,380,006 |
| Effect of Transition Requirements | (19,716) | (18,601) |
| RWAs (Transition Requirements) at September 30, 2016 | \$ 1,313,080 | 1,361,405 |

Capital Management (continued)

TANGIBLE COMMON EQUITY We also evaluate our business based on certain ratios that utilize tangible common equity. Tangible common equity is a non-GAAP financial measure and represents total equity less preferred equity, noncontrolling interests, and goodwill and certain identifiable intangible assets (including goodwill and intangible assets associated with certain of our nonmarketable equity investments but excluding mortgage servicing rights), net of applicable deferred taxes. These tangible common equity ratios are as follows:

• Tangible book value per common share, which represents tangible common equity divided by common shares outstanding.

• Return on average tangible common equity (ROTCE), which represents our annualized earnings contribution as a percentage of tangible common equity.

The methodology of determining tangible common equity may differ among companies. Management believes that tangible book value per common share and return on average tangible common equity, which utilize tangible common equity, are useful financial measures because they enable investors and others to assess the Company's use of equity. Table 49 provides a reconciliation of these non-GAAP financial measures to GAAP financial measures.

Table 49: Tangible Common Equity

| | Balance at period end | | | Average balance | | | Nine months ended | |
|---|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|-----------------|
| | Quarter ended | | | Quarter ended | | | ended | |
| | Sep 30, 2016 | Jun 30, 2016 | Sep 30, 2015 | Sep 30, 2016 | Jun 30, 2016 | Sep 30, 2015 | Sep 30, 2016 | Sep 30, 2015 |
| (in millions, except ratios) | | | | | | | | |
| Total equity | \$203,958 | 202,661 | 194,043 | 203,883 | 201,003 | 192,203 | 200,502 | 190,424 |
| Adjustments: | | | | | | | | |
| Preferred stock | (24,594) | (24,830) | (22,424) | (24,813) | (24,091) | (21,807) | (24,291) | (21,481) |
| Additional paid-in capital on ESOP preferred stock | (130) | (150) | (128) | (148) | (168) | (147) | (172) | (142) |
| Unearned ESOP shares | 1,612 | 1,868 | 1,590 | 1,850 | 2,094 | 1,818 | 2,150 | 1,764 |
| Noncontrolling interests | (930) | (916) | (992) | (927) | (984) | (1,012) | (938) | (1,071) |
| Total common stockholders' equity (A) | 179,916 | 178,633 | 172,089 | 179,845 | 177,854 | 171,055 | 177,251 | 169,494 |
| Adjustments: | | | | | | | | |
| Goodwill | (26,688) | (26,963) | (25,684) | (26,979) | (27,037) | (25,703) | (26,696) | (25,703) |
| Certain identifiable intangible assets (other than MSRs) | (3,001) | (3,356) | (3,479) | (3,145) | (3,600) | (3,636) | (3,383) | (3,953) |
| Other assets (1) | (2,230) | (2,110) | (1,742) | (2,131) | (2,096) | (1,757) | (2,097) | (1,542) |
| Applicable deferred taxes (2) | 1,832 | 1,906 | 2,168 | 1,855 | 1,934 | 2,200 | 1,973 | 2,344 |
| Tangible common equity (B) | \$149,829 | 148,110 | 143,352 | 149,445 | 147,055 | 142,159 | 147,048 | 140,640 |
| Common shares outstanding (C) | 5,023.9 | 5,048.5 | 5,108.5 | N/A | N/A | N/A | N/A | N/A |
| Net income applicable to common stock (3) (D) | N/A | N/A | N/A | 5,243 | 5,173 | 5,443 | 15,501 | 16,267 |
| Book value per common share (A)/(C) | \$35.81 | 35.38 | 33.69 | N/A | N/A | N/A | N/A | N/A |
| Tangible book value per common share (B)/(C) | 29.82 | 29.34 | 28.06 | N/A | N/A | N/A | N/A | N/A |
| Return on average common stockholders' equity (ROE) (D)/(A) | N/A | N/A | N/A | 11.60 | %11.70 | 12.62 | 11.68 | 12.83 |

| | | | | | | | | | |
|---|---------|-----|-----|-----|-------|-------|-------|-------|-------|
| Return on average tangible common equity (ROTCE) | (D)/(B) | N/A | N/A | N/A | 13.96 | 14.15 | 15.19 | 14.08 | 15.46 |
|---|---------|-----|-----|-----|-------|-------|-------|-------|-------|

(1) Represents goodwill and other intangibles on nonmarketable equity investments, which are included in other assets.

(2) Applicable deferred taxes relate to goodwill and other intangible assets. They were determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period end.

(3) Quarter and nine months ended net income applicable to common stock is annualized for the respective ROE and ROTCE ratios.

SUPPLEMENTARY LEVERAGE RATIO In April 2014, federal banking regulators finalized a rule that enhances the SLR requirements for BHCs, like Wells Fargo, and their insured depository institutions. The SLR consists of Tier 1 capital divided by the Company's total leverage exposure. Total leverage exposure consists of the total average on-balance sheet assets, plus off-balance sheet exposures, such as undrawn commitments and derivative exposures, less amounts permitted to be deducted from Tier 1 capital. The rule, which becomes effective on January 1, 2018, will require a covered BHC to maintain a SLR of at least 5.0% (comprised of the 3.0% minimum requirement plus a supplementary leverage buffer of 2.0%) to avoid restrictions on capital distributions and discretionary bonus payments. The rule will also require that all of our insured depository institutions maintain a SLR of 6.0% under applicable regulatory capital adequacy guidelines. In September 2014, federal banking regulators finalized additional changes to the SLR requirements to implement revisions to the Basel III leverage framework finalized by the BCBS in January 2014. These additional changes, among other things, modify the methodology for including off-balance sheet items, including credit derivatives, repo-style transactions and lines of credit, in the denominator of the SLR, and will become effective on January 1, 2018. At September 30, 2016, our SLR for the Company was 7.7% assuming full phase-in of the Advanced Approach capital framework. Based on our review, our current leverage levels would exceed the applicable requirements for each of our insured depository institutions as well. The fully phased-in SLR is considered a non-GAAP financial measure that is used by management, bank regulatory agencies, investors and analysts to assess and monitor the Company's leverage exposure. See Table 50 for information regarding the calculation and components of the SLR.

Table 50: Fully Phased-In SLR

| (in millions) | September 30, 2016 |
|--------------------------------------|-----------------------|
| Tier 1 capital | \$ 170,528 |
| Total average assets | 1,914,586 |
| Less: deductions from Tier 1 capital | 30,712 |
| Total adjusted average assets | 1,883,874 |
| Adjustments: | |
| Derivative exposures | 64,792 |
| Repo-style transactions | 4,608 |
| Other off-balance sheet exposures | 259,075 |
| Total adjustments | 328,475 |
| Total leverage exposure | \$ 2,212,349 |
| Supplementary leverage ratio | 7.7 % |

OTHER REGULATORY CAPITAL MATTERS In October 2015, the FRB proposed rules to address the amount of equity and unsecured long-term debt a U.S. G-SIB must hold to improve its resolvability and resiliency, often referred to as Total Loss Absorbing Capacity (TLAC). Under the proposed rules, U.S. G-SIBs would be required to have a minimum TLAC amount (consisting of CET1 capital and additional tier 1 capital issued directly by the top-tier or covered BHC plus eligible external long-term debt) equal to the greater of (i) 18% of RWAs and (ii) 9.5% of total leverage exposure (the denominator of the SLR calculation). Additionally, U.S. G-SIBs would be required to maintain a TLAC buffer equal to 2.5% of RWAs plus the firm's applicable G-SIB capital surcharge calculated under method one plus any applicable countercyclical buffer that would be added to the 18% minimum in order to avoid restrictions on capital

distributions and discretionary bonus payments. The proposed rules would also require U.S. G-SIBs to have a minimum amount of eligible unsecured long-term debt equal to the greater of (i) 6.0% of RWAs plus the firm's applicable G-SIB capital surcharge calculated under method two and (ii) 4.5% of the total leverage exposure. In addition, the proposed rules would impose certain restrictions on the operations and liabilities of the top-tier or covered BHC in order to further facilitate an orderly resolution, including prohibitions on the issuance of short-term debt to external investors and on entering into derivatives and certain other types of financial contracts with external counterparties. The proposed rules were open for comments until February 1, 2016. If the proposed rules are finalized as proposed, we may be required to issue additional long-term debt.

In addition, as discussed in the “Risk Management – Asset/ Liability Management – Liquidity and Funding – Liquidity Standards” section in this Report, federal banking regulators have issued a final rule regarding the U.S. implementation of the Basel III LCR and a proposed rule regarding the NSFR.

Capital Planning and Stress Testing

Our planned long-term capital structure is designed to meet regulatory and market expectations. We believe that our long-term targeted capital structure enables us to invest in and grow our business, satisfy our customers' financial needs in varying environments, access markets, and maintain flexibility to return capital to our shareholders. Our long-term targeted capital structure also considers capital levels sufficient to exceed capital requirements including the G-SIB surcharge. Accordingly, based on the final Basel III capital rules under the lower of the Standardized or Advanced Approaches CET1 capital ratios, we currently target a long-term CET1 capital ratio at or in excess of 10%, which includes a 2% G-SIB surcharge. Our capital targets are subject to change based on various factors, including changes to the regulatory capital framework and expectations for large banks promulgated by bank regulatory agencies, planned capital actions, changes in our risk profile and other factors.

Under the FRB’s capital plan rule, large BHCs are required to submit capital plans annually for review to determine if the FRB has any objections before making any capital distributions. The rule requires updates to capital plans in the event of material changes in a BHC’s risk profile, including as a result of any significant acquisitions. The FRB assesses the overall financial condition, risk profile, and capital adequacy of BHCs while considering both quantitative and qualitative factors when evaluating capital plans.

Our 2016 CCAR, which was submitted on April 4, 2016, included a comprehensive capital plan supported by an assessment of expected sources and uses of capital over a given planning horizon under a range of expected and stress scenarios, similar to the process the FRB used to conduct the 2015 CCAR. As part of the 2016 CCAR, the FRB also generated a supervisory stress test, which assumed a sharp decline in the economy and significant decline in asset pricing using the information provided by the Company to estimate performance. The FRB reviewed the supervisory stress results both as required under the Dodd-Frank Act using a common set of capital actions for all large BHCs and by taking into account the Company’s proposed capital actions. The FRB published its supervisory stress test results as required under the Dodd-Frank Act on June 23, 2016. On June 29, 2016, the FRB notified us that it did not object to our capital plan included in the 2016 CCAR.

In addition to CCAR, federal banking regulators also require stress tests to evaluate whether an institution has sufficient capital to continue to operate during periods of adverse economic

Capital Management (continued)

and financial conditions. These stress testing requirements set forth the timing and type of stress test activities large BHCs and banks must undertake as well as rules governing stress testing controls, oversight and disclosure requirements. The rules also limit a large BHC's ability to make capital distributions to the extent its actual capital issuances were less than amounts indicated in its capital plan. As required under the FRB's stress testing rule, we must submit a mid-cycle stress test based on second quarter data and scenarios developed by the Company. We submitted the results of the mid-cycle stress test to the FRB, and disclosed a summary of the results in November 2016.

Securities Repurchases

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

In January 2016, the Board authorized the repurchase of 350 million shares of our common stock. At September 30, 2016, we had remaining authority to repurchase approximately 292 million shares, subject to regulatory and legal conditions. For more information about share repurchases during third quarter 2016, see Part II, Item 2 in this Report.

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

In connection with our participation in the Capital Purchase Program (CPP), a part of the Troubled Asset Relief Program (TARP), we issued to the U.S. Treasury Department warrants to purchase 110,261,688 shares of our common stock with an original exercise price of \$34.01 per share expiring on October 28, 2018. The terms of the warrants require the exercise price to be adjusted under certain circumstances when the Company's quarterly common stock dividend exceeds \$0.34 per share, which began occurring in second quarter 2014. Accordingly, with each quarterly common stock dividend above \$0.34 per share, we must calculate whether an adjustment to the exercise price is required by the terms of the warrants, including whether certain minimum thresholds have been met to trigger an adjustment, and notify the holders of any such change. The Board authorized the repurchase by the Company of up to \$1 billion of the warrants. At September 30, 2016, there were 33,137,573 warrants outstanding, exercisable at \$33.840 per share, and \$452 million of unused warrant repurchase authority. Depending on market conditions, we may purchase from time to time additional warrants in privately negotiated or open market transactions, by tender offer or otherwise.

Regulatory Reform

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

The following supplements our discussion of the significant regulations and regulatory oversight initiatives that have affected or may affect our business contained in the "Regulatory Reform" and "Risk Factors" sections in our 2015 Form 10-K and the "Regulatory Reform" section in our 2016 First and Second Quarter Reports on Form 10-Q.

REGULATION OF CONSUMER FINANCIAL PRODUCTS The Dodd-Frank Act established the Consumer Financial Protection Bureau (CFPB) to ensure consumers receive clear and accurate disclosures regarding financial products and to protect them from hidden fees and unfair or abusive practices. With respect to residential mortgage lending, the CFPB issued a number of final rules in 2013 implementing new origination, notification and other requirements that generally became effective in January 2014. In November 2013, the CFPB also finalized rules integrating disclosures required of lenders and settlement agents under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). These rules, which became effective in October 2015, combine existing separate disclosure forms under the TILA and RESPA into new integrated forms and provide additional limitations on the fees and charges that may be increased from the estimates provided by lenders. In October 2015, the CFPB finalized amendments to the rule implementing the Home Mortgage Disclosure Act, resulting in a significant expansion of the data points lenders will be required to collect beginning January 1, 2018 and report to the CFPB beginning January 1, 2019. The CFPB also expanded the transactions covered by the rule and increased the reporting frequency from annual to quarterly for large volume lenders, such as Wells Fargo, beginning January 1, 2020. With respect to other financial products, in October 2016, the CFPB finalized rules, most of which become effective on October 1, 2017, to make prepaid cards subject to similar consumer protections as those provided by more traditional debit and credit cards such as fraud protection and expanded access to account information.

DEPOSIT INSURANCE ASSESSMENTS Our subsidiary banks, including Wells Fargo Bank, N.A., are members of the Deposit Insurance Fund (DIF) maintained by the FDIC. Through the DIF, the FDIC insures the deposits of our banks up to prescribed limits for each depositor and funds the DIF through assessments on member banks. To maintain the DIF, member institutions are assessed an insurance premium based on an assessment base and an assessment rate.

The Dodd-Frank Act gave the FDIC greater discretion to manage the DIF, changed the assessment base from domestic deposits to consolidated average assets less average tangible equity, and mandated a minimum Designated Reserve Ratio (reserve ratio or DRR) of 1.35%. The FDIC Board adopted a Restoration Plan to ensure that the DIF reserve ratio reaches 1.35% by September 30, 2020, as required by the Dodd-Frank Act, and, in March 2016, issued a final rule to meet this DRR level. The final rule, which became effective on July 1, 2016, imposes on insured depository institutions with \$10 billion or more in assets, such as Wells Fargo, a surcharge of 4.5 cents per

\$100 of their assessment base, after making certain adjustments. The surcharge is in addition to the base assessments paid by the affected institutions and could significantly increase the overall amount of their deposit insurance assessments. The FDIC expects the surcharge to be in effect for approximately two years, however, if the DIF reserve ratio does not reach 1.35% by December 31, 2018, the final rule provides that the FDIC will impose a shortfall assessment on any bank that was subject to the surcharge. In addition to ensuring that the DIF reserve ratio reaches the statutory minimum of 1.35% by September 30, 2020, the FDIC Board has also finalized a comprehensive, long-range plan for DIF management, whereby the DRR has been targeted at 2%.

"LIVING WILL" REQUIREMENTS AND RELATED MATTERS Rules adopted by the FRB and the FDIC under the Dodd-Frank Act require large financial institutions, including Wells Fargo, to prepare and periodically revise resolution plans, so-called "living-wills", that would facilitate their resolution in the event of material distress or failure. Under the rules, resolution plans are required to provide strategies for resolution under the Bankruptcy Code and other applicable insolvency regimes that can be accomplished in a reasonable period of time and in a manner that mitigates

the risk that failure would have serious adverse effects on the financial stability of the United States. On April 12, 2016, the FRB and FDIC notified us that they had jointly determined that our 2015 resolution plan is not credible or would not facilitate an orderly resolution under the Bankruptcy Code. We were required to remedy the deficiencies in a submission that we provided to the FRB and FDIC on September 30, 2016, but have not yet received regulatory feedback on the submission. In the event that our submission does not adequately remedy the deficiencies, the FRB and FDIC may impose more stringent capital, leverage or liquidity requirements on us or restrict our growth, activities or operations until we submit a plan remedying the deficiencies. If the FRB and FDIC ultimately determine that we have been unable to remedy the deficiencies, they could order us to divest assets or operations in order to facilitate our orderly resolution in the event of our material distress or failure.

We must also prepare and submit to the FRB on an annual basis a recovery plan that identifies a range of options that we may consider during times of idiosyncratic or systemic economic stress to remedy any financial weaknesses and restore market confidence without extraordinary government support. Recovery options include the possible sale, transfer or disposal of assets, securities, loan portfolios or businesses. Our national bank subsidiary, Wells Fargo Bank N.A., must also prepare and submit to the OCC a recovery plan that sets forth the bank's plan to remain a going concern when the bank is experiencing considerable financial or operational stress, but has not yet deteriorated to the point where liquidation or resolution is imminent. If either the FRB or the OCC determine that our recovery plan is deficient, they may impose fines or restrictions on our business.

Critical Accounting Policies

Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2015 Form 10-K) are fundamental to understanding our results of operations and financial condition because they require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. Five of these policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. These policies govern:

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

Management and the Board's Audit and Examination Committee have reviewed and approved these critical accounting policies. These policies are described further in the "Financial Review – Critical Accounting Policies" section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2015 Form 10-K.

Current Accounting Developments

Table 51 provides accounting pronouncements applicable to us that have been issued by the FASB but are not yet effective.

Table 51: Current Accounting Developments – Issued Standards

| Standard | Description | Effective date and financial statement impact |
|---|---|---|
| Accounting Standards Update (ASU or Update) 2016-15 – Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments | The Update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice for reporting in the Statement of Cash Flows. | The Update is effective for us in first quarter 2018 with retrospective application. We are evaluating the impact the Update will have on our consolidated financial statements. |
| ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments | The Update changes the accounting for credit losses on loans and debt securities. For loans and held-to-maturity debt securities, the Update requires a current expected credit loss (CECL) approach to determine the allowance for credit losses. CECL requires loss estimates for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. Also, the Update eliminates the existing guidance for PCI loans, but requires an allowance for purchased financial assets with more than insignificant deterioration since origination. In addition, the Update modifies the other-than-temporary impairment model for available-for-sale debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit. | The guidance is effective for us in first quarter 2020 with a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption. Early adoption is permitted beginning in first quarter 2019. While we are evaluating the impact the Update will have on our consolidated financial statements, we expect the Update will result in an increase in the allowance for credit losses given the change to estimated losses for the estimated life of the financial asset, including an allowance for debt securities. The amount of the increase will be impacted by the portfolio composition and quality at the adoption date as well as economic conditions and forecasts at that time. |
| ASU 2016-09 – Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting | The Update simplifies the accounting for share-based payment awards issued to employees, including recognition of excess tax benefits and tax deficiencies in the statement of income instead of within additional paid-in capital, and changes to classification in the statement of cash flows. | We expect to adopt the guidance in first quarter 2017 and will begin recording excess tax benefits and tax deficiencies within income tax expense in the statement of income on a prospective basis. |
| ASU 2016-07 – Investments – | The Update eliminates the requirement for companies to retroactively apply the equity method | We expect to adopt the guidance in first quarter 2017 on a prospective basis. The |

| | | |
|--|--|--|
| <p>Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting</p> | <p>of accounting for investments when increases in ownership interests or degree of influence result in the adoption of the equity method. Under the new guidance, the equity method should be applied prospectively in the period in which the ownership changes occur.</p> | <p>Update will not have a material impact on our consolidated financial statements.</p> |
| <p>ASU 2016-06 – Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments</p> | <p>The Update clarifies the criteria entities should use when evaluating whether embedded contingent put and call options in debt instruments should be separated from the debt instrument and accounted for separately as derivatives. The Update clarifies that companies should not consider whether the event that triggers the ability to exercise put or call options is related to interest rates or credit risk.</p> | <p>We expect to adopt the guidance in first quarter 2017. The Update will not have a material impact on our consolidated financial statements.</p> |
| <p>ASU 2016-05 – Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships</p> | <p>The Update clarifies that a change in the counterparty to a derivative instrument that has been designated as an accounting hedge does not require the hedging relationship to be dedesignated as long as all other hedge accounting criteria continue to be met.</p> | <p>We expect to adopt the guidance in first quarter 2017. The Update will not have a material impact on our consolidated financial statements.</p> |

Current Accounting Developments (continued)

| Standard | Description | Effective date and financial statement impact |
|---|--|---|
| ASU 2016-04 – Liabilities – Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products | The Update requires entities to recognize breakage for prepaid stored-value card liabilities (e.g. gift cards) provided the liabilities meet certain criteria. | The guidance is effective for us in first quarter 2018 with early adoption permitted. The guidance allows us to elect the transition method, permitting either a modified retrospective application with a cumulative-effect adjustment to the balance sheet as of the beginning of the adoption period or retrospective application to each period presented. We are evaluating the impact the Update will have on our consolidated financial statements. |
| ASU 2016-02 – Leases (Topic 842) | The Update requires lessees to recognize leases on the balance sheet with lease liabilities and corresponding right-of-use assets based on the present value of lease payments. Lessor accounting is largely unchanged with lease financings and operating lease assets similar to existing lease accounting. The Update also eliminates leveraged lease accounting but allows existing leveraged leases to continue their current accounting until maturity or termination. | The guidance is effective for us in first quarter 2019 with modified retrospective application. Early adoption is permitted. We are evaluating the impact the Update will have on our consolidated financial statements. |
| ASU 2016-01 – Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities | The Update amends the presentation and accounting for certain financial instruments, including liabilities measured at fair value under the fair value option and equity investments. The guidance also updates fair value presentation and disclosure requirements for financial instruments measured at amortized cost. | The Update is effective for us in first quarter 2018 with prospective application to changes in guidance related to nonmarketable equity investments. The remaining amendments should be applied with a cumulative-effect adjustment to the balance sheet as of the beginning of the adoption period. Early application is only permitted for changes related to liabilities measured at fair value under the fair value option. Early adoption is prohibited for the remaining amendments. We are evaluating the impact of the Update on our consolidated financial statements. |
| ASU 2014-09 – Revenue from Contracts With Customers (Topic 606) and subsequent related Updates | The Update modifies the guidance companies use to recognize revenue from contracts with customers for transfers of goods or services and transfers of nonfinancial assets, unless those contracts are within the scope of other standards. The guidance also requires new qualitative and quantitative disclosures, including information about contract balances and performance obligations. | In August 2015, the FASB issued ASU 2015-14 (Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date), which defers the effective date of ASU 2014-09 to first quarter 2018. Early adoption is permitted in first quarter 2017. Our revenue is balanced between net interest income on financial assets and liabilities, which is explicitly excluded from the scope of the new guidance, and noninterest income. We continue to evaluate the impact of the Update to our noninterest income and on our presentation and disclosures. We expect to adopt the Update in first quarter 2018 with a cumulative-effect adjustment to opening retained |

earnings.

Forward-Looking Statements

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

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

- current and future economic and market conditions, including the effects of declines in housing prices, high unemployment rates, U.S. fiscal debt, budget and tax matters, geopolitical matters, and the overall slowdown in global economic growth;
- our capital and liquidity requirements (including under regulatory capital standards, such as the Basel III capital standards) and our ability to generate capital internally or raise capital on favorable terms;
- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and other legislation and regulation relating to bank products and services;
- the extent of our success in our loan modification efforts, as well as the effects of regulatory requirements or guidance regarding loan modifications;

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

negative effects relating to our mortgage servicing and foreclosure practices, as well as changes in industry standards or practices, regulatory or judicial requirements, penalties or fines, increased servicing and other costs or obligations, including loan modification requirements, or delays or moratoriums on foreclosures;

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

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

significant turbulence or a disruption in the capital or financial markets, which could result in, among other things, reduced investor demand for mortgage loans, a reduction in the availability of funding or increased funding costs, and

declines in asset values and/or recognition of other-than-temporary impairment on securities held in our investment securities portfolio;

- the effect of a fall in stock market prices on our investment banking business and our fee income from our brokerage, asset and wealth management businesses;
- negative effects from the retail banking sales practices matter, including on our legal, operational and compliance costs, our ability to engage in certain business activities or offer certain products or services, our ability to keep and attract customers, our ability to attract and retain qualified team members, and our reputation;
- reputational damage from negative publicity, protests, fines, penalties and other negative consequences from regulatory violations and legal actions;
- a failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors or other service providers, including as a result of cyber attacks;
- the effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin;
- fiscal and monetary policies of the Federal Reserve Board; and
- the other risk factors and uncertainties described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015.

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

Forward-Looking Statements (continued)

Board of Directors, and may be subject to regulatory approval or conditions.

For more information about factors that could cause actual results to differ materially from our expectations, refer to our reports filed with the Securities and Exchange Commission, including the discussion under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

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

Risk Factors

An investment in the Company involves risk, including the possibility that the value of the investment could fall substantially and that dividends or other distributions on the investment could be reduced or eliminated. For a discussion of risk factors that could adversely affect our financial results and condition, and the value of, and return on, an investment in the Company, we refer you to the “Risk Factors” section in our 2015 Form 10-K. The following risk factor updates the risk factors described in our 2015 Form 10-K:

Risks Related to Sales Practices. Various government entities and offices, as well as Congressional committees, have undertaken formal or informal inquiries, investigations or examinations arising out of certain sales practices of the Company that were the subject of settlements with the Consumer Financial Protection Bureau, the Office of the Comptroller of the Currency and the Office of the Los Angeles City Attorney announced by the Company on September 8, 2016. In addition to imposing monetary penalties and other sanctions, regulatory authorities may require admissions of wrongdoing and compliance with other conditions in connection with such matters, which can lead to restrictions on our ability to engage in certain business activities or offer certain products or services, limitations on our ability to access capital markets, limitations on capital distributions, the loss of customers, and/or other direct and indirect adverse consequences. A number of lawsuits have also been filed by non-governmental parties seeking damages or other remedies related to these sales practices. The ultimate resolution of any of these pending legal proceedings or government investigations, depending on the sanctions and remedy sought and granted, could materially adversely affect our results of operations and financial condition. We may also incur additional costs and expenses in order to address and defend these pending legal proceedings and government investigations, and we may have increased compliance and other costs related to these matters. Furthermore, negative publicity or public opinion resulting from these matters may increase the risk of reputational harm to our business, which can impact our ability to keep and attract customers, our ability to attract and retain qualified team members, result in the loss of revenue, or have other material adverse effects on our results of operations and financial condition.

For more information, refer to Note 11 (Legal Actions) to Financial Statements in this Report.

Controls and Procedures

Disclosure Controls and Procedures

The Company's management evaluated the effectiveness, as of September 30, 2016, of the Company's disclosure controls and procedures. The Company's chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2016.

Internal Control Over Financial Reporting

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

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. No change occurred during third quarter 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Wells Fargo & Company and Subsidiaries
Consolidated Statement of Income (Unaudited)

| (in millions, except per share amounts) | Quarter ended | | Nine months ended | |
|---|---------------|---------------|-------------------|---------------|
| | September 30, | September 30, | September 30, | September 30, |
| | 2016 | 2015 | 2016 | 2015 |
| Interest income | | | | |
| Trading assets | \$593 | 485 | 1,761 | 1,413 |
| Investment securities | 2,298 | 2,289 | 6,736 | 6,614 |
| Mortgages held for sale | 207 | 223 | 549 | 609 |
| Loans held for sale | 2 | 4 | 7 | 14 |
| Loans | 9,978 | 9,216 | 29,377 | 27,252 |
| Other interest income | 409 | 228 | 1,175 | 732 |
| Total interest income | 13,487 | 12,445 | 39,605 | 36,634 |
| Interest expense | | | | |
| Deposits | 356 | 232 | 995 | 722 |
| Short-term borrowings | 85 | 12 | 229 | 51 |
| Long-term debt | 1,006 | 655 | 2,769 | 1,879 |
| Other interest expense | 88 | 89 | 260 | 269 |
| Total interest expense | 1,535 | 988 | 4,253 | 2,921 |
| Net interest income | 11,952 | 11,457 | 35,352 | 33,713 |
| Provision for credit losses | 805 | 703 | 2,965 | 1,611 |
| Net interest income after provision for credit losses | 11,147 | 10,754 | 32,387 | 32,102 |
| Noninterest income | | | | |
| Service charges on deposit accounts | 1,370 | 1,335 | 4,015 | 3,839 |
| Trust and investment fees | 3,613 | 3,570 | 10,545 | 10,957 |
| Card fees | 997 | 953 | 2,935 | 2,754 |
| Other fees | 926 | 1,099 | 2,765 | 3,284 |
| Mortgage banking | 1,667 | 1,589 | 4,679 | 4,841 |
| Insurance | 293 | 376 | 1,006 | 1,267 |
| Net gains (losses) from trading activities | 415 | (26) | 943 | 515 |
| Net gains on debt securities (1) | 106 | 147 | 797 | 606 |
| Net gains from equity investments (2) | 140 | 920 | 573 | 1,807 |
| Lease income | 534 | 189 | 1,404 | 476 |
| Other | 315 | 266 | 1,671 | 412 |
| Total noninterest income | 10,376 | 10,418 | 31,333 | 30,758 |
| Noninterest expense | | | | |
| Salaries | 4,224 | 4,035 | 12,359 | 11,822 |
| Commission and incentive compensation | 2,520 | 2,604 | 7,769 | 7,895 |
| Employee benefits | 1,223 | 821 | 3,993 | 3,404 |
| Equipment | 491 | 459 | 1,512 | 1,423 |
| Net occupancy | 718 | 728 | 2,145 | 2,161 |
| Core deposit and other intangibles | 299 | 311 | 891 | 935 |
| FDIC and other deposit assessments | 310 | 245 | 815 | 715 |
| Other | 3,483 | 3,196 | 9,678 | 9,020 |
| Total noninterest expense | 13,268 | 12,399 | 39,162 | 37,375 |
| Income before income tax expense | 8,255 | 8,773 | 24,558 | 25,485 |
| Income tax expense | 2,601 | 2,790 | 7,817 | 7,832 |
| Net income before noncontrolling interests | 5,654 | 5,983 | 16,741 | 17,653 |
| Less: Net income from noncontrolling interests | 10 | 187 | 77 | 334 |

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| | | | | |
|---|---------|---------|---------|---------|
| Wells Fargo net income | \$5,644 | 5,796 | 16,664 | 17,319 |
| Less: Preferred stock dividends and other | 401 | 353 | 1,163 | 1,052 |
| Wells Fargo net income applicable to common stock | \$5,243 | 5,443 | 15,501 | 16,267 |
| Per share information | | | | |
| Earnings per common share | \$1.04 | 1.06 | 3.06 | 3.16 |
| Diluted earnings per common share | 1.03 | 1.05 | 3.03 | 3.12 |
| Dividends declared per common share | 0.380 | 0.375 | 1.135 | 1.100 |
| Average common shares outstanding | 5,043.4 | 5,125.8 | 5,061.9 | 5,145.9 |
| Diluted average common shares outstanding | 5,094.6 | 5,193.8 | 5,118.2 | 5,220.3 |

- Total other-than-temporary impairment (OTTI) losses were \$36 million and \$70 million for third quarter 2016 and 2015, respectively. Of total OTTI, losses of \$51 million and \$73 million were recognized in earnings, and reversal of losses of \$(15) million and \$(3) million were recognized as non-credit-related OTTI in other comprehensive (1) income for third quarter 2016 and 2015, respectively. Total OTTI losses were \$123 million and \$73 million for the first nine months of 2016 and 2015, respectively. Of total OTTI, losses of \$142 million and \$123 million were recognized in earnings, and reversal of losses of \$(19) million and \$(50) million were recognized as non-credit-related OTTI in other comprehensive income for the first nine months of 2016 and 2015, respectively.
- (2) Includes OTTI losses of \$85 million and \$67 million for third quarter 2016 and 2015, respectively, and \$322 million and \$185 million for the first nine months of 2016 and 2015, respectively.

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries
 Consolidated Statement of Comprehensive Income (Unaudited)

| (in millions) | Quarter ended | | Nine months | |
|---|---------------|--------|---------------|----------|
| | Sep 30, | | ended Sep 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Wells Fargo net income | \$5,644 | 5,796 | 16,664 | 17,319 |
| Other comprehensive income (loss), before tax: | | | | |
| Investment securities: | | | | |
| Net unrealized gains (losses) arising during the period | 112 | (441) | 2,478 | (2,017) |
| Reclassification of net gains to net income | (193) | (439) | (1,001) | (957) |
| Derivatives and hedging activities: | | | | |
| Net unrealized gains (losses) arising during the period | (445) | 1,769 | 2,611 | 2,233 |
| Reclassification of net gains on cash flow hedges to net income | (262) | (293) | (783) | (795) |
| Defined benefit plans adjustments: | | | | |
| Net actuarial losses arising during the period | (447) | — | (474) | (11) |
| Amortization of net actuarial loss, settlements and other to net income | 39 | 30 | 115 | 103 |
| Foreign currency translation adjustments: | | | | |
| Net unrealized gains (losses) arising during the period | (10) | (59) | 27 | (104) |
| Other comprehensive income (loss), before tax | (1,206) | 567 | 2,973 | (1,548) |
| Income tax (expense) benefit related to other comprehensive income | 461 | (268) | (1,110) | 544 |
| Other comprehensive income (loss), net of tax | (745) | 299 | 1,863 | (1,004) |
| Less: Other comprehensive income (loss) from noncontrolling interests | 19 | (22) | (24) | 125 |
| Wells Fargo other comprehensive income (loss), net of tax | (764) | 321 | 1,887 | (1,129) |
| Wells Fargo comprehensive income | 4,880 | 6,117 | 18,551 | 16,190 |
| Comprehensive income from noncontrolling interests | 29 | 165 | 53 | 459 |
| Total comprehensive income | \$4,909 | 6,282 | 18,604 | 16,649 |

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries
Consolidated Balance Sheet

| (in millions, except shares) | Sep 30, 2016 (Unaudited) | Dec 31, 2015 |
|---|--------------------------------|------------------|
| Assets | | |
| Cash and due from banks | \$ 19,287 | 19,111 |
| Federal funds sold, securities purchased under resale agreements and other short-term investments | 298,325 | 270,130 |
| Trading assets | 85,946 | 77,202 |
| Investment securities: | | |
| Available-for-sale, at fair value | 291,591 | 267,358 |
| Held-to-maturity, at cost (fair value \$102,547 and \$80,567) | 99,241 | 80,197 |
| Mortgages held for sale (includes \$22,647 and \$13,539 carried at fair value) (1) | 27,423 | 19,603 |
| Loans held for sale | 183 | 279 |
| Loans (includes \$4,788 and \$5,316 carried at fair value) (1) | 961,326 | 916,559 |
| Allowance for loan losses | (11,583) | (11,545) |
| Net loans | 949,743 | 905,014 |
| Mortgage servicing rights: | | |
| Measured at fair value | 10,415 | 12,415 |
| Amortized | 1,373 | 1,308 |
| Premises and equipment, net | 8,322 | 8,704 |
| Goodwill | 26,688 | 25,529 |
| Other assets (includes \$3,441 and \$3,065 carried at fair value) (1) | 123,587 | 100,782 |
| Total assets (2) | \$ 1,942,124 | 1,787,632 |
| Liabilities | | |
| Noninterest-bearing deposits | \$ 376,136 | 351,579 |
| Interest-bearing deposits | 899,758 | 871,733 |
| Total deposits | 1,275,894 | 1,223,312 |
| Short-term borrowings | 124,668 | 97,528 |
| Accrued expenses and other liabilities | 82,769 | 73,365 |
| Long-term debt | 254,835 | 199,536 |
| Total liabilities (3) | 1,738,166 | 1,593,741 |
| Equity | | |
| Wells Fargo stockholders' equity: | | |
| Preferred stock | 24,594 | 22,214 |
| Common stock – \$1-2/3 par value, authorized 9,000,000,000 shares; issued 5,481,811,474 shares | 9,136 | 9,136 |
| Additional paid-in capital | 60,685 | 60,714 |
| Retained earnings | 130,288 | 120,866 |
| Cumulative other comprehensive income | 2,184 | 297 |
| Treasury stock – 457,922,273 shares and 389,682,664 shares | (22,247) | (18,867) |
| Unearned ESOP shares | (1,612) | (1,362) |
| Total Wells Fargo stockholders' equity | 203,028 | 192,998 |
| Noncontrolling interests | 930 | 893 |
| Total equity | 203,958 | 193,891 |
| Total liabilities and equity | \$ 1,942,124 | 1,787,632 |

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

(2) Our consolidated assets at September 30, 2016, and December 31, 2015, include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs: Cash and due from

banks, \$145 million and \$157 million; Federal funds sold, securities purchased under resale agreements and other short-term investments, \$90 million and \$0 million; Trading assets, \$130 million and \$1 million; Investment securities, \$244 million and \$425 million; Net loans, \$12.4 billion and \$4.8 billion; Other assets, \$414 million and \$242 million; and Total assets, \$13.4 billion and \$5.6 billion, respectively.

(3) Our consolidated liabilities at September 30, 2016, and December 31, 2015, include the following VIE liabilities for which the VIE creditors do not have recourse to Wells Fargo: Accrued expenses and other liabilities, \$79 million and \$57 million; Long-term debt, \$3.9 billion and \$1.3 billion; and Total liabilities, \$3.9 billion and \$1.4 billion, respectively.

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries
Consolidated Statement of Changes in Equity (Unaudited)

| (in millions, except shares) | Preferred stock | | Common stock | |
|---|-----------------|----------|----------------|---------|
| | Shares | Amount | Shares | Amount |
| Balance January 1, 2015 | 11,138,818 | \$19,213 | 5,170,349,198 | \$9,136 |
| Net income | | | | |
| Other comprehensive income (loss), net of tax | | | | |
| Noncontrolling interests | | | | |
| Common stock issued | | | 63,017,857 | |
| Common stock repurchased | | | (136,363,436) | |
| Preferred stock issued to ESOP | 826,598 | 826 | | |
| Preferred stock released by ESOP | | | | |
| Preferred stock converted to common shares | (616,066) | (615) | 11,470,349 | |
| Common stock warrants repurchased/exercised | | | | |
| Preferred stock issued | 120,000 | 3,000 | | |
| Common stock dividends | | | | |
| Preferred stock dividends | | | | |
| Tax benefit from stock incentive compensation | | | | |
| Stock incentive compensation expense | | | | |
| Net change in deferred compensation and related plans | | | | |
| Net change | 330,532 | 3,211 | (61,875,230) | — |
| Balance September 30, 2015 | 11,469,350 | \$22,424 | 5,108,473,968 | \$9,136 |
| Balance December 31, 2015 | 11,259,917 | \$22,214 | 5,092,128,810 | \$9,136 |
| Cumulative effect from change in consolidation accounting (1) | | | | |
| Balance January 1, 2016 | 11,259,917 | \$22,214 | 5,092,128,810 | \$9,136 |
| Net income | | | | |
| Other comprehensive income (loss), net of tax | | | | |
| Noncontrolling interests | | | | |
| Common stock issued | | | 47,151,609 | |
| Common stock repurchased | | | (134,787,773) | |
| Preferred stock issued to ESOP | 1,150,000 | 1,150 | | |
| Preferred stock released by ESOP | | | | |
| Preferred stock converted to common shares | (920,314) | (920) | 19,396,555 | |
| Common stock warrants repurchased/exercised | | | | |
| Preferred stock issued | 86,000 | 2,150 | | |
| Common stock dividends | | | | |
| Preferred stock dividends | | | | |
| Tax benefit from stock incentive compensation | | | | |
| Stock incentive compensation expense | | | | |
| Net change in deferred compensation and related plans | | | | |
| Net change | 315,686 | 2,380 | (68,239,609) | — |
| Balance September 30, 2016 | 11,575,603 | \$24,594 | 5,023,889,201 | \$9,136 |

Effective January 1, 2016, we adopted changes in consolidation accounting pursuant to ASU 2015-02 (1)(Amendments to the Consolidation Analysis). Accordingly, we recorded a \$121 million increase to beginning noncontrolling interests as a cumulative-effect adjustment.

The accompanying notes are an integral part of these statements.

| Additional paid-in capital | Retained earnings | Cumulative other comprehensive income | Wells Fargo stockholders' equity | | | | Noncontrolling interests | Total equity |
|----------------------------------|----------------------|--|----------------------------------|----------------------------|---|-------------|-----------------------------|-----------------|
| | | | Treasury stock | Unearned ESOP shares | Total Wells Fargo stockholders' equity | | | |
| 60,537 | 107,040 17,319 | 3,518 | (13,690) | (1,360) | 184,394 | 868 | 185,262 | |
| | | | | | 17,319 | 334 | 17,653 | |
| | | (1,129) | | | (1,129) | 125 | (1,004) | |
| 3 | | | | | 3 | (335) | (332) | |
| (381) | — | | 2,715 | | 2,334 | | 2,334 | |
| 750 | | | (7,473) | | (6,723) | | (6,723) | |
| 74 | | | | (900) | — | | — | |
| (55) | | | | 670 | 615 | | 615 | |
| 81 | | | 534 | | — | | — | |
| (49) | | | | | (49) | | (49) | |
| (28) | | | | | 2,972 | | 2,972 | |
| 48 | (5,711) | | | | (5,663) | | (5,663) | |
| | (1,055) | | | | (1,055) | | (1,055) | |
| 431 | | | | | 431 | | 431 | |
| 640 | | | | | 640 | | 640 | |
| (1,053) | | | 15 | | (1,038) | | (1,038) | |
| 461 | 10,553 | (1,129) | (4,209) | (230) | 8,657 | 124 | 8,781 | |
| 60,998 | 117,593 | 2,389 | (17,899) | (1,590) | 193,051 | 992 | 194,043 | |
| 60,714 | 120,866 | 297 | (18,867) | (1,362) | 192,998 | 893 | 193,891 | |
| | | | | | | 121 | 121 | |
| 60,714 | 120,866 16,664 | 297 | (18,867) | (1,362) | 192,998 16,664 | 1,014 77 | 194,012 16,741 | |
| | | 1,887 | | | 1,887 | (24) | 1,863 | |
| 1 | | | | | 1 | (137) | (136) | |
| (194) | (286) | | 2,256 | | 1,776 | | 1,776 | |
| 500 | | | (6,582) | | (6,082) | | (6,082) | |
| 99 | | | | (1,249) | — | | — | |
| (79) | | | | 999 | 920 | | 920 | |
| (16) | | | 936 | | — | | — | |
| (17) | | | | | (17) | | (17) | |
| (49) | | | | | 2,101 | | 2,101 | |
| 39 | (5,791) | | | | (5,752) | | (5,752) | |
| | (1,165) | | | | (1,165) | | (1,165) | |
| 203 | | | | | 203 | | 203 | |
| 547 | | | | | 547 | | 547 | |
| (1,063) | | | 10 | | (1,053) | | (1,053) | |
| (29) | 9,422 | 1,887 | (3,380) | (250) | 10,030 | (84) | 9,946 | |
| 60,685 | 130,288 | 2,184 | (22,247) | (1,612) | 203,028 | 930 | 203,958 | |

Wells Fargo & Company and Subsidiaries
Consolidated Statement of Cash Flows (Unaudited)

| (in millions) | Nine months ended September 30, | |
|---|------------------------------------|-----------|
| | 2016 | 2015 |
| Cash flows from operating activities: | | |
| Net income before noncontrolling interests | \$ 16,741 | 17,653 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for credit losses | 2,965 | 1,611 |
| Changes in fair value of MSRs, MHFS and LHFS carried at fair value | 1,695 | 585 |
| Depreciation, amortization and accretion | 3,598 | 2,396 |
| Other net gains | (74) | (4,176) |
| Stock-based compensation | 1,474 | 1,525 |
| Excess tax benefits related to stock incentive compensation | (209) | (431) |
| Originations of MHFS | (144,018) | (138,204) |
| Proceeds from sales of and principal collected on mortgages originated for sale | 91,873 | 101,083 |
| Proceeds from sales of and principal collected on LHFS | 4 | 7 |
| Purchases of LHFS | (4) | (28) |
| Net change in: | | |
| Trading assets | 38,334 | 40,300 |
| Deferred income taxes | (1,617) | (2,421) |
| Accrued interest receivable | (419) | (643) |
| Accrued interest payable | 333 | 79 |
| Other assets | (16,091) | (562) |
| Other accrued expenses and liabilities | 902 | 1,027 |
| Net cash provided (used) by operating activities | (4,513) | 19,801 |
| Cash flows from investing activities: | | |
| Net change in: | | |
| Federal funds sold, securities purchased under resale agreements and other short-term investments | (28,296) | 3,453 |
| Available-for-sale securities: | | |
| Sales proceeds | 28,147 | 15,959 |
| Prepayments and maturities | 27,768 | 23,681 |
| Purchases | (66,685) | (56,526) |
| Held-to-maturity securities: | | |
| Paydowns and maturities | 5,085 | 4,278 |
| Purchases | (23,593) | (22,823) |
| Nonmarketable equity investments: | | |
| Sales proceeds | 1,298 | 2,904 |
| Purchases | (3,001) | (1,083) |
| Loans: | | |
| Loans originated by banking subsidiaries, net of principal collected | (28,155) | (40,372) |
| Proceeds from sales (including participations) of loans held for investment | 6,958 | 8,898 |
| Purchases (including participations) of loans | (4,007) | (12,710) |
| Principal collected on nonbank entities' loans | 8,736 | 7,448 |
| Loans originated by nonbank entities | (9,091) | (9,586) |
| Net cash paid for acquisitions | (29,797) | — |
| Proceeds from sales of foreclosed assets and short sales | 5,560 | 5,769 |
| Net cash from purchases and sales of MSRs | (45) | (96) |

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| | | |
|---|-----------|-----------|
| Other, net | (70) | (1,627) |
| Net cash used by investing activities | (109,188) | (72,433) |
| Cash flows from financing activities: | | |
| Net change in: | | |
| Deposits | 52,582 | 34,107 |
| Short-term borrowings | 26,882 | 24,551 |
| Long-term debt: | | |
| Proceeds from issuance | 67,677 | 24,495 |
| Repayment | (23,505) | (24,104) |
| Preferred stock: | | |
| Proceeds from issuance | 2,101 | 2,972 |
| Cash dividends paid | (1,173) | (1,063) |
| Common stock: | | |
| Proceeds from issuance | 1,024 | 1,454 |
| Repurchased | (6,082) | (6,723) |
| Cash dividends paid | (5,609) | (5,529) |
| Excess tax benefits related to stock incentive compensation | 209 | 431 |
| Net change in noncontrolling interests | (159) | (191) |
| Other, net | (70) | 56 |
| Net cash provided by financing activities | 113,877 | 50,456 |
| Net change in cash and due from banks | 176 | (2,176) |
| Cash and due from banks at beginning of period | 19,111 | 19,571 |
| Cash and due from banks at end of period | \$ 19,287 | 17,395 |
| Supplemental cash flow disclosures: | | |
| Cash paid for interest | \$ 3,920 | 2,842 |
| Cash paid for income taxes | 7,158 | 9,270 |

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

Notes 1: Summary of Significant Accounting Policies (continued)

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

Note 1: Summary of Significant Accounting Policies

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

Our accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. For discussion of our significant accounting policies, see Note 1 (Summary of Significant Accounting Policies) in our Annual Report on Form 10-K for the year ended December 31, 2015 (2015 Form 10-K). There were no material changes to these policies in the first nine months of 2016. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period and the related disclosures. Although our estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Management has made significant estimates in several areas, including allowance for credit losses and purchased credit-impaired (PCI) loans (Note 5 (Loans and Allowance for Credit Losses)), valuations of residential mortgage servicing rights (MSRs) (Note 7 (Securitizations and Variable Interest Entities) and Note 8 (Mortgage Banking Activities)) and financial instruments (Note 13 (Fair Values of Assets and Liabilities)), and income taxes. Actual results could differ from those estimates. These unaudited interim financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q. The results of operations in the interim financial statements do not necessarily indicate the results that may be expected for the full year. The interim financial information should be read in conjunction with our 2015 Form 10-K.

Accounting Standards Adopted in 2016

In first quarter 2016, we adopted the following new accounting guidance:

- Accounting Standards Update (ASU or Update) 2015-16 – Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments;

- ASU 2015-07 – Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent);

- ASU 2015-03 – Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs;

- ASU 2015-02 – Consolidation (Topic 810): Amendments to the Consolidation Analysis;

- ASU 2015-01 – Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items;

- ASU 2014-16 – Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity;

- ASU 2014-13 – Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity; and

-

ASU 2014-12 – Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.

ASU 2015-16 eliminates the requirement for companies to retrospectively adjust initial amounts recognized in business combinations when the accounting is incomplete at the acquisition date. Under the new guidance, companies should record adjustments in the same reporting period in which the amounts are determined. We adopted this accounting change in first quarter 2016 with prospective application. The Update did not have a material impact on our consolidated financial statements.

ASU 2015-07 eliminates the disclosure requirement to categorize investments within the fair value hierarchy that are measured at fair value using net asset value as a practical expedient. We adopted this change in first quarter 2016 with retrospective application. The Update did not affect our consolidated financial statements as it impacts only the fair value disclosure requirements for certain investments. For additional information, see Note 13 (Fair Values of Assets and Liabilities).

ASU 2015-03 changes the balance sheet presentation for debt issuance costs. Under the new guidance, debt issuance costs should be reported as a deduction from debt liabilities rather than as a deferred charge classified as an asset. We adopted this change in first quarter 2016, which resulted in a \$180 million reclassification from Other assets to Long-term debt on January 1, 2016. Because the impact on prior periods was not material, we applied the guidance prospectively.

ASU 2015-02 requires companies to reevaluate all legal entities under new consolidation guidance. The new guidance amends the criteria companies use to evaluate whether they should consolidate certain variable interest entities that have fee arrangements and the criteria used to determine whether partnerships and similar entities are variable interest entities. The new guidance also amends the consolidation analysis for certain investment funds and excludes certain money market

funds. We adopted the accounting changes on January 1, 2016, which resulted in a net increase in assets and a corresponding cumulative-effect adjustment to noncontrolling interests of \$121 million. There was no impact to consolidated retained earnings. For additional information, see Note 7 (Securitized and Variable Interest Entities).

ASU 2015-01 removes the concept of extraordinary items from GAAP and eliminates the requirement for extraordinary items to be separately presented in the statement of income. We adopted this change in first quarter 2016 with prospective application. This Update did not have a material impact on our consolidated financial statements.

ASU 2014-16 clarifies that the nature of host contracts in hybrid financial instruments that are issued in share form should be determined based on the entire instrument, including the embedded derivative. We adopted this new requirement in first quarter 2016. This Update did not have a material impact on our consolidated financial statements.

ASU 2014-13 provides a measurement alternative to companies that consolidate collateralized financing entities (CFEs), such as collateralized debt obligation and collateralized loan obligation structures. Under the new guidance, companies can measure both the financial assets and financial liabilities of a CFE using the more observable fair value of the financial assets or of the financial liabilities. We adopted this accounting change in first quarter 2016. The Update did not have a material impact on our consolidated financial statements.

ASU 2014-12 provides accounting guidance for employee share-based payment awards with specific performance targets. The Update clarifies that performance targets should be treated as performance conditions if the targets affect vesting and could be achieved after the requisite service period. We adopted this change in first quarter 2016 with prospective application. The Update did not have a material effect on our consolidated financial statements, as our historical practice complies with the new requirements.

Accounting Standards with Retrospective Application

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

▲ASU 2016-15 – Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.

ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice for reporting in the Statement of Cash Flows. The Update is effective for us in first quarter 2018 with retrospective application. We are evaluating the impact the Update will have on our consolidated financial statements.

Private Share Repurchases

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

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

We had no unsettled private share repurchase contracts at both September 30, 2016 and September 30, 2015.

Notes 1: Summary of Significant Accounting Policies (continued)

SUPPLEMENTAL CASH FLOW INFORMATION Significant noncash activities are presented below.

Table 1.1: Supplemental Cash Flow Information

| (in millions) | Nine months ended | |
|--|-----------------------|--------|
| | September 30, 2016 | 2015 |
| Trading assets retained from securitization of MHFS | \$47,291 | 34,994 |
| Transfers from loans to MHFS | 5,257 | 7,219 |
| Transfers from available-for-sale to held-to-maturity securities | 816 | 4,972 |

SUBSEQUENT EVENTS We have evaluated the effects of events that have occurred subsequent to September 30, 2016, and there have been no material events that would require recognition in our third quarter 2016 consolidated financial statements or disclosure in the Notes to the consolidated financial statements. During the first week of October 2016, Hurricane Matthew caused destruction along the coasts of Florida, Georgia, South Carolina and North Carolina and resulted in, among other things, property damage for our customers and the closing of many businesses. We are currently assessing the impact to our customers and our business as a result of Hurricane Matthew. The financial impact to us is expected to primarily relate to our consumer real estate, commercial real estate and auto loan portfolios and will depend on a number of factors, including the types of loans most affected by the hurricane, the extent of damage to our collateral, the extent of available insurance coverage, the availability of government assistance for our borrowers, and whether our borrowers' ability to repay their loans has been diminished.

Note 2: Business Combinations

We regularly explore opportunities to acquire financial services companies and businesses. Generally, we do not make a public announcement about an acquisition opportunity until a definitive agreement has been signed. For information on additional contingent consideration related to acquisitions, which is considered to be a guarantee, see Note 10 (Guarantees, Pledged Assets and Collateral). We also periodically review existing businesses to ensure they remain strategically aligned with our operating business model and risk profile.

During the first nine months of 2016, we completed two acquisitions and refined the related purchase accounting adjustments. On January 1, 2016, we acquired \$4.3 billion in assets associated with GE Railcar Services, which included 77,000 railcars and 1,000 locomotives. The acquired assets included \$918 million of loans and capital leases and \$3.2 billion of operating lease assets.

On March 1, 2016, we acquired the North American portion of GE Capital's Commercial Distribution Finance and Vendor Finance businesses. The North American portion represented approximately 90% of the total assets to be acquired. The Asia, Australia and New Zealand portions closed during third quarter 2016 and the remainder of the international portion closed on

October 1, 2016. As of September 30, 2016, and reflective of purchase accounting adjustment refinements, a total of \$31.1 billion in assets have been acquired, including \$25.6 billion of loans and capital leases, \$2.7 billion of operating lease assets, and \$1.8 billion of goodwill and intangible assets. The international portion that closed on October 1, 2016, completed the overall acquisition and consisted of an additional \$1.3 billion in acquired assets.

We also completed two significant and a few small divestitures during the first nine months of 2016. On March 31, 2016, we completed the divestiture of Rural Community Insurance, our crop insurance business. The transaction resulted in a pre-tax gain of \$381 million. On May 31, 2016, we sold our health benefit services business, which resulted in a pre-tax gain of \$290 million.

As of September 30, 2016, we had one pending acquisition involving a registered investment advisor with approximately \$15 billion in assets under management. We closed the acquisition on October 1, 2016.

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

Table 3.1 provides the detail of federal funds sold, securities purchased under short-term resale agreements (generally less than one year) and other short-term investments. Substantially all of the interest-earning deposits at September 30, 2016, and December 31, 2015, were held at the Federal Reserve.

Table 3.1: Fed Funds Sold and Other Short-Term Investments

| (in millions) | Sep 30, 2016 | Dec 31, 2015 |
|---|-----------------|-----------------|
| Federal funds sold and securities purchased under resale agreements | \$67,443 | 45,828 |
| Interest-earning deposits | 224,438 | 220,409 |
| Other short-term investments | 6,444 | 3,893 |
| Total | \$298,325 | 270,130 |

As part of maintaining our memberships in certain clearing organizations, we are required to stand ready to provide liquidity meant to sustain market clearing activity in the event unforeseen events occur or are deemed likely to occur. This includes commitments we have entered into to purchase securities under resale agreements from a central clearing organization that, at its option, require us to provide funding under such agreements. We do not have any outstanding amounts funded, and the amount of our unfunded contractual commitment was \$3.3 billion and \$2.2 billion as of September 30, 2016, and December 31, 2015, respectively.

We have classified securities purchased under long-term resale agreements (generally one year or more), which totaled \$21.2 billion and \$20.1 billion at September 30, 2016, and December 31, 2015, respectively, in loans. For

additional information on the collateral we receive from other entities under resale agreements and securities borrowings, see the “Offsetting of Resale and Repurchase Agreements and Securities Borrowing and Lending Agreements” section in Note 10 (Guarantees, Pledged Assets and Collateral).

Note 4: Investment Securities (continued)

Note 4: Investment Securities

Table 4.1 provides the amortized cost and fair value by major categories of available-for-sale securities, which are carried at fair value, and held-to-maturity debt securities, which are carried at

amortized cost. The net unrealized gains (losses) for available-for-sale securities are reported on an after-tax basis as a component of cumulative OCI.

Table 4.1: Amortized Cost and Fair Value

| (in millions) | Amortized Cost | Gross unrealized gains | Gross unrealized losses | Fair value |
|---|-------------------|------------------------------|-------------------------------|---------------|
| September 30, 2016 | | | | |
| Available-for-sale securities: | | | | |
| Securities of U.S. Treasury and federal agencies | \$ 25,968 | 410 | (2 |) 26,376 |
| Securities of U.S. states and political subdivisions | 56,000 | 910 | (1,544 |) 55,366 |
| Mortgage-backed securities: | | | | |
| Federal agencies | 132,732 | 3,020 | (60 |) 135,692 |
| Residential | 7,881 | 653 | (7 |) 8,527 |
| Commercial | 9,801 | 126 | (67 |) 9,860 |
| Total mortgage-backed securities | 150,414 | 3,799 | (134 |) 154,079 |
| Corporate debt securities | 12,506 | 389 | (174 |) 12,721 |
| Collateralized loan and other debt obligations (1) | 35,201 | 292 | (48 |) 35,445 |
| Other (2) | 6,278 | 128 | (35 |) 6,371 |
| Total debt securities | 286,367 | 5,928 | (1,937 |) 290,358 |
| Marketable equity securities: | | | | |
| Perpetual preferred securities | 529 | 65 | (3 |) 591 |
| Other marketable equity securities | 222 | 420 | — | 642 |
| Total marketable equity securities | 751 | 485 | (3 |) 1,233 |
| Total available-for-sale securities | 287,118 | 6,413 | (1,940 |) 291,591 |
| Held-to-maturity securities: | | | | |
| Securities of U.S. Treasury and federal agencies | 44,682 | 2,209 | — | 46,891 |
| Securities of U.S. states and political subdivisions | 2,994 | 121 | (8 |) 3,107 |
| Federal agency and other mortgage-backed securities (3) | 47,721 | 969 | — | 48,690 |
| Collateralized loan obligations | 1,406 | 7 | (2 |) 1,411 |
| Other (2) | 2,438 | 11 | (1 |) 2,448 |
| Total held-to-maturity securities | 99,241 | 3,317 | (11 |) 102,547 |
| Total | \$ 386,359 | 9,730 | (1,951 |) 394,138 |
| December 31, 2015 | | | | |
| Available-for-sale securities: | | | | |
| Securities of U.S. Treasury and federal agencies | \$ 36,374 | 24 | (148 |) 36,250 |
| Securities of U.S. states and political subdivisions | 49,167 | 1,325 | (502 |) 49,990 |
| Mortgage-backed securities: | | | | |
| Federal agencies | 103,391 | 1,983 | (828 |) 104,546 |
| Residential | 7,843 | 740 | (25 |) 8,558 |
| Commercial | 13,943 | 230 | (85 |) 14,088 |
| Total mortgage-backed securities | 125,177 | 2,953 | (938 |) 127,192 |
| Corporate debt securities | 15,548 | 312 | (449 |) 15,411 |
| Collateralized loan and other debt obligations (1) | 31,210 | 125 | (368 |) 30,967 |
| Other (2) | 5,842 | 115 | (46 |) 5,911 |

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| | | | | |
|---|------------|-------|--------|-----------|
| Total debt securities | 263,318 | 4,854 | (2,451 |) 265,721 |
| Marketable equity securities: | | | | |
| Perpetual preferred securities | 819 | 112 | (13 |) 918 |
| Other marketable equity securities | 239 | 482 | (2 |) 719 |
| Total marketable equity securities | 1,058 | 594 | (15 |) 1,637 |
| Total available-for-sale securities | 264,376 | 5,448 | (2,466 |) 267,358 |
| Held-to-maturity securities: | | | | |
| Securities of U.S. Treasury and federal agencies | 44,660 | 580 | (73 |) 45,167 |
| Securities of U.S. states and political subdivisions | 2,185 | 65 | — | 2,250 |
| Federal agency and other mortgage-backed securities (3) | 28,604 | 131 | (314 |) 28,421 |
| Collateralized loan obligations | 1,405 | — | (24 |) 1,381 |
| Other (2) | 3,343 | 8 | (3 |) 3,348 |
| Total held-to-maturity securities | 80,197 | 784 | (414 |) 80,567 |
| Total | \$ 344,573 | 6,232 | (2,880 |) 347,925 |

The available-for-sale portfolio includes collateralized debt obligations (CDOs) with a cost basis and fair value of (1) \$824 million and \$832 million, respectively, at September 30, 2016, and \$247 million and \$257 million, respectively, at December 31, 2015.

The “Other” category of available-for-sale securities largely includes asset-backed securities collateralized by credit cards, student loans, home equity loans and automobile leases or loans and cash. Included in the “Other” category of held-to-maturity securities are asset-backed securities collateralized by automobile leases or loans and cash with a (2) cost basis and fair value of \$1.4 billion each at September 30, 2016, and \$1.9 billion each at December 31, 2015.

Also included in the “Other” category of held-to-maturity securities are asset-backed securities collateralized by dealer floorplan loans with a cost basis and fair value of \$1.1 billion each at September 30, 2016, and \$1.4 billion each at December 31, 2015.

(3) Predominantly consists of federal agency mortgage-backed securities at September 30, 2016. The entire balance consists of federal agency mortgage-backed securities at December 31, 2015.

Gross Unrealized Losses and Fair Value

Table 4.2 shows the gross unrealized losses and fair value of securities in the investment securities portfolio by length of time that individual securities in each category have been in a continuous loss position. Debt securities on which we have taken credit-related OTTI write-downs are categorized as being “less

than 12 months” or “12 months or more” in a continuous loss position based on the point in time that the fair value declined to below the cost basis and not the period of time since the credit-related OTTI write-down.

Table 4.2: Gross Unrealized Losses and Fair Value

| (in millions) | Less than 12 months | | 12 months or more | | Total | |
|--|-------------------------|------------|-------------------------|------------|-------------------------|------------|
| | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value |
| September 30, 2016 | | | | | | |
| Available-for-sale securities: | | | | | | |
| Securities of U.S. Treasury and federal agencies | \$(2) | 2,033 | — | — | (2) | 2,033 |
| Securities of U.S. states and political subdivisions | (455) | 21,306 | (1,089) | 12,596 | (1,544) | 33,902 |
| Mortgage-backed securities: | | | | | | |
| Federal agencies | (7) | 4,785 | (53) | 3,697 | (60) | 8,482 |
| Residential | (3) | 379 | (4) | 210 | (7) | 589 |
| Commercial | (23) | 1,255 | (44) | 2,415 | (67) | 3,670 |
| Total mortgage-backed securities | (33) | 6,419 | (101) | 6,322 | (134) | 12,741 |
| Corporate debt securities | (11) | 758 | (163) | 1,683 | (174) | 2,441 |
| Collateralized loan and other debt obligations | (6) | 754 | (42) | 5,256 | (48) | 6,010 |
| Other | (7) | 1,107 | (28) | 1,304 | (35) | 2,411 |
| Total debt securities | (514) | 32,377 | (1,423) | 27,161 | (1,937) | 59,538 |
| Marketable equity securities: | | | | | | |
| Perpetual preferred securities | (1) | 5 | (2) | 51 | (3) | 56 |
| Other marketable equity securities | — | — | — | — | — | — |
| Total marketable equity securities | (1) | 5 | (2) | 51 | (3) | 56 |
| Total available-for-sale securities | (515) | 32,382 | (1,425) | 27,212 | (1,940) | 59,594 |
| Held-to-maturity securities: | | | | | | |
| Securities of U.S. Treasury and federal agencies | — | — | — | — | — | — |
| Securities of U.S. states and political subdivisions | (5) | 547 | (3) | 252 | (8) | 799 |
| Federal agency and other mortgage-backed securities | — | — | — | — | — | — |
| Collateralized loan obligations | — | — | (2) | 285 | (2) | 285 |
| Other | (1) | 739 | — | — | (1) | 739 |
| Total held-to-maturity securities | (6) | 1,286 | (5) | 537 | (11) | 1,823 |
| Total | \$(521) | 33,668 | (1,430) | 27,749 | (1,951) | 61,417 |
| December 31, 2015 | | | | | | |
| Available-for-sale securities: | | | | | | |
| Securities of U.S. Treasury and federal agencies | \$(148) | 24,795 | — | — | (148) | 24,795 |
| Securities of U.S. states and political subdivisions | (26) | 3,453 | (476) | 12,377 | (502) | 15,830 |
| Mortgage-backed securities: | | | | | | |
| Federal agencies | (522) | 36,329 | (306) | 9,888 | (828) | 46,217 |
| Residential | (20) | 1,276 | (5) | 285 | (25) | 1,561 |
| Commercial | (32) | 4,476 | (53) | 2,363 | (85) | 6,839 |
| Total mortgage-backed securities | (574) | 42,081 | (364) | 12,536 | (938) | 54,617 |

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|--|-----------|-----------|---------|----------|---------|-----------|
| Corporate debt securities | (244 |) 4,941 | (205 |) 1,057 | (449 |) 5,998 |
| Collateralized loan and other debt obligations | (276 |) 22,214 | (92 |) 4,844 | (368 |) 27,058 |
| Other | (33 |) 2,768 | (13 |) 425 | (46 |) 3,193 |
| Total debt securities | (1,301 |) 100,252 | (1,150 |) 31,239 | (2,451 |) 131,491 |
| Marketable equity securities: | | | | | | |
| Perpetual preferred securities | (1 |) 24 | (12 |) 109 | (13 |) 133 |
| Other marketable equity securities | (2 |) 40 | — | — | (2 |) 40 |
| Total marketable equity securities | (3 |) 64 | (12 |) 109 | (15 |) 173 |
| Total available-for-sale securities | (1,304 |) 100,316 | (1,162 |) 31,348 | (2,466 |) 131,664 |
| Held-to-maturity securities: | | | | | | |
| Securities of U.S. Treasury and federal agencies | (73 |) 5,264 | — | — | (73 |) 5,264 |
| Securities of U.S. states and political subdivisions | — | — | — | — | — | — |
| Federal agency and other mortgage-backed securities | (314 |) 23,115 | — | — | (314 |) 23,115 |
| Collateralized loan obligations | (20 |) 1,148 | (4 |) 233 | (24 |) 1,381 |
| Other | (3 |) 1,096 | — | — | (3 |) 1,096 |
| Total held-to-maturity securities | (410 |) 30,623 | (4 |) 233 | (414 |) 30,856 |
| Total | \$(1,714) | 130,939 | (1,166) |) 31,581 | (2,880) |) 162,520 |

Note 4: Investment Securities (continued)

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

For descriptions of the factors we consider when analyzing securities for impairment, see Note 1 (Summary of Significant Accounting Policies) and Note 5 (Investment Securities) to Financial Statements in our 2015 Form 10-K. There were no material changes to our methodologies for assessing impairment in the first nine months of 2016. Table 4.3 shows the gross unrealized losses and fair value of debt and perpetual preferred investment securities by those rated investment grade and those rated less than investment grade,

according to their lowest credit rating by Standard & Poor's Rating Services (S&P) or Moody's Investors Service (Moody's). Credit ratings express opinions about the credit quality of a security. Securities rated investment grade, that is those rated BBB- or higher by S&P or Baa3 or higher by Moody's, are generally considered by the rating agencies and market participants to be low credit risk. Conversely, securities rated below investment grade, labeled as "speculative grade" by the rating agencies, are considered to be distinctively higher credit risk than investment grade securities. We have also included securities not rated by S&P or Moody's in the table below based on our internal credit grade of the securities (used for credit risk management purposes) equivalent to the credit rating assigned by major credit agencies. The unrealized losses and fair value of unrated securities categorized as investment grade based on internal credit grades were \$63 million and \$4.0 billion, respectively, at September 30, 2016, and \$17 million and \$3.7 billion, respectively, at December 31, 2015. If an internal credit grade was not assigned, we categorized the security as non-investment grade.

Table 4.3: Gross Unrealized Losses and Fair Value by Investment Grade

| (in millions) | Investment grade | | Non-investment grade | |
|--|-------------------------|------------|-------------------------|------------|
| | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value |
| September 30, 2016 | | | | |
| Available-for-sale securities: | | | | |
| Securities of U.S. Treasury and federal agencies | \$(2) | 2,033 | — | — |
| Securities of U.S. states and political subdivisions | (1,509) | 33,572 | (35) | 330 |
| Mortgage-backed securities: | | | | |
| Federal agencies | (60) | 8,482 | — | — |
| Residential | (1) | 150 | (6) | 439 |
| Commercial | (20) | 3,041 | (47) | 629 |
| Total mortgage-backed securities | (81) | 11,673 | (53) | 1,068 |
| Corporate debt securities | (78) | 1,417 | (96) | 1,024 |
| Collateralized loan and other debt obligations | (48) | 6,010 | — | — |
| Other | (30) | 2,043 | (5) | 368 |
| Total debt securities | (1,748) | 56,748 | (189) | 2,790 |
| Perpetual preferred securities | (3) | 56 | — | — |
| Total available-for-sale securities | (1,751) | 56,804 | (189) | 2,790 |
| Held-to-maturity securities: | | | | |
| Securities of U.S. Treasury and federal agencies | — | — | — | — |
| Securities of U.S. states and political subdivisions | (8) | 799 | — | — |

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|--|-----------|-----------|------|---------|
| Federal agency and other mortgage-backed securities | — | — | — | — |
| Collateralized loan obligations | (2 |) 285 | — | — |
| Other | (1 |) 739 | — | — |
| Total held-to-maturity securities | (11 |) 1,823 | — | — |
| Total | \$(1,762) | 58,627 | (189 |) 2,790 |
| December 31, 2015 | | | | |
| Available-for-sale securities: | | | | |
| Securities of U.S. Treasury and federal agencies | \$(148 |) 24,795 | — | — |
| Securities of U.S. states and political subdivisions | (464 |) 15,470 | (38 |) 360 |
| Mortgage-backed securities: | | | | |
| Federal agencies | (828 |) 46,217 | — | — |
| Residential | (12 |) 795 | (13 |) 766 |
| Commercial | (59 |) 6,361 | (26 |) 478 |
| Total mortgage-backed securities | (899 |) 53,373 | (39 |) 1,244 |
| Corporate debt securities | (140 |) 4,167 | (309 |) 1,831 |
| Collateralized loan and other debt obligations | (368 |) 27,058 | — | — |
| Other | (43 |) 2,915 | (3 |) 278 |
| Total debt securities | (2,062 |) 127,778 | (389 |) 3,713 |
| Perpetual preferred securities | (13 |) 133 | — | — |
| Total available-for-sale securities | (2,075 |) 127,911 | (389 |) 3,713 |
| Held-to-maturity securities: | | | | |
| Securities of U.S. Treasury and federal agencies | (73 |) 5,264 | — | — |
| Securities of U.S. states and political subdivisions | — | — | — | — |
| Federal agency and other mortgage-backed securities | (314 |) 23,115 | — | — |
| Collateralized loan obligations | (24 |) 1,381 | — | — |
| Other | (3 |) 1,096 | — | — |
| Total held-to-maturity securities | (414 |) 30,856 | — | — |
| Total | \$(2,489) | 158,767 | (389 |) 3,713 |

Contractual Maturities

Table 4.4 shows the remaining contractual maturities and contractual weighted-average yields (taxable-equivalent basis) of available-for-sale debt securities. The remaining contractual principal maturities for MBS do not consider

prepayments. Remaining expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations before the underlying mortgages mature.

Table 4.4: Contractual Maturities

| | Total amount | Yield | Remaining contractual maturity | | | | | | | |
|--|-----------------|--------|--------------------------------|--------|---|--------|---|--------|-----------------|--------|
| | | | Within one year | | After one year through five years | | After five years through ten years | | After ten years | |
| (in millions) | | | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield |
| September 30, 2016 | | | | | | | | | | |
| Available-for-sale debt securities (1): | | | | | | | | | | |
| Fair value: | | | | | | | | | | |
| Securities of U.S. | | | | | | | | | | |
| Treasury and federal agencies | \$26,376 | 1.44 % | \$110 | 1.39 % | \$25,217 | 1.42 % | \$1,049 | 1.80 % | \$— | — % |
| Securities of U.S. states and political subdivisions | 55,366 | 5.76 | 2,985 | 1.70 | 9,305 | 2.80 | 2,885 | 5.06 | 40,191 | 6.79 |
| Mortgage-backed securities: | | | | | | | | | | |
| Federal agencies | 135,692 | 3.11 | — | — | 133 | 2.95 | 2,930 | 3.37 | 132,629 | 3.10 |
| Residential | 8,527 | 3.86 | — | — | 27 | 5.19 | 37 | 4.29 | 8,463 | 3.86 |
| Commercial | 9,860 | 4.82 | — | — | — | — | 31 | 3.15 | 9,829 | 4.82 |
| Total mortgage-backed securities | 154,079 | 3.26 | — | — | 160 | 3.33 | 2,998 | 3.38 | 150,921 | 3.26 |
| Corporate debt securities | 12,721 | 4.78 | 2,264 | 3.12 | 4,210 | 5.50 | 4,956 | 4.77 | 1,291 | 5.36 |
| Collateralized loan and other debt obligations | 35,445 | 2.53 | 1 | 1.03 | 361 | 1.32 | 16,965 | 2.48 | 18,118 | 2.61 |
| Other | 6,371 | 2.09 | 57 | 3.00 | 916 | 2.34 | 1,163 | 2.02 | 4,235 | 2.04 |
| Total available-for-sale debt securities at fair value | \$290,358 | 3.52 % | \$5,417 | 2.30 % | \$40,169 | 2.20 % | \$30,016 | 3.16 % | \$214,756 | 3.85 % |
| December 31, 2015 | | | | | | | | | | |
| Available-for-sale debt securities (1): | | | | | | | | | | |
| Fair value: | | | | | | | | | | |
| Securities of U.S. | | | | | | | | | | |
| Treasury and federal agencies | \$36,250 | 1.49 % | \$216 | 0.77 % | \$31,602 | 1.44 % | \$4,432 | 1.86 % | \$— | — % |
| Securities of U.S. states and political subdivisions | 49,990 | 5.82 | 1,969 | 2.09 | 7,709 | 2.02 | 3,010 | 5.25 | 37,302 | 6.85 |
| Mortgage-backed securities: | | | | | | | | | | |

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| | | | | | | | | | | |
|--|-----------|--------|---------|--------|----------|--------|----------|--------|-----------|--------|
| Federal agencies | 104,546 | 3.29 | 3 | 6.55 | 373 | 1.58 | 1,735 | 3.84 | 102,435 | 3.29 |
| Residential | 8,558 | 4.17 | — | — | 34 | 5.11 | 34 | 6.03 | 8,490 | 4.16 |
| Commercial | 14,088 | 5.06 | — | — | 61 | 2.79 | — | — | 14,027 | 5.07 |
| Total mortgage-backed securities | 127,192 | 3.54 | 3 | 6.55 | 468 | 1.99 | 1,769 | 3.88 | 124,952 | 3.55 |
| Corporate debt securities | 15,411 | 4.57 | 1,960 | 3.84 | 6,731 | 4.47 | 5,459 | 4.76 | 1,261 | 5.47 |
| Collateralized loan and other debt obligations | 30,967 | 2.08 | 2 | 0.33 | 804 | 0.90 | 12,707 | 2.01 | 17,454 | 2.19 |
| Other | 5,911 | 2.05 | 68 | 2.47 | 1,228 | 2.57 | 953 | 1.94 | 3,662 | 1.89 |
| Total available-for-sale debt securities at fair value | \$265,721 | 3.55 % | \$4,218 | 2.84 % | \$48,542 | 1.98 % | \$28,330 | 2.98 % | \$184,631 | 4.07 % |

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

Note 4: Investment Securities (continued)

Table 4.5 shows the amortized cost and weighted-average yields of held-to-maturity debt securities by contractual maturity.

Table 4.5: Amortized Cost by Contractual Maturity

| | Total | | Remaining contractual maturity | | | | | | | |
|--|----------|--------|--------------------------------|-----------------------------------|------------------------------------|-----------------|----------|--------|----------|--------|
| | | | Within one year | After one year through five years | After five years through ten years | After ten years | | | | |
| (in millions) | amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield |
| September 30, 2016 | | | | | | | | | | |
| Held-to-maturity securities (1): | | | | | | | | | | |
| Amortized cost: | | | | | | | | | | |
| Securities of U.S. Treasury and federal agencies | \$44,682 | 2.12 % | \$— | % | \$24,638 | 2.08 % | \$20,044 | 2.16 % | \$— | — % |
| Securities of U.S. states and political subdivisions | 2,994 | 5.86 | — | — | — | — | 203 | 7.25 | 2,791 | 5.76 |
| Federal agency and other mortgage-backed securities | 47,721 | 3.24 | — | — | — | — | — | — | 47,721 | 3.24 |
| Collateralized loan obligations | 1,406 | 2.42 | — | — | — | — | 1,406 | 2.42 | — | — |
| Other | 2,438 | 1.69 | — | — | 1,790 | 1.69 | 648 | 1.68 | — | — |
| Total held-to-maturity debt securities at amortized cost | \$99,241 | 2.76 % | \$— | % | \$26,428 | 2.05 % | \$22,301 | 2.21 % | \$50,512 | 3.38 % |
| December 31, 2015 | | | | | | | | | | |
| Held-to-maturity securities (1): | | | | | | | | | | |
| Amortized cost: | | | | | | | | | | |
| Securities of U.S. Treasury and federal agencies | \$44,660 | 2.12 % | \$— | % | \$1,276 | 1.75 % | \$43,384 | 2.13 % | \$— | — % |
| Securities of U.S. states and political subdivisions | 2,185 | 5.97 | — | — | — | — | 104 | 7.49 | 2,081 | 5.89 |
| Federal agency and other mortgage-backed securities | 28,604 | 3.47 | — | — | — | — | — | — | 28,604 | 3.47 |
| Collateralized loan obligations | 1,405 | 2.03 | — | — | — | — | — | — | 1,405 | 2.03 |
| Other | 3,343 | 1.68 | — | — | 2,351 | 1.74 | 992 | 1.53 | — | — |
| Total held-to-maturity debt securities at amortized cost | \$80,197 | 2.69 % | \$— | % | \$3,627 | 1.74 % | \$44,480 | 2.13 % | \$32,090 | 3.57 % |

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

Table 4.6 shows the fair value of held-to-maturity debt securities by contractual maturity.

Table 4.6: Fair Value by Contractual Maturity

| Total | Remaining contractual maturity | | | |
|-------|--------------------------------|-----------------------------------|------------------------------------|-----------------|
| | Within one year | After one year through five years | After five years through ten years | After ten years |

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| (in millions) | amount | Amount | Amount | Amount | Amount |
|--|-----------|--------|--------|--------|--------|
| September 30, 2016 | | | | | |
| Held-to-maturity securities: | | | | | |
| Fair value: | | | | | |
| Securities of U.S. Treasury and federal agencies | \$46,891 | — | 25,782 | 21,109 | — |
| Securities of U.S. states and political subdivisions | 3,107 | — | — | 213 | 2,894 |
| Federal agency and other mortgage-backed securities | 48,690 | — | — | — | 48,690 |
| Collateralized loan obligations | 1,411 | — | — | 1,411 | — |
| Other | 2,448 | — | 1,795 | 653 | — |
| Total held-to-maturity debt securities at fair value | \$102,547 | — | 27,577 | 23,386 | 51,584 |
| December 31, 2015 | | | | | |
| Held-to-maturity securities: | | | | | |
| Fair value: | | | | | |
| Securities of U.S. Treasury and federal agencies | \$45,167 | — | 1,298 | 43,869 | — |
| Securities of U.S. states and political subdivisions | 2,250 | — | — | 105 | 2,145 |
| Federal agency and other mortgage-backed securities | 28,421 | — | — | — | 28,421 |
| Collateralized loan obligations | 1,381 | — | — | — | 1,381 |
| Other | 3,348 | — | 2,353 | 995 | — |
| Total held-to-maturity debt securities at fair value | \$80,567 | — | 3,651 | 44,969 | 31,947 |

Realized Gains and Losses

Table 4.7 shows the gross realized gains and losses on sales and OTTI write-downs related to the available-for-sale securities

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

Table 4.7: Realized Gains and Losses

| (in millions) | Quarter ended Sep 30, | | Nine months ended Sep 30, | |
|--|-----------------------|-------|---------------------------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| Gross realized gains | \$266 | 530 | 1,215 | 1,133 |
| Gross realized losses | (23) | (21) | (67) | (57) |
| OTTI write-downs | (52) | (74) | (147) | (125) |
| Net realized gains from available-for-sale securities | 191 | 435 | 1,001 | 951 |
| Net realized gains from nonmarketable equity investments | 55 | 632 | 369 | 1,462 |
| Net realized gains from debt securities and equity investments | \$246 | 1,067 | 1,370 | 2,413 |

Other-Than-Temporary Impairment

Table 4.8 shows the detail of total OTTI write-downs included in earnings for available-for-sale debt securities, marketable equity

securities and nonmarketable equity investments. There were no OTTI write-downs on held-to-maturity securities during the first nine months of 2016 and 2015.

Table 4.8: OTTI Write-downs

| (in millions) | Quarter ended Sep 30, | | Nine months ended Sep 30, | |
|--|-----------------------|------|---------------------------|------|
| | 2016 | 2015 | 2016 | 2015 |
| OTTI write-downs included in earnings | | | | |
| Debt securities: | | | | |
| Securities of U.S. states and political subdivisions | \$30 | 2 | 40 | 18 |
| Mortgage-backed securities: | | | | |
| Residential | 4 | 9 | 28 | 43 |
| Commercial | 10 | 3 | 11 | 3 |
| Corporate debt securities | 7 | 59 | 57 | 59 |
| Other debt securities | — | — | 6 | — |
| Total debt securities | 51 | 73 | 142 | 123 |
| Equity securities: | | | | |
| Marketable equity securities: | | | | |
| Other marketable equity securities | 1 | 1 | 5 | 2 |
| Total marketable equity securities | 1 | 1 | 5 | 2 |
| Total investment securities (1) | 52 | 74 | 147 | 125 |
| Nonmarketable equity investments (1) | 84 | 66 | 317 | 183 |
| Total OTTI write-downs included in earnings (1) | \$136 | 140 | 464 | 308 |

(1) The quarter ended September 30, 2016, includes \$32 million in OTTI write-downs of oil and gas investments, of which \$6 million related to investment securities and \$26 million related to nonmarketable equity investments. Oil

and gas related OTTI for the first nine months of 2016 totaled \$185 million, of which \$57 million related to investment securities and \$128 million related to nonmarketable equity investments.

Note 4: Investment Securities (continued)

Other-Than-Temporarily Impaired Debt Securities

Table 4.9 shows the detail of OTTI write-downs on available-for-sale debt securities included in earnings and the related changes in OCI for the same securities.

Table 4.9: OTTI Write-downs Included in Earnings

| (in millions) | Quarter ended Sep 30, | | Nine months ended Sep 30, | |
|--|-----------------------|------|---------------------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| OTTI on debt securities | | | | |
| Recorded as part of gross realized losses: | | | | |
| Credit-related OTTI | \$21 | 70 | 102 | 109 |
| Intent-to-sell OTTI | 30 | 3 | 40 | 14 |
| Total recorded as part of gross realized losses | 51 | 73 | 142 | 123 |
| Changes to OCI for losses (reversal of losses) in non-credit-related OTTI (1): | | | | |
| Securities of U.S. states and political subdivisions | — | — | — | (1) |
| Residential mortgage-backed securities | (4) | (6) | 1 | (37) |
| Commercial mortgage-backed securities | (11) | 2 | (9) | (13) |
| Corporate debt securities | — | 1 | (13) | 1 |
| Other debt securities | — | — | 2 | — |
| Total changes to OCI for non-credit-related OTTI | (15) | (3) | (19) | (50) |
| Total OTTI losses recorded on debt securities | \$36 | 70 | 123 | 73 |

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

Table 4.10 presents a rollforward of the OTTI credit loss that has been recognized in earnings as a write-down of available-for-sale debt securities we still own (referred to as "credit-impaired" debt securities) and do not intend to sell. Recognized credit loss

represents the difference between the present value of expected future cash flows discounted using the security's current effective interest rate and the amortized cost basis of the security prior to considering credit loss.

Table 4.10: Rollforward of OTTI Credit Loss

| (in millions) | Quarter ended Sep 30, | | Nine months ended Sep 30, | |
|---|-----------------------|-------|---------------------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| Credit loss recognized, beginning of period | \$1,080 | 993 | 1,092 | 1,025 |
| Additions: | | | | |
| For securities with initial credit impairments | 16 | 64 | 54 | 64 |
| For securities with previous credit impairments | 5 | 6 | 48 | 45 |
| Total additions | 21 | 70 | 102 | 109 |
| Reductions: | | | | |
| For securities sold, matured, or intended/required to be sold | (22) | (23) | (111) | (89) |
| For recoveries of previous credit impairments (1) | (2) | (1) | (6) | (6) |
| Total reductions | (24) | (24) | (117) | (95) |

Credit loss recognized, end of period \$1,077 1,039 1,077 1,039

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

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Note 5: Loans and Allowance for Credit Losses

Table 5.1 presents total loans outstanding by portfolio segment and class of financing receivable. Outstanding balances include a total net reduction of \$4.5 billion and \$3.8 billion at September 30, 2016, and December 31, 2015, respectively, for unearned income, net deferred loan fees, and unamortized

discounts and premiums. Outstanding balances at September 30, 2016 also reflect the acquisition of various loans and capital leases from GE Capital as described in Note 2 (Business Combinations).

Table 5.1: Loans Outstanding

| (in millions) | Sep 30, 2016 | Dec 31, 2015 |
|---|-----------------|-----------------|
| Commercial: | | |
| Commercial and industrial | \$324,020 | 299,892 |
| Real estate mortgage | 130,223 | 122,160 |
| Real estate construction | 23,340 | 22,164 |
| Lease financing | 18,871 | 12,367 |
| Total commercial | 496,454 | 456,583 |
| Consumer: | | |
| Real estate 1-4 family first mortgage | 278,689 | 273,869 |
| Real estate 1-4 family junior lien mortgage | 48,105 | 53,004 |
| Credit card | 34,992 | 34,039 |
| Automobile | 62,873 | 59,966 |
| Other revolving credit and installment | 40,213 | 39,098 |
| Total consumer | 464,872 | 459,976 |
| Total loans | \$961,326 | 916,559 |

Our foreign loans are reported by respective class of financing receivable in the table above. 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. Table 5.2 presents total commercial foreign loans outstanding by class of financing receivable.

Table 5.2: Commercial Foreign Loans Outstanding

| (in millions) | Sep 30, 2016 | Dec 31, 2015 |
|--------------------------------|-----------------|-----------------|
| Commercial foreign loans: | | |
| Commercial and industrial | \$51,515 | 49,049 |
| Real estate mortgage | 8,466 | 8,350 |
| Real estate construction | 310 | 444 |
| Lease financing | 958 | 274 |
| Total commercial foreign loans | \$61,249 | 58,117 |

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

Loan Purchases, Sales, and Transfers

Table 5.3 summarizes the proceeds paid or received for purchases and sales of loans and transfers from loans held for investment to mortgages/loans held for sale at lower of cost or fair value. This loan activity also includes participating interests, whereby we

receive or transfer a portion of a loan. The table excludes PCI loans and loans for which we have elected the fair value option, including loans originated for sale because their loan activity normally does not impact the allowance for credit losses.

Table 5.3: Loan Purchases, Sales, and Transfers

| (in millions) | 2016 | | | 2015 | | |
|---------------------------------|-------------------|--------------|----------|------------|--------------|--------|
| | Commercial (1) | Consumer (2) | Total | Commercial | Consumer (2) | Total |
| Quarter ended September 30, | | | | | | |
| Purchases | \$1,902 | — | 1,902 | 1,818 | 29 | 1,847 |
| Sales | (324) | (306) | (630) | (286) | (130) | (416) |
| Transfers to MHFS/LHFS | (44) | (1) | (45) | (39) | (7) | (46) |
| Nine months ended September 30, | | | | | | |
| Purchases | \$29,155 | — | 29,155 | 12,648 | 340 | 12,988 |
| Sales | (932) | (985) | (1,917) | (649) | (160) | (809) |
| Transfers to MHFS/LHFS | (145) | (5) | (150) | (91) | (14) | (105) |

(1) Purchases include loans and capital leases from the GE Capital business acquisitions as described in Note 2 (Business Combinations).

Excludes activity in government insured/guaranteed real estate 1-4 family first mortgage loans. As servicer, we are able to buy delinquent insured/guaranteed loans out of the Government National Mortgage Association (GNMA) (2) pools, and manage and/or resell them in accordance with applicable requirements. These loans are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA).

Accordingly, these loans have limited impact on the allowance for loan losses.

Commitments to Lend

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

We may, as a representative for other lenders, advance funds or provide for the issuance of letters of credit under syndicated loan or letter of credit agreements. Any advances are generally repaid in less than a week and would normally require default of both the customer and another lender to expose us to loss. These temporary advance arrangements totaled approximately \$75 billion at both September 30, 2016 and December 31, 2015.

We issue commercial letters of credit to assist customers in purchasing goods or services, typically for international trade. At both September 30, 2016, and December 31, 2015, we had \$1.1 billion of outstanding issued commercial letters of credit. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility for different purposes in one of several forms, including a standby letter of credit. See Note 10 (Guarantees, Pledged Assets and Collateral) for additional information on standby letters of credit.

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

our credit activities.

For loans and commitments to lend, we generally require collateral or a guarantee. We may require various types of collateral, including commercial and consumer real estate,

automobiles, other short-term liquid assets such as accounts receivable or inventory and long-lived assets, such as equipment and other business assets. Collateral requirements for each loan or commitment may vary based on the loan product and our assessment of a customer's credit risk according to the specific credit underwriting, including credit terms and structure.

The contractual amount of our unfunded credit commitments, including unissued standby and commercial letters of credit, is summarized by portfolio segment and class of financing receivable in Table 5.4. The table excludes the standby and commercial letters of credit and temporary advance arrangements described above.

Table 5.4: Unfunded Credit Commitments

| (in millions) | Sep 30, 2016 | Dec 31, 2015 |
|---|-----------------|-----------------|
| Commercial: | | |
| Commercial and industrial | \$309,075 | 296,710 |
| Real estate mortgage | 7,807 | 7,378 |
| Real estate construction | 18,735 | 18,047 |
| Lease financing | 17 | — |
| Total commercial | 335,634 | 322,135 |
| Consumer: | | |
| Real estate 1-4 family first mortgage | 39,066 | 34,621 |
| Real estate 1-4 family junior lien mortgage | 41,974 | 43,309 |
| Credit card | 102,252 | 98,904 |
| Other revolving credit and installment | 28,584 | 27,899 |
| Total consumer | 211,876 | 204,733 |
| Total unfunded credit commitments | \$547,510 | 526,868 |

Allowance for Credit Losses

Table 5.5 presents the allowance for credit losses, which consists of the allowance for loan losses and the allowance for unfunded credit commitments.

Table 5.5: Allowance for Credit Losses

| (in millions) | Quarter ended | | Nine months ended | |
|--|---------------|----------|-------------------|----------|
| | September 30, | | September 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Balance, beginning of period | \$12,749 | 12,614 | 12,512 | 13,169 |
| Provision for credit losses | 805 | 703 | 2,965 | 1,611 |
| Interest income on certain impaired loans (1) | (54) | (48) | (153) | (150) |
| Loan charge-offs: | | | | |
| Commercial: | | | | |
| Commercial and industrial | (324) | (172) | (1,110) | (459) |
| Real estate mortgage | (7) | (9) | (13) | (48) |
| Real estate construction | — | — | (1) | (2) |
| Lease financing | (4) | (5) | (25) | (11) |
| Total commercial | (335) | (186) | (1,149) | (520) |
| Consumer: | | | | |
| Real estate 1-4 family first mortgage | (106) | (145) | (366) | (394) |
| Real estate 1-4 family junior lien mortgage | (119) | (159) | (385) | (501) |
| Credit card | (296) | (259) | (930) | (821) |
| Automobile | (215) | (186) | (602) | (531) |
| Other revolving credit and installment | (170) | (160) | (508) | (465) |
| Total consumer | (906) | (909) | (2,791) | (2,712) |
| Total loan charge-offs | (1,241) | (1,095) | (3,940) | (3,232) |
| Loan recoveries: | | | | |
| Commercial: | | | | |
| Commercial and industrial | 65 | 50 | 210 | 192 |
| Real estate mortgage | 35 | 32 | 90 | 97 |
| Real estate construction | 18 | 8 | 30 | 25 |
| Lease financing | 2 | 2 | 10 | 6 |
| Total commercial | 120 | 92 | 340 | 320 |
| Consumer: | | | | |
| Real estate 1-4 family first mortgage | 86 | 83 | 284 | 182 |
| Real estate 1-4 family junior lien mortgage | 70 | 70 | 200 | 195 |
| Credit card | 51 | 43 | 153 | 123 |
| Automobile | 78 | 73 | 248 | 249 |
| Other revolving credit and installment | 31 | 31 | 100 | 102 |
| Total consumer | 316 | 300 | 985 | 851 |
| Total loan recoveries | 436 | 392 | 1,325 | 1,171 |
| Net loan charge-offs | (805) | (703) | (2,615) | (2,061) |
| Other | (1) | (4) | (15) | (7) |
| Balance, end of period | \$12,694 | 12,562 | 12,694 | 12,562 |
| Components: | | | | |
| Allowance for loan losses | \$11,583 | 11,659 | 11,583 | 11,659 |
| Allowance for unfunded credit commitments | 1,111 | 903 | 1,111 | 903 |
| Allowance for credit losses | \$12,694 | 12,562 | 12,694 | 12,562 |
| Net loan charge-offs (annualized) as a percentage of average total loans | 0.33 | % 0.31 | 0.37 | 0.31 |

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| | | | | |
|--|------|------|------|------|
| Allowance for loan losses as a percentage of total loans | 1.20 | 1.29 | 1.20 | 1.29 |
| Allowance for credit losses as a percentage of total loans | 1.32 | 1.39 | 1.32 | 1.39 |

Certain impaired loans with an allowance calculated by discounting expected cash flows using the loan's effective (1) interest rate over the remaining life of the loan recognize changes in allowance attributable to the passage of time as interest income.

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

Table 5.6 summarizes the activity in the allowance for credit losses by our commercial and consumer portfolio segments.

Table 5.6: Allowance Activity by Portfolio Segment

| (in millions) | 2016 | | | 2015 | | |
|---|------------|----------|----------|------------|----------|----------|
| | Commercial | Consumer | Total | Commercial | Consumer | Total |
| Quarter ended September 30, | | | | | | |
| Balance, beginning of period | \$ 7,441 | 5,308 | 12,749 | 6,279 | 6,335 | 12,614 |
| Provision for credit losses | 158 | 647 | 805 | 348 | 355 | 703 |
| Interest income on certain impaired loans | (14) | (40) | (54) | (3) | (45) | (48) |
| Loan charge-offs | (335) | (906) | (1,241) | (186) | (909) | (1,095) |
| Loan recoveries | 120 | 316 | 436 | 92 | 300 | 392 |
| Net loan charge-offs | (215) | (590) | (805) | (94) | (609) | (703) |
| Other | (1) | — | (1) | (4) | — | (4) |
| Balance, end of period | \$ 7,369 | 5,325 | 12,694 | 6,526 | 6,036 | 12,562 |
| Nine months ended September 30, | | | | | | |
| Balance, beginning of period | \$ 6,872 | 5,640 | 12,512 | 6,377 | 6,792 | 13,169 |
| Provision for credit losses | 1,350 | 1,615 | 2,965 | 368 | 1,243 | 1,611 |
| Interest income on certain impaired loans | (29) | (124) | (153) | (12) | (138) | (150) |
| Loan charge-offs | (1,149) | (2,791) | (3,940) | (520) | (2,712) | (3,232) |
| Loan recoveries | 340 | 985 | 1,325 | 320 | 851 | 1,171 |
| Net loan charge-offs | (809) | (1,806) | (2,615) | (200) | (1,861) | (2,061) |
| Other | (15) | — | (15) | (7) | — | (7) |
| Balance, end of period | \$ 7,369 | 5,325 | 12,694 | 6,526 | 6,036 | 12,562 |

Table 5.7 disaggregates our allowance for credit losses and recorded investment in loans by impairment methodology.

Table 5.7: Allowance by Impairment Methodology

| (in millions) | Allowance for credit losses | | | Recorded investment in loans | | |
|----------------------------|-----------------------------|----------|--------|------------------------------|----------|---------|
| | Commercial | Consumer | Total | Commercial | Consumer | Total |
| September 30, 2016 | | | | | | |
| Collectively evaluated (1) | \$6,254 | 3,531 | 9,785 | 489,945 | 430,259 | 920,204 |
| Individually evaluated (2) | 1,113 | 1,794 | 2,907 | 5,672 | 17,741 | 23,413 |
| PCI (3) | 2 | — | 2 | 837 | 16,872 | 17,709 |
| Total | \$7,369 | 5,325 | 12,694 | 496,454 | 464,872 | 961,326 |
| December 31, 2015 | | | | | | |
| Collectively evaluated (1) | \$5,999 | 3,436 | 9,435 | 452,063 | 420,705 | 872,768 |
| Individually evaluated (2) | 872 | 2,204 | 3,076 | 3,808 | 20,012 | 23,820 |
| PCI (3) | 1 | — | 1 | 712 | 19,259 | 19,971 |
| Total | \$6,872 | 5,640 | 12,512 | 456,583 | 459,976 | 916,559 |

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

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

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

Credit Quality

We monitor credit quality by evaluating various attributes and utilize such information in our evaluation of the appropriateness of the allowance for credit losses. The following sections provide the credit quality indicators we most closely monitor. The credit quality indicators are generally based on information as of our financial statement date, with the exception of updated Fair Isaac Corporation (FICO) scores and updated loan-to-value (LTV)/

combined LTV (CLTV). We obtain FICO scores at loan origination and the scores are generally updated at least quarterly, except in limited circumstances, including compliance with the Fair Credit Reporting Act (FCRA). Generally, the LTV and CLTV indicators are updated in the second month of each quarter, with updates no older than June 30, 2016. See the “Purchased Credit-Impaired Loans” section in this Note for credit quality information on our PCI portfolio.

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

Table 5.8 provides a breakdown of outstanding commercial loans by risk category. Of the \$22.3 billion in criticized commercial and industrial loans and \$6.0 billion in criticized commercial real estate (CRE) loans at September 30, 2016, \$3.3 billion and \$839 million, respectively, have been placed on nonaccrual status and written down to net realizable collateral value.

Table 5.8: Commercial Loans by Risk Category

| (in millions) | Commercial and industrial | Real estate mortgage | Real estate construction | Lease financing | Total |
|---|---------------------------|----------------------|--------------------------|-----------------|---------|
| September 30, 2016 | | | | | |
| By risk category: | | | | | |
| Pass | \$ 301,402 | 124,350 | 22,729 | 17,616 | 466,097 |
| Criticized | 22,251 | 5,463 | 551 | 1,255 | 29,520 |
| Total commercial loans (excluding PCI) | 323,653 | 129,813 | 23,280 | 18,871 | 495,617 |
| Total commercial PCI loans (carrying value) | 367 | 410 | 60 | — | 837 |
| Total commercial loans | \$ 324,020 | 130,223 | 23,340 | 18,871 | 496,454 |
| December 31, 2015 | | | | | |
| By risk category: | | | | | |
| Pass | \$ 281,356 | 115,025 | 21,546 | 11,772 | 429,699 |
| Criticized | 18,458 | 6,593 | 526 | 595 | 26,172 |
| Total commercial loans (excluding PCI) | 299,814 | 121,618 | 22,072 | 12,367 | 455,871 |
| Total commercial PCI loans (carrying value) | 78 | 542 | 92 | — | 712 |
| Total commercial loans | \$ 299,892 | 122,160 | 22,164 | 12,367 | 456,583 |

Table 5.9 provides past due information for commercial loans, which we monitor as part of our credit risk management practices.

Table 5.9: Commercial Loans by Delinquency Status

| (in millions) | Commercial and industrial | Real estate mortgage | Real estate construction | Lease financing | Total |
|---|---------------------------|----------------------|--------------------------|-----------------|---------|
| September 30, 2016 | | | | | |
| By delinquency status: | | | | | |
| Current-29 days past due (DPD) and still accruing | \$ 319,764 | 128,888 | 23,197 | 18,645 | 490,494 |
| 30-89 DPD and still accruing | 511 | 141 | 24 | 134 | 810 |
| 90+ DPD and still accruing | 47 | 4 | — | — | 51 |
| Nonaccrual loans | 3,331 | 780 | 59 | 92 | 4,262 |
| Total commercial loans (excluding PCI) | 323,653 | 129,813 | 23,280 | 18,871 | 495,617 |
| Total commercial PCI loans (carrying value) | 367 | 410 | 60 | — | 837 |
| Total commercial loans | \$ 324,020 | 130,223 | 23,340 | 18,871 | 496,454 |
| December 31, 2015 | | | | | |

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By delinquency status:

| | | | | | |
|---|------------|---------|--------|--------|---------|
| Current-29 DPD and still accruing | \$ 297,847 | 120,415 | 21,920 | 12,313 | 452,495 |
| 30-89 DPD and still accruing | 507 | 221 | 82 | 28 | 838 |
| 90+ DPD and still accruing | 97 | 13 | 4 | — | 114 |
| Nonaccrual loans | 1,363 | 969 | 66 | 26 | 2,424 |
| Total commercial loans (excluding PCI) | 299,814 | 121,618 | 22,072 | 12,367 | 455,871 |
| Total commercial PCI loans (carrying value) | 78 | 542 | 92 | — | 712 |
| Total commercial loans | \$ 299,892 | 122,160 | 22,164 | 12,367 | 456,583 |

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

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

Many of our loss estimation techniques used for the allowance for credit losses rely on delinquency-based models; therefore, delinquency is an important indicator of credit quality and the establishment of our allowance for credit losses. Table 5.10 provides the outstanding balances of our consumer portfolio by delinquency status.

Table 5.10: Consumer Loans by Delinquency Status

| (in millions) | Real estate | | | | | Other revolving credit and installment | Total |
|---|---------------------------|---|-------------|------------|--------|--|-------|
| | 1-4 family first mortgage | Real estate 1-4 family junior lien mortgage | Credit card | Automobile | | | |
| September 30, 2016 | | | | | | | |
| By delinquency status: | | | | | | | |
| Current-29 DPD | \$237,074 | 47,094 | 34,158 | 61,498 | 39,821 | 419,645 | |
| 30-59 DPD | 1,810 | 288 | 262 | 1,032 | 150 | 3,542 | |
| 60-89 DPD | 714 | 147 | 180 | 253 | 113 | 1,407 | |
| 90-119 DPD | 312 | 102 | 151 | 85 | 85 | 735 | |
| 120-179 DPD | 338 | 112 | 239 | 5 | 24 | 718 | |
| 180+ DPD | 1,894 | 320 | 2 | — | 20 | 2,236 | |
| Government insured/guaranteed loans (1) | 19,717 | — | — | — | — | 19,717 | |
| Total consumer loans (excluding PCI) | 261,859 | 48,063 | 34,992 | 62,873 | 40,213 | 448,000 | |
| Total consumer PCI loans (carrying value) | 16,830 | 42 | — | — | — | 16,872 | |
| Total consumer loans | \$278,689 | 48,105 | 34,992 | 62,873 | 40,213 | 464,872 | |
| December 31, 2015 | | | | | | | |
| By delinquency status: | | | | | | | |
| Current-29 DPD | \$225,195 | 51,778 | 33,208 | 58,503 | 38,690 | 407,374 | |
| 30-59 DPD | 2,072 | 325 | 257 | 1,121 | 175 | 3,950 | |
| 60-89 DPD | 821 | 184 | 177 | 253 | 107 | 1,542 | |
| 90-119 DPD | 402 | 110 | 150 | 84 | 86 | 832 | |
| 120-179 DPD | 460 | 145 | 246 | 4 | 21 | 876 | |
| 180+ DPD | 3,376 | 393 | 1 | 1 | 19 | 3,790 | |
| Government insured/guaranteed loans (1) | 22,353 | — | — | — | — | 22,353 | |
| Total consumer loans (excluding PCI) | 254,679 | 52,935 | 34,039 | 59,966 | 39,098 | 440,717 | |
| Total consumer PCI loans (carrying value) | 19,190 | 69 | — | — | — | 19,259 | |
| Total consumer loans | \$273,869 | 53,004 | 34,039 | 59,966 | 39,098 | 459,976 | |

Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA. Loans (1) insured/guaranteed by the FHA/VA and 90+ DPD totaled \$9.8 billion at September 30, 2016, compared with \$12.4 billion at December 31, 2015.

Of the \$3.7 billion of consumer loans not government insured/guaranteed that are 90 days or more past due at September 30, 2016, \$802 million was accruing, compared with \$5.5 billion past due and \$867 million accruing at December 31, 2015.

Real estate 1-4 family first mortgage loans 180 days or more past due totaled \$1.9 billion, or 0.7% of total first mortgages (excluding PCI), at September 30, 2016, compared with \$3.4 billion, or 1.3%, at December 31, 2015.

Table 5.11 provides a breakdown of our consumer portfolio by FICO. Most of the scored consumer portfolio has an updated FICO of 680 and above, reflecting a strong current borrower credit profile. FICO is not available for certain loan types and may not be obtained if we deem it unnecessary due to strong collateral and other borrower attributes, substantially all of which are security-based loans originated through retail brokerage of \$7.6 billion at September 30, 2016, and \$7.0 billion at December 31, 2015.

Table 5.11: Consumer Loans by FICO

| (in millions) | Real estate | | | | | Other revolving credit and installment | Total |
|---|---------------------------|---------------------------------|-------------|------------|--------|--|-------|
| | 1-4 family first mortgage | 1-4 family junior lien mortgage | Credit card | Automobile | | | |
| September 30, 2016 | | | | | | | |
| By FICO: | | | | | | | |
| < 600 | \$7,177 | 2,720 | 3,245 | 9,919 | 943 | 24,004 | |
| 600-639 | 5,661 | 2,017 | 2,984 | 6,982 | 1,052 | 18,696 | |
| 640-679 | 11,334 | 3,910 | 5,492 | 10,447 | 2,396 | 33,579 | |
| 680-719 | 23,451 | 6,783 | 7,124 | 11,341 | 4,395 | 53,094 | |
| 720-759 | 38,387 | 9,864 | 7,357 | 8,718 | 5,997 | 70,323 | |
| 760-799 | 100,971 | 15,365 | 5,938 | 8,159 | 8,548 | 138,981 | |
| 800+ | 49,460 | 6,638 | 2,776 | 6,881 | 6,600 | 72,355 | |
| No FICO available | 5,701 | 766 | 76 | 426 | 2,651 | 9,620 | |
| FICO not required | — | — | — | — | 7,631 | 7,631 | |
| Government insured/guaranteed loans (1) | 19,717 | — | — | — | — | 19,717 | |
| Total consumer loans (excluding PCI) | 261,859 | 48,063 | 34,992 | 62,873 | 40,213 | 448,000 | |
| Total consumer PCI loans (carrying value) | 16,830 | 42 | — | — | — | 16,872 | |
| Total consumer loans | \$278,689 | 48,105 | 34,992 | 62,873 | 40,213 | 464,872 | |
| December 31, 2015 | | | | | | | |
| By FICO: | | | | | | | |
| < 600 | \$8,716 | 3,025 | 2,927 | 9,260 | 965 | 24,893 | |
| 600-639 | 6,961 | 2,367 | 2,875 | 6,619 | 1,086 | 19,908 | |
| 640-679 | 13,006 | 4,613 | 5,354 | 10,014 | 2,416 | 35,403 | |
| 680-719 | 24,460 | 7,863 | 6,857 | 10,947 | 4,388 | 54,515 | |
| 720-759 | 38,309 | 10,966 | 7,017 | 8,279 | 6,010 | 70,581 | |
| 760-799 | 92,975 | 16,369 | 5,693 | 7,761 | 8,351 | 131,149 | |
| 800+ | 44,452 | 6,895 | 3,090 | 6,654 | 6,510 | 67,601 | |
| No FICO available | 3,447 | 837 | 226 | 432 | 2,395 | 7,337 | |
| FICO not required | — | — | — | — | 6,977 | 6,977 | |
| Government insured/guaranteed loans (1) | 22,353 | — | — | — | — | 22,353 | |
| Total consumer loans (excluding PCI) | 254,679 | 52,935 | 34,039 | 59,966 | 39,098 | 440,717 | |
| Total consumer PCI loans (carrying value) | 19,190 | 69 | — | — | — | 19,259 | |
| Total consumer loans | \$273,869 | 53,004 | 34,039 | 59,966 | 39,098 | 459,976 | |

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

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

Table 5.12 shows the most updated LTV and CLTV distribution of the real estate 1-4 family first and junior lien mortgage loan portfolios. We consider the trends in residential real estate markets as we monitor credit risk and establish our allowance for credit losses. In the event of a default, any loss should be limited to the portion of the loan amount in excess of the net realizable value of the underlying real estate collateral value. Certain loans do not have an LTV or CLTV due to industry data availability and portfolios acquired from or serviced by other institutions.

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

Table 5.12: Consumer Loans by LTV/CLTV

| (in millions) | September 30, 2016 | | | December 31, 2015 | | |
|---|--|---|---------|--|---|---------|
| | Real estate 1-4 family first mortgage by LTV | Real estate 1-4 family junior lien mortgage by CLTV | Total | Real estate 1-4 family first mortgage by LTV | Real estate 1-4 family junior lien mortgage by CLTV | Total |
| By LTV/CLTV: | | | | | | |
| 0-60% | \$ 119,444 | 16,499 | 135,943 | 109,558 | 15,805 | 125,363 |
| 60.01-80% | 100,450 | 15,571 | 116,021 | 92,005 | 16,579 | 108,584 |
| 80.01-100% | 16,509 | 9,381 | 25,890 | 22,765 | 11,385 | 34,150 |
| 100.01-120% (1) | 3,015 | 4,055 | 7,070 | 4,480 | 5,545 | 10,025 |
| > 120% (1) | 1,385 | 2,041 | 3,426 | 2,065 | 3,051 | 5,116 |
| No LTV/CLTV available | 1,339 | 516 | 1,855 | 1,453 | 570 | 2,023 |
| Government insured/guaranteed loans (2) | 19,717 | — | 19,717 | 22,353 | — | 22,353 |
| Total consumer loans (excluding PCI) | 261,859 | 48,063 | 309,922 | 254,679 | 52,935 | 307,614 |
| Total consumer PCI loans (carrying value) | 16,830 | 42 | 16,872 | 19,190 | 69 | 19,259 |
| Total consumer loans | \$ 278,689 | 48,105 | 326,794 | 273,869 | 53,004 | 326,873 |

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

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

NONACCRUAL LOANS Table 5.13 provides loans on nonaccrual status. PCI loans are excluded from this table because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

Table 5.13: Nonaccrual Loans

| (in millions) | Sep 30, 2016 | Dec 31, 2015 |
|---|--------------|--------------|
| Commercial: | | |
| Commercial and industrial | \$ 3,331 | 1,363 |
| Real estate mortgage | 780 | 969 |
| Real estate construction | 59 | 66 |
| Lease financing | 92 | 26 |
| Total commercial | 4,262 | 2,424 |
| Consumer: | | |
| Real estate 1-4 family first mortgage (1) | 5,310 | 7,293 |
| Real estate 1-4 family junior lien mortgage | 1,259 | 1,495 |
| Automobile | 108 | 121 |
| Other revolving credit and installment | 47 | 49 |
| Total consumer | 6,724 | 8,958 |
| Total nonaccrual loans (excluding PCI) | \$ 10,986 | 11,382 |

(1) Includes MHFS of \$150 million and \$177 million at September 30, 2016, and December 31, 2015, respectively.

LOANS IN PROCESS OF FORECLOSURE Our recorded investment in consumer mortgage loans collateralized by residential real estate property that are in process of foreclosure was \$8.5 billion and \$11.0 billion at September 30,

2016 and December 31, 2015, respectively, which included \$5.0 billion and \$6.2 billion, respectively, of loans that are government insured/guaranteed. We commence the foreclosure process on consumer real estate loans when a borrower becomes 120 days delinquent in accordance with Consumer Finance Protection Bureau Guidelines. Foreclosure procedures and timelines vary depending on whether the property address resides in a judicial or non-judicial state. Judicial states require the foreclosure to be processed through the state's courts while non-judicial states are processed without court intervention. Foreclosure timelines vary according to state law.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING Certain loans 90 days or more past due as to interest or principal are still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans of \$2.2 billion at September 30, 2016, and \$2.9 billion at December 31, 2015, are not included in these past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

Table 5.14 shows non-PCI loans 90 days or more past due and still accruing by class for loans not government insured/guaranteed.

Table 5.14: Loans 90 Days or More Past Due and Still Accruing

| (in millions) | Sep 30, 2016 | Dec 31, 2015 |
|--|-----------------|-----------------|
| Total (excluding PCI): | \$ 12,068 | 14,380 |
| Less: FHA insured/guaranteed by the VA (1)(2) | 11,198 | 13,373 |
| Less: Student loans guaranteed under the FFELP (3) | 17 | 26 |
| Total, not government insured/guaranteed | \$ 853 | 981 |
| By segment and class, not government insured/guaranteed: | | |
| Commercial: | | |
| Commercial and industrial | \$ 47 | 97 |
| Real estate mortgage | 4 | 13 |
| Real estate construction | — | 4 |
| Total commercial | 51 | 114 |
| Consumer: | | |
| Real estate 1-4 family first mortgage (2) | 171 | 224 |
| Real estate 1-4 family junior lien mortgage (2) | 54 | 65 |
| Credit card | 392 | 397 |
| Automobile | 81 | 79 |
| Other revolving credit and installment | 104 | 102 |
| Total consumer | 802 | 867 |
| Total, not government insured/guaranteed | \$ 853 | 981 |

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

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

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

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

IMPAIRED LOANS Table 5.15 summarizes key information for impaired loans. Our impaired loans predominantly include loans on nonaccrual status in the commercial portfolio segment and loans modified in a TDR, whether on accrual or nonaccrual status. These impaired loans generally have estimated losses which are included in the allowance for credit losses. We have impaired loans with no allowance for credit losses when loss content has been previously recognized through charge-offs and we do not anticipate additional charge-offs or losses, or certain

loans are currently performing in accordance with their terms and for which no loss has been estimated. Impaired loans exclude PCI loans. Table 5.15 includes trial modifications that totaled \$348 million at September 30, 2016, and \$402 million at December 31, 2015.

For additional information on our impaired loans and allowance for credit losses, see Note 1 (Summary of Significant Accounting Policies) in our 2015 Form 10-K.

Table 5.15: Impaired Loans Summary

| (in millions) | Unpaid principal balance (1) | Recorded investment | | Related allowance for credit losses |
|---|------------------------------|---------------------|---|-------------------------------------|
| | | Impaired loans | Impaired loans with related allowance for credit losses | |
| September 30, 2016 | | | | |
| Commercial: | | | | |
| Commercial and industrial | \$ 5,054 | 3,885 | 3,444 | 780 |
| Real estate mortgage | 1,996 | 1,588 | 1,566 | 292 |
| Real estate construction | 186 | 103 | 103 | 23 |
| Lease financing | 119 | 96 | 96 | 18 |
| Total commercial | 7,355 | 5,672 | 5,209 | 1,113 |
| Consumer: | | | | |
| Real estate 1-4 family first mortgage | 17,189 | 15,028 | 9,898 | 1,328 |
| Real estate 1-4 family junior lien mortgage | 2,486 | 2,236 | 1,645 | 344 |
| Credit card | 294 | 294 | 294 | 100 |
| Automobile | 156 | 89 | 32 | 5 |
| Other revolving credit and installment | 101 | 94 | 84 | 17 |
| Total consumer (2) | 20,226 | 17,741 | 11,953 | 1,794 |
| Total impaired loans (excluding PCI) | \$ 27,581 | 23,413 | 17,162 | 2,907 |
| December 31, 2015 | | | | |
| Commercial: | | | | |
| Commercial and industrial | \$ 2,746 | 1,835 | 1,648 | 435 |
| Real estate mortgage | 2,369 | 1,815 | 1,773 | 405 |
| Real estate construction | 262 | 131 | 112 | 23 |
| Lease financing | 38 | 27 | 27 | 9 |
| Total commercial | 5,415 | 3,808 | 3,560 | 872 |
| Consumer: | | | | |
| Real estate 1-4 family first mortgage | 19,626 | 17,121 | 11,057 | 1,643 |
| Real estate 1-4 family junior lien mortgage | 2,704 | 2,408 | 1,859 | 447 |
| Credit card | 299 | 299 | 299 | 94 |
| Automobile | 173 | 105 | 41 | 5 |
| Other revolving credit and installment | 86 | 79 | 71 | 15 |
| Total consumer (2) | 22,888 | 20,012 | 13,327 | 2,204 |
| Total impaired loans (excluding PCI) | \$ 28,303 | 23,820 | 16,887 | 3,076 |

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

Includes the recorded investment of \$1.6 billion and 1.8 billion at September 30, 2016, and December 31, 2015, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and generally do not have an allowance. Impaired loans may also have limited, if any, allowance when the recorded investment of the loan approximates estimated net realizable value as a result of charge-offs prior to a TDR modification.

Commitments to lend additional funds on loans whose terms have been modified in a TDR amounted to \$440 million and \$363 million at September 30, 2016 and December 31, 2015, respectively.

Table 5.16 provides the average recorded investment in impaired loans and the amount of interest income recognized on impaired loans by portfolio segment and class.

Table 5.16: Average Recorded Investment in Impaired Loans

| (in millions) | Quarter ended September 30, | | | | Nine months ended September 30, | | | |
|---|-----------------------------|----------------------------|-----------------------------|----------------------------|---------------------------------|----------------------------|-----------------------------|----------------------------|
| | 2016 | | 2015 | | 2016 | | 2015 | |
| | Average recorded investment | Recognized interest income | Average recorded investment | Recognized interest income | Average recorded investment | Recognized interest income | Average recorded investment | Recognized interest income |
| Commercial: | | | | | | | | |
| Commercial and industrial | \$3,961 | 25 | 1,407 | 21 | 3,350 | 65 | 1,108 | 64 |
| Real estate mortgage | 1,644 | 33 | 2,109 | 34 | 1,699 | 99 | 2,241 | 108 |
| Real estate construction | 108 | 3 | 232 | 7 | 117 | 8 | 260 | 22 |
| Lease financing | 99 | — | 27 | — | 89 | — | 24 | — |
| Total commercial | 5,812 | 61 | 3,775 | 62 | 5,255 | 172 | 3,633 | 194 |
| Consumer: | | | | | | | | |
| Real estate 1-4 family first mortgage | 15,471 | 203 | 17,761 | 231 | 16,224 | 635 | 18,125 | 697 |
| Real estate 1-4 family junior lien mortgage | 2,268 | 32 | 2,467 | 34 | 2,327 | 99 | 2,499 | 103 |
| Credit card | 292 | 9 | 310 | 10 | 294 | 26 | 321 | 30 |
| Automobile | 90 | 3 | 111 | 3 | 95 | 9 | 118 | 11 |
| Other revolving credit and installment | 91 | 2 | 61 | 1 | 84 | 5 | 57 | 3 |
| Total consumer | 18,212 | 249 | 20,710 | 279 | 19,024 | 774 | 21,120 | 844 |
| Total impaired loans (excluding PCI) | \$24,024 | 310 | 24,485 | 341 | 24,279 | 946 | 24,753 | 1,038 |
| Interest income: | | | | | | | | |
| Cash basis of accounting | | \$ 87 | | 104 | | 274 | | 323 |
| Other (1) | | 223 | | 237 | | 672 | | 715 |
| Total interest income | | \$ 310 | | 341 | | 946 | | 1,038 |

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

TROUBLED DEBT RESTRUCTURINGS (TDRs) When, for economic or legal reasons related to a borrower's financial difficulties, we grant a concession for other than an insignificant period of time to a borrower that we would not otherwise consider, the related loan is classified as a TDR, the balance of which totaled \$21.5 billion and \$22.7 billion at September 30, 2016 and December 31, 2015, respectively. We do not consider any loans modified through a loan resolution such as foreclosure or short sale to be a TDR.

We may require some consumer borrowers experiencing financial difficulty to make trial payments generally for a period of three to four months, according to the terms of a planned permanent modification, to determine if they can

perform according to those terms. These arrangements represent trial modifications, which we classify and account for as TDRs. While loans are in trial payment programs, their original terms are not considered modified and they continue to advance through delinquency status and accrue interest according to their original terms. The planned modifications for these arrangements primarily involve interest rate reductions; however, the exact concession type and resulting financial effect are usually not finalized and do not take effect until the loan is permanently modified. The trial period terms are developed in accordance with our proprietary programs or the U.S. Treasury's Making Home Affordable programs for real estate 1-4 family first lien (i.e. Home Affordable Modification Program – HAMP) and junior lien (i.e. Second Lien Modification Program – 2MP) mortgage loans.

At September 30, 2016, the loans in trial modification period were \$146 million under HAMP, \$28 million under 2MP and \$174 million under proprietary programs, compared with \$130 million, \$32 million and \$240 million at December 31, 2015, respectively. Trial modifications with a recorded investment of \$125 million at September 30, 2016, and \$136 million at December 31, 2015, were accruing loans and \$223 million and \$266 million, respectively, were nonaccruing loans. Our experience is that most of the mortgages that enter a trial payment period program are successful in completing the program requirements and are then permanently modified at the end of the trial period. Our allowance process considers the impact of those modifications that are probable to occur.

Table 5.17 summarizes our TDR modifications for the periods presented by primary modification type and includes the financial effects of these modifications. For those loans that modify more than once, the table reflects each modification that occurred during the period. Loans that both modify and pay off within the period, as well as changes in recorded investment during the period for loans modified in prior periods, are not included in the table.

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

Table 5.17: TDR Modifications

| (in millions) | Primary modification type (1) | | | Financial effects of modifications | | | Recorded investment related to interest rate reduction (5) |
|---|-------------------------------|-------------------------|-----------------------|------------------------------------|-----------------|--|--|
| | Principal (2) | Interest rate reduction | Other concessions (3) | Total | Charge-offs (4) | Weighted average interest rate reduction | |
| Quarter ended September 30, 2016 | | | | | | | |
| Commercial: | | | | | | | |
| Commercial and industrial | \$— | 10 | 1,032 | 1,042 | 61 | 1.28 | % \$ 10 |
| Real estate mortgage | — | 28 | 168 | 196 | 1 | 0.99 | 29 |
| Real estate construction | — | 12 | — | 12 | — | 0.80 | 12 |
| Lease financing | — | — | 4 | 4 | — | — | — |
| Total commercial | — | 50 | 1,204 | 1,254 | 62 | 1.01 | 51 |
| Consumer: | | | | | | | |
| Real estate 1-4 family first mortgage | 84 | 79 | 330 | 493 | 11 | 2.56 | 138 |
| Real estate 1-4 family junior lien mortgage | 5 | 25 | 22 | 52 | 9 | 3.08 | 29 |
| Credit card | — | 46 | — | 46 | — | 12.13 | 46 |
| Automobile | 1 | 4 | 15 | 20 | 11 | 6.42 | 4 |
| Other revolving credit and installment | — | 9 | 3 | 12 | — | 6.86 | 9 |
| Trial modifications (6) | — | — | 15 | 15 | — | — | — |
| Total consumer | 90 | 163 | 385 | 638 | 31 | 4.82 | 226 |
| Total | \$90 | 213 | 1,589 | 1,892 | 93 | 4.13 | % \$ 277 |
| Quarter ended September 30, 2015 | | | | | | | |
| Commercial: | | | | | | | |
| Commercial and industrial | \$3 | 11 | 487 | 501 | 58 | 1.66 | % \$ 11 |
| Real estate mortgage | — | 44 | 154 | 198 | — | 1.46 | 44 |
| Real estate construction | — | 1 | 9 | 10 | — | 1.00 | 1 |
| Lease financing | — | — | — | — | — | — | — |
| Total commercial | 3 | 56 | 650 | 709 | 58 | 1.48 | 56 |
| Consumer: | | | | | | | |
| Real estate 1-4 family first mortgage | 114 | 98 | 514 | 726 | 11 | 2.51 | 188 |
| Real estate 1-4 family junior lien mortgage | 8 | 24 | 39 | 71 | 10 | 3.12 | 31 |
| Credit card | — | 41 | — | 41 | — | 11.48 | 41 |
| Automobile | — | 1 | 22 | 23 | 10 | 7.84 | 1 |
| Other revolving credit and installment | — | 7 | 1 | 8 | — | 5.85 | 7 |
| Trial modifications (6) | — | — | (1 |) (1 |) — | — | — |
| Total consumer | 122 | 171 | 575 | 868 | 31 | 4.06 | 268 |
| Total | \$125 | 227 | 1,225 | 1,577 | 89 | 3.61 | % \$ 324 |

| (in millions) | Primary modification type (1) | | | | Financial effects of modifications | | |
|---|-------------------------------|-------------------------|-----------------------|-------|------------------------------------|--|--|
| | Principal (2) | Interest rate reduction | Other concessions (3) | Total | Charge-offs (4) | Weighted average interest rate reduction | Recorded investment related to interest rate reduction (5) |
| Nine months ended September 30, 2016 | | | | | | | |
| Commercial: | | | | | | | |
| Commercial and industrial | \$42 | 123 | 2,361 | 2,526 | 304 | 1.95 | % \$ 123 |
| Real estate mortgage | — | 81 | 462 | 543 | 1 | 1.14 | 81 |
| Real estate construction | — | 26 | 62 | 88 | — | 0.94 | 26 |
| Lease financing | — | — | 8 | 8 | — | — | — |
| Total commercial | 42 | 230 | 2,893 | 3,165 | 305 | 1.55 | 230 |
| Consumer: | | | | | | | |
| Real estate 1-4 family first mortgage | 272 | 222 | 1,094 | 1,588 | 36 | 2.66 | 395 |
| Real estate 1-4 family junior lien mortgage | 17 | 81 | 82 | 180 | 30 | 3.03 | 96 |
| Credit card | — | 131 | — | 131 | — | 12.02 | 131 |
| Automobile | 2 | 11 | 44 | 57 | 27 | 6.45 | 11 |
| Other revolving credit and installment | — | 25 | 8 | 33 | 1 | 6.64 | 25 |
| Trial modifications (6) | — | — | 47 | 47 | — | — | — |
| Total consumer | 291 | 470 | 1,275 | 2,036 | 94 | 4.80 | 658 |
| Total | \$333 | 700 | 4,168 | 5,201 | 399 | 3.96 | % \$ 888 |
| Nine months ended September 30, 2015 | | | | | | | |
| Commercial: | | | | | | | |
| Commercial and industrial | \$3 | 26 | 1,136 | 1,165 | 60 | 1.17 | % \$ 26 |
| Real estate mortgage | 4 | 114 | 734 | 852 | 1 | 1.55 | 114 |
| Real estate construction | 11 | 4 | 66 | 81 | — | 0.77 | 4 |
| Lease financing | — | — | — | — | — | — | — |
| Total commercial | 18 | 144 | 1,936 | 2,098 | 61 | 1.46 | 144 |
| Consumer: | | | | | | | |
| Real estate 1-4 family first mortgage | 296 | 269 | 1,455 | 2,020 | 38 | 2.53 | 508 |
| Real estate 1-4 family junior lien mortgage | 25 | 65 | 129 | 219 | 30 | 3.17 | 86 |
| Credit card | — | 125 | — | 125 | — | 11.36 | 125 |
| Automobile | 1 | 3 | 66 | 70 | 27 | 8.59 | 3 |
| Other revolving credit and installment | — | 20 | 5 | 25 | 1 | 5.85 | 20 |
| Trial modifications (6) | — | — | 43 | 43 | — | — | — |
| Total consumer | 322 | 482 | 1,698 | 2,502 | 96 | 4.21 | 742 |
| Total | \$340 | 626 | 3,634 | 4,600 | 157 | 3.76 | % \$ 886 |

Amounts represent the recorded investment in loans after recognizing the effects of the TDR, if any. TDRs may have multiple types of concessions, but are presented only once in the first modification type based on the order (1) presented in the table above. The reported amounts include loans remodified of \$484 million and \$369 million, for quarters ended September 30, 2016 and 2015, and \$1.1 billion and \$1.5 billion for the first nine months of 2016 and 2015, respectively.

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

(3)

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

(4) Charge-offs include write-downs of the investment in the loan in the period it is contractually modified. The amount of charge-off will differ from the modification terms if the loan has been charged down prior to the modification based on our policies. In addition, there may be cases where we have a charge-off/down with no legal principal modification. Modifications resulted in legally forgiving principal (actual, contingent or deferred) of \$16 million and \$32 million for the quarters ended September 30, 2016 and 2015, and \$54 million and \$78 million for the first nine months of 2016 and 2015, respectively.

(5) Reflects the effect of reduced interest rates on loans with an interest rate concession as one of their concession types, which includes loans reported as a principal primary modification type that also have an interest rate concession.

Trial modifications are granted a delay in payments due under the original terms during the trial payment period.

(6) However, these loans continue to advance through delinquency status and accrue interest according to their original terms. Any subsequent permanent modification generally includes interest rate related concessions; however, the exact concession type and resulting financial effect are usually not known until the loan is permanently modified.

Trial modifications for the period are presented net of previously reported trial modifications that became permanent in the current period.

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

Table 5.18 summarizes permanent modification TDRs that have defaulted in the current period within 12 months of their permanent modification date. We are reporting these defaulted TDRs based on a payment default definition of 90 days past due for the commercial portfolio segment and 60 days past due for the consumer portfolio segment.

Table 5.18: Defaulted TDRs

| (in millions) | Recorded investment of defaults | | | |
|---|---------------------------------|--------------------|--------------------|--------------------|
| | Quarter ended | | Nine months ended | |
| | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Commercial: | | | | |
| Commercial and industrial | \$39 | 12 | 84 | 58 |
| Real estate mortgage | 7 | 31 | 58 | 103 |
| Real estate construction | — | — | 3 | 2 |
| Total commercial | 46 | 43 | 145 | 163 |
| Consumer: | | | | |
| Real estate 1-4 family first mortgage | 36 | 49 | 97 | 143 |
| Real estate 1-4 family junior lien mortgage | 6 | 5 | 15 | 13 |
| Credit card | 15 | 12 | 41 | 39 |
| Automobile | 4 | 3 | 10 | 9 |
| Other revolving credit and installment | — | 1 | 2 | 3 |
| Total consumer | 61 | 70 | 165 | 207 |
| Total | \$107 | 113 | 310 | 370 |

Purchased Credit-Impaired Loans

Substantially all of our PCI loans were acquired from Wachovia on December 31, 2008, at which time we acquired commercial and consumer loans with a carrying value of \$18.7 billion and \$40.1 billion, respectively. The unpaid principal balance on December 31, 2008 was \$98.2 billion for the total of commercial and consumer PCI loans. Table 5.19 presents PCI loans net of any remaining purchase accounting adjustments. Commercial and industrial PCI loans at September 30, 2016, included \$290 million from the GE Capital business acquisitions. Real estate 1-4 family first mortgage PCI loans are predominantly Pick-a-Pay loans.

Table 5.19: PCI Loans

| (in millions) | Sep 30, 2016 | Dec 31, 2015 |
|---|--------------|--------------|
| Commercial: | | |
| Commercial and industrial | \$367 | 78 |
| Real estate mortgage | 410 | 542 |
| Real estate construction | 60 | 92 |
| Total commercial | 837 | 712 |
| Consumer: | | |
| Real estate 1-4 family first mortgage | 16,830 | 19,190 |
| Real estate 1-4 family junior lien mortgage | 42 | 69 |
| Total consumer | 16,872 | 19,259 |

| | | |
|--|----------|--------|
| Total PCI loans (carrying value) | \$17,709 | 19,971 |
| Total PCI loans (unpaid principal balance) | \$25,423 | 28,278 |

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

- changes in interest rate indices for variable rate PCI loans – expected future cash flows are based on the variable rates in effect at the time of the regular evaluations of cash flows expected to be collected;
- changes in prepayment assumptions – prepayments affect the estimated life of PCI loans which may change the amount of interest income, and possibly principal, expected to be collected; and
- changes in the expected principal and interest payments over the estimated weighted-average life – updates to expected

cash flows are driven by the credit outlook and actions taken with borrowers. Changes in expected future cash flows from loan modifications are included in the regular evaluations of cash flows expected to be collected.

The change in the accretable yield related to PCI loans since the merger with Wachovia is presented in Table 5.20. Changes during third quarter 2016 reflect an expectation, as a result of our quarterly evaluation of PCI cash flows, that prepayment of modified Pick-a-Pay loans will significantly increase over their estimated weighted-average life and that expected loss has decreased as a result of reduced loan to value ratios and sustained higher housing prices.

Table 5.20: Change in Accretable Yield

| (in millions) | Quarter ended Sep 30, 2016 | Nine months ended Sep 30, 2016 | 2009-2015 |
|---|----------------------------------|--|-----------|
| Balance, beginning of period | \$ 15,727 | 16,301 | 10,447 |
| Change in accretable yield due to acquisitions | (11) | 58 | 132 |
| Accretion into interest income (1) | (324) | (992) | (14,212) |
| Accretion into noninterest income due to sales (2) | — | (9) | (458) |
| Reclassification from nonaccretable difference for loans with improving credit-related cash flows | 1,163 | 1,221 | 9,734 |
| Changes in expected cash flows that do not affect nonaccretable difference (3) | (4,936) | (4,960) | 10,658 |
| Balance, end of period | \$ 11,619 | 11,619 | 16,301 |

(1) Includes accretable yield released as a result of settlements with borrowers, which is included in interest income.

(2) Includes accretable yield released as a result of sales to third parties, which is included in noninterest income.

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

COMMERCIAL PCI CREDIT QUALITY INDICATORS Table 5.21 provides a breakdown of commercial PCI loans by risk category.

Table 5.21: Commercial PCI Loans by Risk Category

| (in millions) | Commercial and industrial | Real estate mortgage | Real estate construction | Total |
|--------------------|---------------------------------|----------------------------|--------------------------------|-------|
| September 30, 2016 | | | | |
| By risk category: | | | | |
| Pass | \$ 154 | 262 | 49 | 465 |
| Criticized | 213 | 148 | 11 | 372 |

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| | | | | |
|-------------------------------|-------|-----|----|-----|
| Total commercial PCI loans \$ | 367 | 410 | 60 | 837 |
| December 31, 2015 | | | | |
| By risk category: | | | | |
| Pass | \$ 35 | 298 | 68 | 401 |
| Criticized | 43 | 244 | 24 | 311 |
| Total commercial PCI loans \$ | 78 | 542 | 92 | 712 |

100

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

Table 5.22 provides past due information for commercial PCI loans.

Table 5.22: Commercial PCI Loans by Delinquency Status

| (in millions) | Commercial and industrial | Real estate mortgage | Real estate construction | Total |
|-----------------------------------|---------------------------|----------------------|--------------------------|-------|
| September 30, 2016 | | | | |
| By delinquency status: | | | | |
| Current-29 DPD and still accruing | \$ 364 | 356 | 49 | 769 |
| 30-89 DPD and still accruing | 3 | 1 | — | 4 |
| 90+ DPD and still accruing | — | 53 | 11 | 64 |
| Total commercial PCI loans | \$ 367 | 410 | 60 | 837 |
| December 31, 2015 | | | | |
| By delinquency status: | | | | |
| Current-29 DPD and still accruing | \$ 78 | 510 | 90 | 678 |
| 30-89 DPD and still accruing | — | 2 | — | 2 |
| 90+ DPD and still accruing | — | 30 | 2 | 32 |
| Total commercial PCI loans | \$ 78 | 542 | 92 | 712 |

CONSUMER PCI CREDIT QUALITY INDICATORS Our consumer PCI loans were aggregated into several pools of loans at acquisition. Below, we have provided credit quality indicators based on the unpaid principal balance (adjusted for write-downs) of the individual loans included in the pool, but we have not

allocated the remaining purchase accounting adjustments, which were established at a pool level. Table 5.23 provides the delinquency status of consumer PCI loans.

Table 5.23: Consumer PCI Loans by Delinquency Status

| (in millions) | September 30, 2016 | | | December 31, 2015 | | |
|--|---------------------------------------|---|--------|---------------------------------------|---|--------|
| | Real estate 1-4 family first mortgage | Real estate 1-4 family junior lien mortgage | Total | Real estate 1-4 family first mortgage | Real estate 1-4 family junior lien mortgage | Total |
| By delinquency status: | | | | | | |
| Current-29 DPD and still accruing | \$16,779 | 179 | 16,958 | 18,086 | 202 | 18,288 |
| 30-59 DPD and still accruing | 1,486 | 7 | 1,493 | 1,686 | 7 | 1,693 |
| 60-89 DPD and still accruing | 671 | 3 | 674 | 716 | 3 | 719 |
| 90-119 DPD and still accruing | 229 | 1 | 230 | 293 | 2 | 295 |
| 120-179 DPD and still accruing | 254 | 2 | 256 | 319 | 3 | 322 |
| 180+ DPD and still accruing | 2,271 | 8 | 2,279 | 3,035 | 12 | 3,047 |
| Total consumer PCI loans (adjusted unpaid principal balance) | \$21,690 | 200 | 21,890 | 24,135 | 229 | 24,364 |
| Total consumer PCI loans (carrying value) | \$16,830 | 42 | 16,872 | 19,190 | 69 | 19,259 |

Table 5.24 provides FICO scores for consumer PCI loans.

Table 5.24: Consumer PCI Loans by FICO

| (in millions) | September 30, 2016 | | | December 31, 2015 | | |
|--|---------------------------------------|---|--------|---------------------------------------|---|--------|
| | Real estate 1-4 family first mortgage | Real estate 1-4 family junior lien mortgage | Total | Real estate 1-4 family first mortgage | Real estate 1-4 family junior lien mortgage | Total |
| By FICO: | | | | | | |
| < 600 | \$4,643 | 50 | 4,693 | 5,737 | 52 | 5,789 |
| 600-639 | 3,167 | 26 | 3,193 | 4,754 | 38 | 4,792 |
| 640-679 | 4,129 | 38 | 4,167 | 6,208 | 48 | 6,256 |
| 680-719 | 3,255 | 38 | 3,293 | 4,283 | 43 | 4,326 |
| 720-759 | 1,801 | 25 | 1,826 | 1,914 | 24 | 1,938 |
| 760-799 | 933 | 16 | 949 | 910 | 13 | 923 |
| 800+ | 257 | 4 | 261 | 241 | 3 | 244 |
| No FICO available | 3,505 | 3 | 3,508 | 88 | 8 | 96 |
| Total consumer PCI loans (adjusted unpaid principal balance) | \$21,690 | 200 | 21,890 | 24,135 | 229 | 24,364 |
| Total consumer PCI loans (carrying value) | \$16,830 | 42 | 16,872 | 19,190 | 69 | 19,259 |

Table 5.25 shows the distribution of consumer PCI loans by LTV for real estate 1-4 family first mortgages and by CLTV for real estate 1-4 family junior lien mortgages.

Table 5.25: Consumer PCI Loans by LTV/CLTV

| (in millions) | September 30, 2016 | | | December 31, 2015 | | |
|--|--|---|--------|--|---|--------|
| | Real estate 1-4 family first mortgage by LTV | Real estate 1-4 family junior lien mortgage by CLTV | Total | Real estate 1-4 family first mortgage by LTV | Real estate 1-4 family junior lien mortgage by CLTV | Total |
| By LTV/CLTV: | | | | | | |
| 0-60% | \$7,252 | 36 | 7,288 | 5,437 | 32 | 5,469 |
| 60.01-80% | 9,384 | 78 | 9,462 | 10,036 | 65 | 10,101 |
| 80.01-100% | 3,871 | 56 | 3,927 | 6,299 | 80 | 6,379 |
| 100.01-120% (1) | 926 | 21 | 947 | 1,779 | 36 | 1,815 |
| > 120% (1) | 255 | 8 | 263 | 579 | 15 | 594 |
| No LTV/CLTV available | 2 | 1 | 3 | 5 | 1 | 6 |
| Total consumer PCI loans (adjusted unpaid principal balance) | \$21,690 | 200 | 21,890 | 24,135 | 229 | 24,364 |
| Total consumer PCI loans (carrying value) | \$16,830 | 42 | 16,872 | 19,190 | 69 | 19,259 |

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

Note 6: Other Assets

Table 6.1 presents the components of other assets.

Table 6.1: Other Assets

| (in millions) | Sep 30, 2016 | Dec 31, 2015 |
|---|-----------------|-----------------|
| Nonmarketable equity investments: | | |
| Cost method: | | |
| Federal bank stock | \$6,072 | 4,814 |
| Private equity | 1,459 | 1,626 |
| Auction rate securities | 546 | 595 |
| Total cost method | 8,077 | 7,035 |
| Equity method: | | |
| LIHTC (1) | 9,228 | 8,314 |
| Private equity | 3,674 | 3,300 |
| Tax-advantaged renewable energy | 1,599 | 1,625 |
| New market tax credit and other | 312 | 408 |
| Total equity method | 14,813 | 13,647 |
| Fair value (2) | 3,441 | 3,065 |
| Total nonmarketable equity investments | 26,331 | 23,747 |
| Corporate/bank-owned life insurance | 19,303 | 19,199 |
| Accounts receivable (3) | 31,220 | 26,251 |
| Interest receivable | 5,309 | 5,065 |
| Core deposit intangibles | 1,850 | 2,539 |
| Customer relationship and other amortized intangibles | 1,137 | 614 |
| Foreclosed assets: | | |
| Residential real estate: | | |
| Government insured/guaranteed (3) | 282 | 446 |
| Non-government insured/guaranteed | 322 | 414 |
| Non-residential real estate | 416 | 565 |
| Operating lease assets | 10,253 | 3,782 |
| Due from customers on acceptances | 265 | 273 |
| Other (4) | 26,899 | 17,887 |
| Total other assets | \$123,587 | 100,782 |

(1) Represents low income housing tax credit investments.

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

Certain government-guaranteed residential real estate mortgage loans upon foreclosure are included in Accounts receivable. Both principal and interest related to these foreclosed real estate assets are collectible because the loans (3) were predominantly insured by the FHA or guaranteed by the VA. For more information on ASU 2014-14 and the classification of certain government-guaranteed mortgage loans upon foreclosure, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2015 10-K.

(4) Includes derivatives designated as hedging instruments, derivatives not designated as hedging instruments, and derivative loan commitments, which are carried at fair value. See Note 12 (Derivatives) for additional information.

Table 6.2 presents income (expense) related to nonmarketable equity investments.

Table 6.2: Nonmarketable Equity Investments

| Quarter ended September | Nine months ended September |
|-------------------------------|-----------------------------------|
|-------------------------------|-----------------------------------|

| (in millions) | 30, 2016 | | 30, 2015 | |
|--|-------------|--------|-------------|--------|
| Net realized gains from nonmarketable equity investments | \$55 | 632 | 369 | 1,462 |
| All other | (83) | (161) | (404) | (587) |
| Total | \$(28) | 471 | (35) | 875 |

Low Income Housing Tax Credit Investments We invest in affordable housing projects that qualify for the low income housing tax credit (LIHTC), which is designed to promote private development of low income housing. These investments generate a return mostly through realization of federal tax credits.

Total LIHTC investments were \$9.2 billion and \$8.3 billion at September 30, 2016 and December 31, 2015, respectively. In third quarter and first nine months of 2016, we recognized pre-tax losses of \$199 million and \$600 million, respectively, related to our LIHTC investments, compared with \$173 million and \$529 million, respectively, for the same periods a year ago. We also recognized total tax benefits of \$308 million and \$919 million in the third quarter and first nine months of 2016, which included tax credits recorded in income taxes of \$233 million and \$693 million for the same periods, respectively. In the third quarter and first nine months of 2015, total tax benefits were \$269 million and \$819 million, respectively, which included tax credits of \$203 million and \$619 million for the same periods, respectively. We are periodically required to provide additional financial support during the investment period. Our liability for these unfunded commitments was \$3.4 billion at September 30, 2016 and \$3.0 billion at December 31, 2015. Predominantly all of this liability is expected to be paid over the next three years. This liability is included in long-term debt.

Note 7: Securitizations and Variable Interest Entities

Involvement with SPEs

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with SPEs, which are corporations, trusts, limited liability companies or partnerships that are established for a limited purpose. Generally, SPEs are formed in connection with securitization transactions and are considered variable interest entities (VIEs). For further description of our involvement with SPEs, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in our 2015 Form 10-K.

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

Table 7.1 provides the classifications of assets and liabilities in our balance sheet for our transactions with VIEs.

Table 7.1: Balance Sheet Transactions with VIEs

| (in millions) | VIEs that we do not consolidate | VIEs that we consolidate | Transfers that we account for as secured borrowings | Total |
|---|--|--------------------------------|--|--------|
| September 30, 2016 | | | | |
| Cash | \$ — | 145 | — | 145 |
| Federal funds sold, securities purchased under resale agreements and other short-term investments | — | 90 | — | 90 |
| Trading assets | 2,335 | 130 | 203 | 2,668 |
| Investment securities (1) | 9,331 | 244 | 1,048 | 10,623 |
| Loans | 7,865 | 12,417 | 4,144 | 24,426 |
| Mortgage servicing rights | 10,830 | — | — | 10,830 |
| Other assets | 9,804 | 414 | 14 | 10,232 |
| Total assets | 40,165 | 13,440 | 5,409 | 59,014 |
| Short-term borrowings | — | — | 1,066 | 1,066 |
| Accrued expenses and other liabilities | 413 | 79 | (2) 2 | 494 |
| Long-term debt | 3,360 | 3,850 | (2) 4,115 | 11,325 |
| Total liabilities | 3,773 | 3,929 | 5,183 | 12,885 |
| Noncontrolling interests | — | 147 | — | 147 |
| Net assets | \$ 36,392 | 9,364 | 226 | 45,982 |
| December 31, 2015 | | | | |
| Cash | \$ — | 157 | — | 157 |
| Federal funds sold, securities purchased under resale agreements and other short-term investments | — | — | — | — |
| Trading assets | 1,340 | 1 | 203 | 1,544 |
| Investment securities (1) | 12,388 | 425 | 2,171 | 14,984 |
| Loans | 9,661 | 4,811 | 4,887 | 19,359 |
| Mortgage servicing rights | 12,518 | — | — | 12,518 |
| Other assets | 8,938 | 242 | 26 | 9,206 |
| Total assets | 44,845 | 5,636 | 7,287 | 57,768 |
| Short-term borrowings | — | — | 1,799 | 1,799 |
| Accrued expenses and other liabilities | 629 | 57 | (2) 1 | 687 |

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| | | | | |
|--------------------------|-----------|-------|-----------|--------|
| Long-term debt | 3,021 | 1,301 | (2) 4,844 | 9,166 |
| Total liabilities | 3,650 | 1,358 | 6,644 | 11,652 |
| Noncontrolling interests | — | 93 | — | 93 |
| Net assets | \$ 41,195 | 4,185 | 643 | 46,023 |

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

(2) There were no VIE liabilities with recourse to the general credit of Wells Fargo for the periods presented.

Transactions with Unconsolidated VIEs

Our transactions with unconsolidated VIEs include securitizations of residential mortgage loans, CRE loans, student loans, automobile loans and leases, certain dealer floorplan loans; investment and financing activities involving collateralized debt obligations (CDOs) backed by asset-backed and CRE

securities, tax credit structures, collateralized loan obligations (CLOs) backed by corporate loans, and other types of structured financing. We have various forms of involvement with VIEs, including servicing, holding senior or subordinated interests, entering into liquidity arrangements, credit default swaps and other derivative contracts. Involvements with these

Note 7: Securitizations and Variable Interest Entities (continued)

unconsolidated VIEs are recorded on our balance sheet in trading assets, investment securities, loans, MSR, other assets, other liabilities, and long-term debt, as appropriate.

Table 7.2 provides a summary of unconsolidated VIEs with which we have significant continuing involvement, but we are not the primary beneficiary. We do not consider our continuing involvement in an unconsolidated VIE to be significant when it relates to third-party sponsored VIEs for which we were not the transferor (unless we are servicer and have other significant forms of involvement) or if we were the sponsor only or sponsor and servicer but do not have any other forms of significant involvement.

Significant continuing involvement includes transactions where we were the sponsor or transferor and have other significant forms of involvement. Sponsorship includes transactions with unconsolidated VIEs where we solely or materially participated in the initial design or structuring of the

entity or marketing of the transaction to investors. When we transfer assets to a VIE and account for the transfer as a sale, we are considered the transferor. We consider investments in securities (other than those held temporarily in trading), loans, guarantees, liquidity agreements, written options and servicing of collateral to be other forms of involvement that may be significant. We have excluded certain transactions with unconsolidated VIEs from the balances presented in the following table where we have determined that our continuing involvement is not significant due to the temporary nature and size of our variable interests, because we were not the transferor or because we were not involved in the design of the unconsolidated VIEs. We also exclude from the table secured borrowing transactions with unconsolidated VIEs (for information on these transactions, see the Transactions with Consolidated VIEs and Secured Borrowings section in this Note).

Table 7.2: Unconsolidated VIEs

| (in millions) | Total VIE assets | Carrying value – asset (liability) | | | | Other commitments and guarantees | Net assets |
|--|------------------|------------------------------------|------------------|-------------|----------------------------------|----------------------------------|----------------|
| | | Debt and equity interests (1) | Servicing assets | Derivatives | | | |
| September 30, 2016 | | | | | | | |
| Residential mortgage loan securitizations: | | | | | | | |
| Conforming (2) | \$1,169,571 | 2,997 | 9,908 | — | (245 |) | 12,660 |
| Other/nonconforming | 20,764 | 1,075 | 108 | — | (2 |) | 1,181 |
| Commercial mortgage securitizations | 169,236 | 4,820 | 814 | 309 | (32 |) | 5,911 |
| Collateralized debt obligations: | | | | | | | |
| Debt securities | 2,353 | — | — | 17 | (31 |) | (14) |
| Loans (3) | 1,564 | 1,527 | — | — | — | | 1,527 |
| Asset-based finance structures | 11,699 | 7,967 | — | — | — | | 7,967 |
| Tax credit structures | 27,896 | 10,111 | — | — | (3,387 |) | 6,724 |
| Collateralized loan obligations | 102 | 10 | — | — | — | | 10 |
| Investment funds | 209 | 49 | — | — | — | | 49 |
| Other (4) | 13,687 | 454 | — | (77 |) | — | 377 |
| Total | \$1,417,081 | 29,010 | 10,830 | 249 | (3,697 |) | 36,392 |
| Maximum exposure to loss | | | | | | | |
| | | Debt and equity interests (1) | Servicing assets | Derivatives | Other commitments and guarantees | | Total exposure |
| Residential mortgage loan securitizations: | | | | | | | |

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| | | | | | |
|-------------------------------------|----------|--------|-----|--------|--------|
| Conforming | \$2,997 | 9,908 | — | 967 | 13,872 |
| Other/nonconforming | 1,075 | 108 | — | 2 | 1,185 |
| Commercial mortgage securitizations | 4,820 | 814 | 309 | 9,130 | 15,073 |
| Collateralized debt obligations: | | | | | |
| Debt securities | — | — | 17 | 31 | 48 |
| Loans (3) | 1,527 | — | — | — | 1,527 |
| Asset-based finance structures | 7,967 | — | — | 444 | 8,411 |
| Tax credit structures | 10,111 | — | — | 970 | 11,081 |
| Collateralized loan obligations | 10 | — | — | — | 10 |
| Investment funds | 49 | — | — | — | 49 |
| Other (4) | 454 | — | 114 | — | 568 |
| Total | \$29,010 | 10,830 | 440 | 11,544 | 51,824 |

(continued on following page)

(continued from previous page)

| (in millions) | Total VIE assets | Carrying value – asset (liability) | | | | Other commitments and guarantees | Net assets |
|--|------------------------|---|---------------------|-------------|---|---|-------------------|
| | | Debt and equity interests (1) | Servicing assets | Derivatives | | | |
| December 31, 2015 | | | | | | | |
| Residential mortgage loan securitizations: | | | | | | | |
| Conforming (2) | \$1,199,225 | 2,458 | 11,665 | — | (386 |) | 13,737 |
| Other/nonconforming | 24,809 | 1,228 | 141 | — | (1 |) | 1,368 |
| Commercial mortgage securitizations | 184,959 | 6,323 | 712 | 203 | (26 |) | 7,212 |
| Collateralized debt obligations: | | | | | | | |
| Debt securities | 3,247 | — | — | 64 | (57 |) | 7 |
| Loans (3) | 3,314 | 3,207 | — | — | — | | 3,207 |
| Asset-based finance structures | 13,063 | 8,956 | — | (66 |) | — | 8,890 |
| Tax credit structures | 26,099 | 9,094 | — | — | (3,047 |) | 6,047 |
| Collateralized loan obligations | 898 | 213 | — | — | — | | 213 |
| Investment funds | 1,131 | 47 | — | — | — | | 47 |
| Other (4) | 12,690 | 511 | — | (44 |) | — | 467 |
| Total | \$1,469,435 | 32,037 | 12,518 | 157 | (3,517 |) | 41,195 |
| Maximum exposure to loss | | | | | | | |
| | | Debt and equity interests (1) | Servicing assets | Derivatives | Other commitments and guarantees | | Total exposure |
| Residential mortgage loan securitizations: | | | | | | | |
| Conforming | | \$2,458 | 11,665 | — | 1,452 | | 15,575 |
| Other/nonconforming | | 1,228 | 141 | — | 1 | | 1,370 |
| Commercial mortgage securitizations | | 6,323 | 712 | 203 | 7,152 | | 14,390 |
| Collateralized debt obligations: | | | | | | | |
| Debt securities | | — | — | 64 | 57 | | 121 |
| Loans (3) | | 3,207 | — | — | — | | 3,207 |
| Asset-based finance structures | | 8,956 | — | 76 | 444 | | 9,476 |
| Tax credit structures | | 9,094 | — | — | 866 | | 9,960 |
| Collateralized loan obligations | | 213 | — | — | — | | 213 |
| Investment funds | | 47 | — | — | — | | 47 |
| Other (4) | | 511 | — | 117 | 150 | | 778 |
| Total | | \$32,037 | 12,518 | 460 | 10,122 | | 55,137 |

(1) Includes total equity interests of \$9.8 billion and \$8.9 billion at September 30, 2016, and December 31, 2015, respectively. Also includes debt interests in the form of both loans and securities. Excludes certain debt securities held related to loans serviced for FNMA, FHLMC and GNMA.

(2) Excludes assets and related liabilities with a recorded carrying value on our balance sheet of \$1.2 billion and \$1.3 billion at September 30, 2016, and December 31, 2015, respectively, for certain delinquent loans that are eligible for repurchase from GNMA loan securitizations. The recorded carrying value represents the amount that would be payable if the Company was to exercise the repurchase option. The carrying amounts are excluded from the table because the loans eligible for repurchase do not represent interests in the VIEs.

(3) Represents senior loans to trusts that are collateralized by asset-backed securities. The trusts invest predominantly in senior tranches from a diversified pool of U.S. asset securitizations, of which all are current and 100% and 70%

were rated as investment grade by the primary rating agencies at September 30, 2016, and December 31, 2015, respectively. These senior loans are accounted for at amortized cost and are subject to the Company's allowance and credit charge-off policies.

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

Note 7: Securitizations and Variable Interest Entities (continued)

In Table 7.2, “Total VIE assets” represents the remaining principal balance of assets held by unconsolidated VIEs using the most current information available. For VIEs that obtain exposure to assets synthetically through derivative instruments, the remaining notional amount of the derivative is included in the asset balance. “Carrying value” is the amount in our consolidated balance sheet related to our involvement with the unconsolidated VIEs. “Maximum exposure to loss” from our involvement with off-balance sheet entities, which is a required disclosure under GAAP, is determined as the carrying value of our involvement with off-balance sheet (unconsolidated) VIEs plus the remaining undrawn liquidity and lending commitments, the notional amount of net written derivative contracts, and generally the notional amount of, or stressed loss estimate for, other commitments and guarantees. It represents estimated loss that would be incurred under severe, hypothetical circumstances, for which we believe the possibility is extremely remote, such as where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. Accordingly, this required disclosure is not an indication of expected loss.

For complete descriptions of our types of transactions with unconsolidated VIEs with which we have a significant continuing involvement, but we are not the primary beneficiary, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in our 2015 Form 10-K.

INVESTMENT FUNDS In first quarter 2016, we adopted ASU 2015-02 (Amendments to the Consolidation Analysis) which changed the consolidation analysis for certain investment funds. We do not consolidate these investment funds because we do not hold variable interests that are considered significant to the funds.

We voluntarily waived a portion of our management fees for certain money market funds that are exempt from the consolidation analysis to ensure the funds maintained a minimum level of daily net investment income. The amount of fees waived in the third quarter and first nine months of 2016 was \$28 million and \$84 million, respectively, compared with \$50 million and \$159 million, respectively, in the same periods of 2015.

OTHER TRANSACTIONS WITH VIEs Other VIEs include certain entities that issue auction rate securities (ARS) which are debt instruments with long-term maturities, that re-price more frequently, and preferred equities with no maturity. At September 30, 2016, we held \$453 million of ARS issued by VIEs compared with \$502 million at December 31, 2015. We acquired the ARS pursuant to agreements entered into in 2008 and 2009.

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

TRUST PREFERRED SECURITIES VIEs that we wholly own issue debt securities or preferred equity to third party investors. All of the proceeds of the issuance are invested in debt securities or preferred equity that we issue to the VIEs. The VIEs’ operations and cash flows relate only to the issuance, administration and repayment of the securities held by third parties. We do not consolidate these VIEs because the sole assets of the VIEs are receivables from us, even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs and may have the right to redeem the third party securities under certain circumstances. In our consolidated balance sheet at September 30, 2016, and December 31, 2015, we reported the debt securities issued to the VIEs as long-term junior subordinated debt with a carrying value of \$2.3 billion and \$2.2 billion, respectively, and the preferred equity securities issued to the VIEs as preferred stock with a carrying value of \$2.5 billion at both dates. These amounts are in addition to the involvements in these VIEs included in the preceding table.

Loan Sales and Securitization Activity

We periodically transfer consumer and CRE loans and other types of financial assets in securitization and whole loan sale transactions. We typically retain the servicing rights from these sales and may continue to hold other beneficial interests in the transferred financial assets. We may also provide liquidity to investors in the beneficial interests and credit enhancements in the form of standby letters of credit. Through these transfers we may be exposed to liability under limited amounts of recourse as well as standard representations and warranties we make to purchasers and issuers. Table 7.3 presents the cash flows for our transfers accounted for as sales.

Table 7.3: Cash Flows From Sales and Securitization Activity

| (in millions) | 2016 | | 2015 | |
|--|----------------|------------------------|----------------|------------------------|
| | Mortgage loans | Other financial assets | Mortgage loans | Other financial assets |
| Quarter ended September 30, | | | | |
| Proceeds from securitizations and whole loan sales | \$66,830 | 53 | 52,733 | 192 |
| Fees from servicing rights retained | 891 | — | 902 | 1 |
| Cash flows from other interests held (1) | 930 | — | 328 | 10 |
| Repurchases of assets/loss reimbursements (2): | | | | |
| Non-agency securitizations and whole loan transactions | 4 | — | 3 | — |
| Agency securitizations (3) | 22 | — | 72 | — |
| Servicing advances, net of repayments | (52) | — | (88) | — |
| Nine months ended September 30, | | | | |
| Proceeds from securitizations and whole loan sales | \$178,301 | 186 | 153,626 | 373 |
| Fees from servicing rights retained | 2,636 | — | 2,760 | 5 |
| Cash flows from other interests held (1) | 1,964 | 1 | 942 | 33 |
| Repurchases of assets/loss reimbursements (2): | | | | |
| Non-agency securitizations and whole loan transactions | 22 | — | 10 | — |
| Agency securitizations (3) | 104 | — | 210 | — |
| Servicing advances, net of repayments | (159) | — | (342) | — |

(1) Cash flows from other interests held include principal and interest payments received on retained bonds and excess cash flows received on interest-only strips.

(2) Consists of cash paid to repurchase loans from investors and cash paid to investors to reimburse them for losses on individual loans that are already liquidated.

Represent loans repurchased from GNMA, FNMA, and FHLMC under representation and warranty provisions included in our loan sales contracts. Third quarter and first nine months of 2016 exclude \$2.4 billion and \$7.3

(3) billion respectively, in delinquent insured/guaranteed loans that we service and have exercised our option to purchase out of GNMA pools, compared with \$2.2 billion and \$8.2 billion, respectively, in the same periods of 2015. These loans are predominantly insured by the FHA or guaranteed by the VA.

In the third quarter and first nine months of 2016, we recognized net gains of \$141 million and \$436 million, respectively, from transfers accounted for as sales of financial assets, compared with \$88 million and \$404 million, respectively, in the same periods of 2015. These net gains largely relate to commercial mortgage securitizations and residential mortgage securitizations where the loans were not already carried at fair value.

Sales with continuing involvement during the third quarter and first nine months of 2016 and 2015 largely related to securitizations of residential mortgages that are sold to the government-sponsored entities (GSEs), including FNMA, FHLMC and GNMA (conforming residential mortgage securitizations). During the third quarter and first nine months of 2016, we transferred \$63.3 billion and \$165.6 billion, respectively, in fair value of residential mortgages to unconsolidated VIEs and third-party investors and recorded the transfers as sales, compared with \$50.2 billion and \$143.1 billion, respectively, in the same periods of 2015. Substantially all of these transfers did not result in a gain or loss because the loans were already carried at fair value. In connection with all of these transfers, in the first nine months of 2016, we recorded a \$1.3 billion servicing asset, measured at fair value using a Level 3 measurement technique, securities of \$3.0 billion, classified as Level 2, and a \$26 million liability for repurchase losses which reflects management's estimate of probable losses related to various representations and warranties for the loans transferred, initially measured at fair value. In the first nine months of 2015, we recorded a \$1.2 billion servicing asset, securities of \$787 million, and a \$34 million liability.

Table 7.4 presents the key weighted-average assumptions we used to measure residential mortgage servicing rights at the date of securitization.

Table 7.4: Residential Mortgage Servicing Rights

| | Residential mortgage servicing rights | |
|-----------------------------------|--|------|
| | 2016 | 2015 |
| Quarter ended September 30, | | |
| Prepayment speed (1) | 12.4 % | 11.5 |
| Discount rate | 6.2 | 7.1 |
| Cost to service (\$ per loan) (2) | \$124 | 223 |
| Nine months ended September 30, | | |
| Prepayment speed (1) | 12.5 % | 12.1 |
| Discount rate | 6.5 | 7.4 |
| Cost to service (\$ per loan) (2) | \$136 | 232 |

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

(2) Includes costs to service and unreimbursed foreclosure costs, which can vary period to period depending on the mix of modified government-guaranteed loans sold to GNMA.

During the third quarter and first nine months of 2016, we transferred \$4.0 billion and \$13.9 billion, respectively, in carrying value of commercial mortgages to unconsolidated VIEs and third-party investors and recorded the transfers as sales, compared with \$3.0 billion and \$12.5 billion in the same periods of 2015, respectively. These transfers resulted in gains of \$134 million and \$327 million in the third quarter and first nine months of 2016, respectively, because the loans were carried at lower of cost of market value (LOCOM), compared with gains of \$63 million and \$263 million in the third quarter and first nine months of 2015, respectively. In connection with these transfers, in the first nine months of 2016, we recorded a servicing asset of \$204 million, initially measured at fair value using a Level 3 measurement technique, and securities of \$236 million, classified as Level 2. In the first nine months of 2015, we recorded a servicing asset of \$131 million and securities of \$209 million.

Note 7: Securitizations and Variable Interest Entities (continued)

Retained Interests from Unconsolidated VIEs

Table 7.5 provides key economic assumptions and the sensitivity of the current fair value of residential mortgage servicing rights and other interests held to immediate adverse changes in those assumptions. "Other interests held" relate to residential and commercial mortgage loan securitizations. Residential mortgage-backed securities retained in securitizations issued through GSEs, such as FNMA, FHLMC and GNMA, are excluded from the table because these securities have a remote risk of credit loss due to

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

Table 7.5: Retained Interests from Unconsolidated VIEs

| (\$ in millions, except cost to service amounts) | Residential mortgage servicing rights (1) | | Other interests held | | |
|--|---|----------------------|-----------------------------|-----------------------------------|--------------|
| | Residential mortgage servicing rights (1) | Interest-only strips | Consumer Subordinated bonds | Commercial (2) Subordinated bonds | Senior bonds |
| Fair value of interests held at September 30, 2016 | \$ 10,415 | 30 | 1 | 285 | 656 |
| Expected weighted-average life (in years) | 5.3 | 3.6 | 9.2 | 1.2 | 5.8 |
| Key economic assumptions: | | | | | |
| Prepayment speed assumption (3) | 13.5 | % 18.9 | 15.3 | | |
| Decrease in fair value from: | | | | | |
| 10% adverse change | \$ 585 | 1 | — | | |
| 25% adverse change | 1,376 | 2 | — | | |
| Discount rate assumption | 6.2 | % 12.1 | 9.9 | 9.1 | 3.2 |
| Decrease in fair value from: | | | | | |
| 100 basis point increase | \$ 485 | 1 | — | 3 | 31 |
| 200 basis point increase | 927 | 1 | — | 6 | 61 |
| Cost to service assumption (\$ per loan) | 161 | | | | |
| Decrease in fair value from: | | | | | |
| 10% adverse change | 509 | | | | |
| 25% adverse change | 1,271 | | | | |
| Credit loss assumption | | | 2.6 | % 2.3 | — |
| Decrease in fair value from: | | | | | |
| 10% higher losses | | | \$ — | 1 | — |
| 25% higher losses | | | — | 1 | — |
| Fair value of interests held at December 31, 2015 | \$ 12,415 | 34 | 1 | 342 | 673 |
| Expected weighted-average life (in years) | 6.0 | 3.6 | 11.6 | 1.9 | 5.8 |
| Key economic assumptions: | | | | | |
| Prepayment speed assumption (3) | 11.4 | % 19.0 | 15.1 | | |
| Decrease in fair value from: | | | | | |
| 10% adverse change | \$ 616 | 1 | — | | |
| 25% adverse change | 1,463 | 3 | — | | |
| Discount rate assumption | 7.3 | % 13.8 | 10.5 | 5.3 | 3.0 |
| Decrease in fair value from: | | | | | |
| 100 basis point increase | \$ 605 | 1 | — | 6 | 33 |

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| | | | | | |
|--|-------|---|-------|-----|----|
| 200 basis point increase | 1,154 | 1 | — | 11 | 63 |
| Cost to service assumption (\$ per loan) | 168 | | | | |
| Decrease in fair value from: | | | | | |
| 10% adverse change | 567 | | | | |
| 25% adverse change | 1,417 | | | | |
| Credit loss assumption | | | 1.1 % | 2.8 | — |
| Decrease in fair value from: | | | | | |
| 10% higher losses | | | \$ — | — | — |
| 25% higher losses | | | — | 2 | — |

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

Prepayment speed assumptions do not significantly impact the value of commercial mortgage securitization bonds

(2) as the underlying commercial mortgage loans experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower's ability to prepay the mortgage.

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

In addition to residential mortgage servicing rights (MSRs) included in the previous table, we have a small portfolio of commercial MSRs with a fair value of \$1.6 billion and \$1.7 billion at September 30, 2016, and December 31, 2015, respectively. The nature of our commercial MSRs, which are carried at LOCOM, is different from our residential MSRs. Prepayment activity on serviced loans does not significantly impact the value of commercial MSRs because, unlike residential mortgages, commercial mortgages experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower's ability to prepay the mortgage. Additionally, for our commercial MSR portfolio, we are typically master/primary servicer, but not the special servicer, who is separately responsible for the servicing and workout of delinquent and foreclosed loans. It is the special servicer, similar to our role as servicer of residential mortgage loans, who is affected by higher servicing and foreclosure costs due to an increase in delinquent and foreclosed loans. Accordingly, prepayment speeds and costs to service are not key assumptions for commercial MSRs as they do not significantly impact the valuation. The primary economic driver impacting the fair value of our commercial MSRs is forward interest rates, which are derived from market observable yield curves used to price capital markets instruments. Market interest rates significantly affect interest earned on custodial deposit balances. The sensitivity of the current fair value to an immediate adverse 25% change in the assumption about interest earned on deposit balances at September 30, 2016, and December 31, 2015, results in a decrease in fair value of \$183 million and \$150 million, respectively. See Note 8 (Mortgage Banking Activities) for further information on our commercial MSRs.

We also have a loan to an unconsolidated third party VIE that we extended in fourth quarter 2014 in conjunction with our sale of government guaranteed student loans. The loan is carried at amortized cost and approximates fair value at September 30, 2016, and December 31, 2015. The carrying amount of the loan at September 30, 2016, and December 31, 2015, was \$4.4 billion and \$4.9 billion, respectively. The estimated fair value of the loan is considered a Level 3 measurement that is determined using

discounted cash flows that are based on changes in the discount rate due to changes in the risk premium component (credit spreads). The primary economic assumption impacting the fair value of our loan is the discount rate. Changes in the credit loss assumption are not expected to affect the estimated fair value of the loan due to the government guarantee of the underlying collateral. The sensitivity of the current fair value to an immediate adverse increase of 200 basis points in the risk premium component of the discount rate assumption is a decrease in fair value of \$93 million and \$82 million at September 30, 2016, and December 31, 2015, respectively.

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

Off-Balance Sheet Loans

Table 7.6 presents information about the principal balances of off-balance sheet loans that were sold or securitized, including residential mortgage loans sold to FNMA, FHLMC, GNMA and other investors, for which we have some form of continuing involvement (including servicer). Delinquent loans include loans 90 days or more past due and loans in bankruptcy, regardless of delinquency status. For loans sold or securitized where servicing is our only form of continuing involvement, we would only experience a loss if we were required to repurchase a delinquent loan or foreclosed asset due to a breach in representations and warranties associated with our loan sale or servicing contracts.

Table 7.6: Off-Balance Sheet Loans Sold or Securitized

| | Net charge-offs |
|-------------|--------------------|
| Total loans | |

| (in millions) | Delinquent loans and foreclosed assets (1) | | | | Nine months ended September 30, | |
|---|--|--------------|--------------|--------------|---------------------------------|------|
| | Sep 30, 2016 | Dec 31, 2015 | Sep 30, 2016 | Dec 31, 2015 | 2016 | 2015 |
| Commercial: | | | | | | |
| Real estate mortgage | \$108,251 | 110,815 | 3,284 | 6,670 | 210 | 301 |
| Total commercial | 108,251 | 110,815 | 3,284 | 6,670 | 210 | 301 |
| Consumer: | | | | | | |
| Real estate 1-4 family first mortgage | 1,172,789 | 1,235,662 | 16,773 | 20,904 | 764 | 678 |
| Total consumer | 1,172,789 | 1,235,662 | 16,773 | 20,904 | 764 | 678 |
| Total off-balance sheet sold or securitized loans (2) | \$1,281,040 | 1,346,477 | 20,057 | 27,574 | 974 | 979 |

(1) Includes \$1.8 billion and \$5.0 billion of commercial foreclosed assets and \$2.0 billion and \$2.2 billion of consumer foreclosed assets at September 30, 2016, and December 31, 2015, respectively.

At September 30, 2016, and December 31, 2015, the table includes total loans of \$1.2 trillion at both dates, delinquent loans of \$9.8 billion and \$12.1 billion, and foreclosed assets of \$1.4 billion and \$1.7 billion,

(2) respectively, for FNMA, FHLMC and GNMA. Net charge-offs exclude loans sold to FNMA, FHLMC and GNMA as we do not service or manage the underlying real estate upon foreclosure and, as such, do not have access to net charge-off information.

Note 7: Securitizations and Variable Interest Entities (continued)

Transactions with Consolidated VIEs and Secured Borrowings

Table 7.7 presents a summary of financial assets and liabilities for asset transfers accounted for as secured borrowings and involvements with consolidated VIEs. "Assets" are presented using GAAP measurement methods, which may include fair value, credit impairment or other adjustments, and therefore in

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

Table 7.7: Transactions with Consolidated VIEs and Secured Borrowings

| (in millions) | Total VIE assets | Carrying value | | Noncontrolling interests | Net assets |
|---|------------------------|----------------|-------------|-----------------------------|------------|
| | | Assets | Liabilities | | |
| September 30, 2016 | | | | | |
| Secured borrowings: | | | | | |
| Municipal tender option bond securitizations | \$1,720 | 1,265 | (1,068) |) — | 197 |
| Residential mortgage securitizations | 4,033 | 4,144 | (4,115) |) — | 29 |
| Total secured borrowings | 5,753 | 5,409 | (5,183) |) — | 226 |
| Consolidated VIEs: | | | | | |
| Commercial and industrial loans and leases | 8,439 | 8,439 | (2,846) |) (13 |) 5,580 |
| Nonconforming residential mortgage loan securitizations | 3,532 | 3,143 | (1,066) |) — | 2,077 |
| Commercial real estate loans | 1,276 | 1,276 | — | — | 1,276 |
| Structured asset finance | 25 | 15 | (11) |) — | 4 |
| Investment funds | 420 | 420 | (5) |) (69 |) 346 |
| Other | 158 | 147 | (1) |) (65 |) 81 |
| Total consolidated VIEs | 13,850 | 13,440 | (3,929) |) (147 |) 9,364 |
| Total secured borrowings and consolidated VIEs | \$19,603 | 18,849 | (9,112) |) (147 |) 9,590 |
| December 31, 2015 | | | | | |
| Secured borrowings: | | | | | |
| Municipal tender option bond securitizations | \$2,818 | 2,400 | (1,800) |) — | 600 |
| Residential mortgage securitizations | 4,738 | 4,887 | (4,844) |) — | 43 |
| Total secured borrowings | 7,556 | 7,287 | (6,644) |) — | 643 |
| Consolidated VIEs: | | | | | |
| Nonconforming residential mortgage loan securitizations | 4,134 | 3,654 | (1,239) |) — | 2,415 |
| Commercial real estate loans | 1,185 | 1,185 | — | — | 1,185 |
| Structured asset finance | 54 | 20 | (18) |) — | 2 |
| Investment funds | 482 | 482 | — | — | 482 |
| Other | 305 | 295 | (101) |) (93 |) 101 |
| Total consolidated VIEs | 6,160 | 5,636 | (1,358) |) (93 |) 4,185 |
| Total secured borrowings and consolidated VIEs | \$13,716 | 12,923 | (8,002) |) (93 |) 4,828 |

COMMERCIAL AND INDUSTRIAL LOANS AND LEASES In conjunction with the GE Capital business acquisitions, on March 1, 2016, we acquired certain consolidated SPE entities. The most significant of these SPEs is a revolving master trust entity that purchases dealer floorplan loans and issues senior and subordinated notes. The senior notes are held by third parties and the subordinated notes and residual equity interests are held by us. At September 30, 2016, total assets held by the master trust were \$6.9 billion and the outstanding senior notes were \$2.7 billion. The other SPEs acquired include securitization term trust entities, which purchase vendor finance lease and

loan assets and issue notes to investors, and a SPE that engages in leasing activities to specific vendors. At September 30, 2016, total assets held by these SPEs were \$1.5 billion, with outstanding debt of \$102 million. We are the primary beneficiary of these acquired SPEs due to our ability to direct the significant activities of the SPEs, such as our role as servicer, and because we hold variable interests that are considered significant.

INVESTMENT FUNDS Our adoption of ASU 2015-02 (Amendments to the Consolidation Analysis) changed the consolidation analysis for certain investment funds. We consolidate certain investment funds because we have both the power to manage fund assets and hold variable interests that are considered significant.

OTHER CONSOLIDATED VIE STRUCTURES In addition to the structure types included in the previous table, at both September 30, 2016, and December 31, 2015, we had approximately \$6.0 billion of private placement debt financing issued through a consolidated VIE. The issuance is classified as long-term debt in our consolidated financial statements. At September 30, 2016, we pledged approximately \$457 million in loans (principal and interest eligible to be capitalized) and \$5.8 billion in available-for-sale securities to collateralize the VIE's borrowings, compared with \$529 million and \$5.9 billion, respectively, at December 31, 2015. These assets were not transferred to the VIE, and accordingly we have excluded the VIE

from the previous table.

For complete descriptions of our accounting for transfers accounted for as secured borrowings and involvements with consolidated VIEs, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in our 2015 Form 10-K.

Note 8: Mortgage Banking Activities

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

We apply the amortization method to commercial MSRMs and apply the fair value method to residential MSRMs. Table 8.1 presents the changes in MSRMs measured using the fair value method.

Table 8.1: Analysis of Changes in Fair Value MSRMs

| (in millions) | Quarter ended | | Nine months | |
|--|-----------------|----------|-----------------------|----------|
| | Sep 30, 2016 | 2015 | ended Sep 30, 2016 | 2015 |
| Fair value, beginning of period | \$10,396 | 12,661 | 12,415 | 12,738 |
| Servicing from securitizations or asset transfers (1) | 609 | 448 | 1,452 | 1,184 |
| Sales and other (2) | 4 | 6 | (18) | — |
| Net additions | 613 | 454 | 1,434 | 1,184 |
| Changes in fair value: | | | | |
| Due to changes in valuation model inputs or assumptions: | | | | |
| Mortgage interest rates (3) | 39 | (858) | (1,824) | (313) |
| Servicing and foreclosure costs (4) | (10) | (18) | 13 | (46) |
| Prepayment estimates and other (5) | (37) | 43 | 22 | (194) |
| Net changes in valuation model inputs or assumptions | (8) | (833) | (1,789) | (553) |
| Other changes in fair value (6) | (586) | (504) | (1,645) | (1,591) |
| Total changes in fair value | (594) | (1,337) | (3,434) | (2,144) |
| Fair value, end of period | \$10,415 | 11,778 | 10,415 | 11,778 |

(1) Includes impacts associated with exercising our right to repurchase delinquent loans from GNMA loan securitization pools.

(2) Includes sales and transfers of MSRMs, which can result in an increase of total reported MSRMs if the sales or transfers are related to nonperforming loan portfolios.

(3) Includes prepayment speed changes as well as other valuation changes due to changes in mortgage interest rates (such as changes in estimated interest earned on custodial deposit balances).

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

(5) Represents changes driven by other valuation model inputs or assumptions including prepayment speed estimation changes and other assumption updates. Prepayment speed estimation changes are influenced by observed changes in borrower behavior and other external factors that occur independent of interest rate changes.

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

Table 8.2 presents the changes in amortized MSRMs.

Table 8.2: Analysis of Changes in Amortized MSRMs

| (in millions) | Quarter ended | | Nine months | |
|---|---------------|-------|-------------|--------|
| | Sep 30, | | ended Sep | |
| | 2016 | 2015 | 2016 | 2015 |
| Balance, beginning of period | \$1,353 | 1,262 | 1,308 | 1,242 |
| Purchases | 18 | 45 | 63 | 96 |
| Servicing from securitizations or asset transfers | 69 | 35 | 204 | 131 |
| Amortization | (67) | (65) | (202) | (192) |
| Balance, end of period (1) | \$1,373 | 1,277 | 1,373 | 1,277 |
| Fair value of amortized MSRs: | | | | |
| Beginning of period | \$1,620 | 1,692 | 1,680 | 1,637 |
| End of period | 1,627 | 1,643 | 1,627 | 1,643 |

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

Note 8: Mortgage Banking Activities (continued)

We present the components of our managed servicing portfolio in Table 8.3 at unpaid principal balance for loans serviced and subserviced for others and at book value for owned loans serviced.

Table 8.3: Managed Servicing Portfolio

| (in billions) | Sep 30, 2016 | Dec 31, 2015 |
|---|-----------------|--------------|
| Residential mortgage servicing: | | |
| Serviced for others | \$ 1,226 | 1,300 |
| Owned loans serviced | 352 | 345 |
| Subserviced for others | 4 | 4 |
| Total residential servicing | 1,582 | 1,649 |
| Commercial mortgage servicing: | | |
| Serviced for others | 477 | 478 |
| Owned loans serviced | 130 | 122 |
| Subserviced for others | 8 | 7 |
| Total commercial servicing | 615 | 607 |
| Total managed servicing portfolio | \$ 2,197 | 2,256 |
| Total serviced for others | \$ 1,703 | 1,778 |
| Ratio of MSR to related loans serviced for others | 0.69 | % 0.77 |

Table 8.4 presents the components of mortgage banking noninterest income.

Table 8.4: Mortgage Banking Noninterest Income

| (in millions) | Quarter ended | | Nine months ended Sep 30, | |
|--|-----------------|----------|---------------------------|----------|
| | Sep 30, 2016 | 2015 | 2016 | 2015 |
| Servicing income, net: | | | | |
| Servicing fees: | | | | |
| Contractually specified servicing fees | \$ 954 | 1,001 | 2,857 | 3,029 |
| Late charges | 45 | 48 | 135 | 147 |
| Ancillary fees | 56 | 69 | 171 | 221 |
| Unreimbursed direct servicing costs (1) | (177) | (128) | (533) | (371) |
| Net servicing fees | 878 | 990 | 2,630 | 3,026 |
| Changes in fair value of MSR carried at fair value: | | | | |
| Due to changes in valuation model inputs or assumptions (2) | (A) | (8) | (833) | (1,789) |
| Other changes in fair value (3) | | (586) | (504) | (1,645) |
| Total changes in fair value of MSR carried at fair value | | (594) | (1,337) | (3,434) |
| Amortization | | (67) | (65) | (192) |
| Net derivative gains from economic hedges (4) | (B) | 142 | 1,086 | 2,575 |
| Total servicing income, net | | 359 | 674 | 1,569 |
| Net gains on mortgage loan origination/sales activities | | 1,308 | 915 | 3,110 |
| Total mortgage banking noninterest income | | \$ 1,667 | 1,589 | 4,679 |
| Market-related valuation changes to MSR, net of hedge results (2)(4) | (A)+(B) | \$ 134 | 253 | 786 |

(1) Includes costs associated with foreclosures, unreimbursed interest advances to investors, and other interest costs.

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

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

(4)

Represents results from economic hedges used to hedge the risk of changes in fair value of MSRs. See Note 12 (Derivatives Not Designated as Hedging Instruments) for additional discussion and detail.

Table 8.5 summarizes the changes in our liability for mortgage loan repurchase losses. This liability is in “Accrued expenses and other liabilities” in our consolidated balance sheet and the provision for repurchase losses reduces net gains on mortgage loan origination/sales activities in “Mortgage banking” in our consolidated income statement. Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that is reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable

loss, and is based on currently available information, significant judgment, and a number of assumptions that are subject to change. The high end of this range of reasonably possible losses exceeded our recorded liability by \$191 million at September 30, 2016, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) used in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions.

Table 8.5: Analysis of Changes in Liability for Mortgage Loan Repurchase Losses

| | Quarter ended Sep 30, | | Nine months ended Sep 30, | |
|----------------------------------|-----------------------------|-------|------------------------------------|-------|
| (in millions) | 2016 | 2015 | 2016 | 2015 |
| Balance, beginning of period | \$255 | 557 | 378 | 615 |
| Provision for repurchase losses: | | | | |
| Loan sales | 11 | 11 | 26 | 34 |
| Change in estimate (1) | (24) | (17) | (132) | (74) |
| Net reductions | (13) | (6) | (106) | (40) |
| Losses | (3) | (13) | (33) | (37) |
| Balance, end of period | \$239 | 538 | 239 | 538 |

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

Note 9: Intangible Assets

Table 9.1 presents the gross carrying value of intangible assets and accumulated amortization.

Table 9.1: Intangible Assets

| (in millions) | September 30, 2016 | | | December 31, 2015 | | |
|---|----------------------|--------------------------|--------------------|----------------------|--------------------------|--------------------|
| | Gross carrying value | Accumulated amortization | Net carrying value | Gross carrying value | Accumulated amortization | Net carrying value |
| Amortized intangible assets (1): | | | | | | |
| MSRs (2) | \$3,495 | (2,122) |) 1,373 | 3,228 | (1,920) |) 1,308 |
| Core deposit intangibles | 12,834 | (10,984) |) 1,850 | 12,834 | (10,295) |) 2,539 |
| Customer relationship and other intangibles | 3,901 | (2,764) |) 1,137 | 3,163 | (2,549) |) 614 |
| Total amortized intangible assets | \$20,230 | (15,870) |) 4,360 | 19,225 | (14,764) |) 4,461 |
| Unamortized intangible assets: | | | | | | |
| MSRs (carried at fair value) (2) | \$10,415 | | | 12,415 | | |
| Goodwill | 26,688 | | | 25,529 | | |
| Trademark | 14 | | | 14 | | |

(1) Excludes fully amortized intangible assets.

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

Table 9.2 provides the current year and estimated future amortization expense for amortized intangible assets. We based our projections of amortization expense shown below on

existing asset balances at September 30, 2016. Future amortization expense may vary from these projections.

Table 9.2: Amortization Expense for Intangible Assets

| (in millions) | Amortized MSRs | Core deposit intangibles | Customer relationship and other intangibles (1) | Total |
|---|----------------|--------------------------|---|-------|
| Nine months ended September 30, 2016 (actual) | \$ 202 | 689 | 215 | 1,106 |
| Estimate for the remainder of 2016 | \$ 67 | 229 | 74 | 370 |
| Estimate for year ended December 31, | | | | |
| 2017 | 240 | 851 | 302 | 1,393 |
| 2018 | 201 | 770 | 295 | 1,266 |
| 2019 | 178 | — | 103 | 281 |
| 2020 | 162 | — | 85 | 247 |
| 2021 | 138 | — | 70 | 208 |

(1) The nine months ended September 30, 2016 includes \$13 million for lease intangible amortization.

Note 9: Intangible Assets (continued)

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

goodwill to applicable reporting units based on their relative fair value, and if we have a significant business reorganization, we may reallocate the goodwill. See Note 18 (Operating Segments) for further information on management reporting.

Table 9.3 shows the allocation of goodwill to our reportable operating segments for purposes of goodwill impairment testing.

Table 9.3: Goodwill

| (in millions) | Community Banking | Wholesale Banking | Wealth and Investment Management | Consolidated Company | |
|---|----------------------|----------------------|-------------------------------------|-------------------------|---|
| December 31, 2014 | \$ 16,870 | 7,633 | 1,202 | 25,705 | |
| Reduction in goodwill related to divested businesses and other | (21 |) — | — | (21 |) |
| Goodwill from business combinations | — | — | — | — | |
| September 30, 2015 | \$ 16,849 | 7,633 | 1,202 | 25,684 | |
| December 31, 2015 | \$ 16,849 | 7,475 | 1,205 | 25,529 | |
| Reduction in goodwill related to divested businesses and other | — | (84 |) (2 |) (86 |) |
| Goodwill from business combinations | — | 1,245 | — | 1,245 | |
| September 30, 2016 | \$ 16,849 | 8,636 | 1,203 | 26,688 | |

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

Note 10: Guarantees, Pledged Assets and Collateral

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

descriptions of our guarantees, see Note 14 (Guarantees, Pledged Assets and Collateral) to Financial Statements in our 2015 Form 10-K. Table 10.1 shows carrying value, maximum exposure to loss on our guarantees and the related non-investment grade amounts.

Table 10.1: Guarantees – Carrying Value and Maximum Exposure to Loss

| (in millions) | Carrying value | Maximum exposure to loss | | | | Total | Non-investment grade |
|---|----------------|-----------------------------|--|--|--------------------------|--------|----------------------|
| | | Expires in one year or less | Expires after one year through three years | Expires after three years through five years | Expires after five years | | |
| September 30, 2016 | | | | | | | |
| Standby letters of credit (1) | \$ 39 | 16,757 | 9,245 | 3,599 | 639 | 30,240 | 9,875 |
| Securities lending and other indemnifications (2) | — | — | — | — | 1,869 | 1,869 | — |
| Written put options (3) | 47 | 13,243 | 11,173 | 5,072 | 1,512 | 31,000 | 19,602 |
| Loans and MHFS sold with recourse (4) | 57 | 108 | 653 | 892 | 8,163 | 9,816 | 6,832 |
| Factoring guarantees (5) | — | 1,079 | — | — | — | 1,079 | 1,079 |
| Other guarantees | 6 | 27 | 21 | 16 | 3,407 | 3,471 | 23 |
| Total guarantees | \$ 149 | 31,214 | 21,092 | 9,579 | 15,590 | 77,475 | 37,411 |
| December 31, 2015 | | | | | | | |
| Standby letters of credit (1) | \$ 38 | 16,360 | 9,618 | 4,116 | 642 | 30,736 | 8,981 |
| Securities lending and other indemnifications (2) | — | — | — | — | 1,841 | 1,841 | — |
| Written put options (3) | 290 | 9,450 | 7,401 | 5,742 | 1,487 | 24,080 | 13,868 |
| Loans and MHFS sold with recourse (4) | 62 | 112 | 723 | 690 | 6,434 | 7,959 | 4,864 |
| Factoring guarantees (5) | — | 1,598 | — | — | — | 1,598 | 1,598 |
| Other guarantees | 28 | 62 | 17 | 17 | 2,482 | 2,578 | 53 |
| Total guarantees | \$ 418 | 27,582 | 17,759 | 10,565 | 12,886 | 68,792 | 29,364 |

Total maximum exposure to loss includes direct pay letters of credit (DPLCs) of \$10.5 billion and \$11.8 billion at September 30, 2016, and December 31, 2015, respectively. We issue DPLCs to provide credit enhancements for certain bond issuances. Beneficiaries (bond trustees) may draw upon these instruments to make scheduled principal and interest payments, redeem all outstanding bonds because a default event has occurred, or for other reasons as permitted by the agreement. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility in one of several forms, including as a standby letter of credit. Total maximum exposure to loss includes the portion of these facilities for which we have issued standby letters of credit under the commitments.

Includes indemnifications provided to certain third-party clearing agents. Outstanding customer obligations under these arrangements were \$187 million and \$352 million with related collateral of \$1.7 billion and \$1.5 billion at September 30, 2016, and December 31, 2015, respectively. Estimated maximum exposure to loss was \$1.9 billion at September 30, 2016 and \$1.8 billion at December 31, 2015.

(3)

Written put options, which are in the form of derivatives, are also included in the derivative disclosures in Note 12 (Derivatives). Amounts for December 31, 2015 have been revised to include previously omitted contracts.

Represent recourse provided, predominantly to the GSEs, on loans sold under various programs and arrangements.

(4) Under these arrangements, we repurchased \$2 million and \$4 million respectively, of loans associated with these agreements in the third quarter and first nine months of 2016, and \$2 million and \$5 million in the same periods of 2015, respectively.

(5) Consists of guarantees made under certain factoring arrangements to purchase trade receivables from third parties, generally upon their request, if receivable debtors default on their payment obligations.

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

Maximum exposure to loss represents the estimated loss that would be incurred under an assumed hypothetical circumstance, despite what we believe is its extremely remote possibility, where the value of our interests and any associated collateral declines to zero. Maximum exposure to loss estimates in Table 10.1 do not reflect economic hedges or collateral we could use to offset or recover losses we may incur under our guarantee agreements. Accordingly, this required disclosure is not an indication of expected loss. We believe the carrying value, which is either fair value for derivative-related products or the allowance for lending-related commitments, is more representative of our exposure to loss than maximum exposure to loss.

Pledged Assets

As part of our liquidity management strategy, we pledge various assets to secure trust and public deposits, borrowings and letters of credit from the FHLB and FRB, securities sold under agreements to repurchase (repurchase agreements), securities lending arrangements, and for other purposes as required or permitted by law or insurance statutory requirements. The types of collateral we pledge include securities issued by federal agencies, GSEs, domestic and foreign companies and various commercial and consumer loans. Table 10.2 provides the total carrying amount of pledged assets by asset type and pledged off-

balance sheet securities for securities financings. The table excludes pledged consolidated VIE assets of \$13.4 billion and \$5.6 billion at September 30, 2016, and December 31, 2015, respectively, which can only be used to settle the liabilities of those entities. The table also excludes \$5.4 billion and \$7.3 billion in assets pledged in transactions accounted for as secured borrowings at September 30, 2016, and December 31, 2015, respectively. See Note 7 (Securitizations and Variable Interest Entities) for additional information on consolidated VIE assets and secured borrowings.

Table 10.2: Pledged Assets

| (in millions) | Sep 30, 2016 | Dec 31, 2015 |
|---------------------------------------|-----------------|-----------------|
| Trading assets and other (1) | \$107,973 | 73,396 |
| Investment securities (2) | 93,840 | 113,912 |
| Mortgages held for sale and Loans (3) | 504,037 | 453,058 |
| Total pledged assets | \$705,850 | 640,366 |

Consists of trading assets of \$47.3 billion and \$38.7 billion at September 30, 2016, and December 31, 2015, respectively and off-balance sheet securities of \$60.7 billion and \$34.7 billion as of the same dates, respectively, (1) that are pledged as collateral for repurchase agreements and other securities financings. Total trading assets and other includes \$107.5 billion and \$73.0 billion at September 30, 2016, and December 31, 2015, respectively that permit the secured parties to sell or repledge the collateral.

Includes carrying value of \$5.6 billion and \$6.5 billion (fair value of \$5.8 billion and \$6.5 billion) in collateral for repurchase agreements at September 30, 2016, and December 31, 2015, respectively, which are pledged under agreements that do not permit the secured parties to sell or repledge the collateral. Also includes \$12.9 billion and (2) \$13.0 billion in collateral pledged under repurchase agreements at September 30, 2016, and December 31, 2015, respectively, that permit the secured parties to sell or repledge the collateral. All other pledged securities are pursuant to agreements that do not permit the secured party to sell or repledge the collateral.

Includes mortgages held for sale of \$15.9 billion and \$8.7 billion at September 30, 2016, and December 31, 2015, respectively. Balance consists of mortgages held for sale and loans that are pledged under agreements that do not (3) permit the secured parties to sell or repledge the collateral. Amounts exclude \$1.2 billion and \$1.3 billion at September 30, 2016, and December 31, 2015, respectively, of pledged loans recorded on our balance sheet representing certain delinquent loans that are eligible for repurchase from GNMA loan securitizations. See Note 7 (Securitizations and Variable Interest Entities) for additional information.

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

Securities Financing Activities

We enter into resale and repurchase agreements and securities borrowing and lending agreements (collectively, “securities financing activities”) typically to finance trading positions (including securities and derivatives), acquire securities to cover short trading positions, accommodate customers’ financing needs, and settle other securities obligations. These activities are conducted through our broker dealer subsidiaries and to a lesser extent through other bank entities. Most of our securities financing activities involve high quality, liquid securities such as U.S. Treasury securities and government agency securities, and to a lesser extent, less liquid securities, including equity securities, corporate bonds and asset-backed securities. We account for these transactions as collateralized financings in which we typically receive or pledge securities as collateral. We believe these financing transactions generally do not have material credit risk given the collateral provided and the related monitoring processes.

OFFSETTING OF RESALE AND REPURCHASE AGREEMENTS AND SECURITIES BORROWING AND LENDING AGREEMENTS Table 10.3 presents resale and repurchase agreements subject to master repurchase agreements (MRA) and securities borrowing and lending agreements subject to master securities lending agreements (MSLA). We account for

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

In addition to the amounts included in Table 10.3, we also have balance sheet netting related to derivatives that is disclosed in Note 12 (Derivatives).

Table 10.3: Offsetting – Resale and Repurchase Agreements

| (in millions) | Sep 30, 2016 | Dec 31, 2015 |
|---|-----------------|-----------------|
| Assets: | | |
| Resale and securities borrowing agreements | | |
| Gross amounts recognized | \$ 105,200 | 74,935 |
| Gross amounts offset in consolidated balance sheet (1) | (16,621) | (9,158) |
| Net amounts in consolidated balance sheet (2) | 88,579 | 65,777 |
| Collateral not recognized in consolidated balance sheet (3) | (87,662) | (65,035) |
| Net amount (4) | \$917 | 742 |
| Liabilities: | | |
| Repurchase and securities lending agreements | | |
| Gross amounts recognized (5) | \$ 124,392 | 91,278 |
| Gross amounts offset in consolidated balance sheet (1) | (16,621) | (9,158) |
| Net amounts in consolidated balance sheet (6) | 107,771 | 82,120 |
| Collateral pledged but not netted in consolidated balance sheet (7) | (107,278) | (81,772) |
| Net amount (8) | \$493 | 348 |
| (1) | | |

Represents recognized amount of resale and repurchase agreements with counterparties subject to enforceable MRAs that have been offset in the consolidated balance sheet.

- (2) At September 30, 2016, and December 31, 2015, includes \$67.4 billion and \$45.7 billion, respectively, classified on our consolidated balance sheet in federal funds sold, securities purchased under resale agreements and other short-term investments and \$21.2 billion and \$20.1 billion, respectively, in loans. Represents the fair value of collateral we have received under enforceable MRAs or MSLAs, limited for table presentation purposes to the amount of the recognized asset due from each counterparty. At September 30, 2016, and December 31, 2015, we have received total collateral with a fair value of \$116.0 billion and \$84.9 billion, respectively, all of which, we have the right to sell or repledge. These amounts include securities we have sold or repledged to others with a fair value of \$59.2 billion at September 30, 2016, and \$33.4 billion (revised to correct amount previously reported) at December 31, 2015.
- (3) Represents the amount of our exposure that is not collateralized and/or is not subject to an enforceable MRA or MSLA.
- (4) For additional information on underlying collateral and contractual maturities, see the "Repurchase and Securities Lending Agreements" section in this Note.
- (5) Amount is classified in short-term borrowings on our consolidated balance sheet.
- (6) Represents the fair value of collateral we have pledged, related to enforceable MRAs or MSLAs, limited for table presentation purposes to the amount of the recognized liability owed to each counterparty. At September 30, 2016, and December 31, 2015, we have pledged total collateral with a fair value of \$126.5 billion and \$92.9 billion, respectively, of which, the counterparty does not have the right to sell or repledge \$6.1 billion as of September 30, 2016 and \$6.9 billion as of December 31, 2015.
- (7) Represents the amount of our obligation that is not covered by pledged collateral and/or is not subject to an enforceable MRA or MSLA.
- (8)

REPURCHASE AND SECURITIES LENDING AGREEMENTS Securities sold under repurchase agreements and securities lending arrangements are effectively short-term collateralized borrowings. In these transactions, we receive cash in exchange for transferring securities as collateral and recognize an obligation to reacquire the securities for cash at the transaction's maturity. These types of transactions create risks, including (1) the counterparty may fail to return the securities at maturity, (2) the fair value of the securities transferred may decline below the amount of our obligation to reacquire the securities, and therefore create an obligation for us to pledge additional amounts, and (3) the counterparty may accelerate the maturity

on demand requiring us to reacquire the security prior to contractual maturity. We attempt to mitigate these risks by the fact that most of our securities financing activities involve highly liquid securities, we underwrite and monitor the financial strength of our counterparties, we monitor the fair value of collateral pledged relative to contractually required repurchase amounts, and we monitor that our collateral is properly returned through the clearing and settlement process in advance of our cash repayment. Table 10.4 provides the underlying collateral types of our gross obligations under repurchase and securities lending agreements.

Table 10.4: Underlying Collateral Types of Gross Obligations

| (in millions) | Sep 30, 2016 | Dec 31, 2015 |
|--|-----------------|-----------------|
| Repurchase agreements: | | |
| Securities of U.S. Treasury and federal agencies | \$58,777 | 32,254 |
| Securities of U.S. States and political subdivisions | 136 | 7 |
| Federal agency mortgage-backed securities | 38,587 | 37,033 |
| Non-agency mortgage-backed securities | 2,334 | 1,680 |
| Corporate debt securities | 6,359 | 4,674 |
| Asset-backed securities | 3,129 | 2,275 |
| Equity securities | 2,154 | 2,457 |
| Other | 901 | 1,162 |
| Total repurchases | 112,377 | 81,542 |
| Securities lending: | | |
| Securities of U.S. Treasury and federal agencies | 186 | 61 |
| Federal agency mortgage-backed securities | 138 | 76 |
| Non-agency mortgage-backed securities | — | — |
| Corporate debt securities | 908 | 899 |
| Equity securities (1) | 10,783 | 8,700 |
| Total securities lending | 12,015 | 9,736 |
| Total repurchases and securities lending | \$124,392 | 91,278 |

(1) Equity securities are generally exchange traded and either re-hypothecated under margin lending agreements or obtained through contemporaneous securities borrowing transactions with other counterparties.

Table 10.5 provides the contractual maturities of our gross obligations under repurchase and securities lending agreements.

Table 10.5: Contractual Maturities of Gross Obligations

| (in millions) | Overnight | Up to 30 days | 30-90 days | >90 days | Total gross obligation |
|--|-----------|---------------|------------|----------|------------------------|
| September 30, 2016 | | | | | |
| Repurchase agreements | \$86,113 | 11,545 | 9,570 | 5,149 | 112,377 |
| Securities lending | 9,726 | 712 | 1,577 | — | 12,015 |
| Total repurchases and securities lending (1) | \$95,839 | 12,257 | 11,147 | 5,149 | 124,392 |
| December 31, 2015 | | | | | |
| Repurchase agreements | \$58,021 | 19,561 | 2,935 | 1,025 | 81,542 |

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| | | | | | |
|--|----------|--------|-------|-------|--------|
| Securities lending | 7,845 | 362 | 1,529 | — | 9,736 |
| Total repurchases and securities lending (1) | \$65,866 | 19,923 | 4,464 | 1,025 | 91,278 |

Repurchase and securities lending transactions are largely conducted under enforceable master lending agreements that allow either party to terminate the transaction on demand. These transactions have been reported as continuous obligations unless the MRA or MSLA has been modified with an overriding agreement that specifies an alternative termination date.

Note 11: Legal Actions

The following supplements our discussion of certain matters previously reported in Note 15 (Legal Actions) to Financial Statements in our 2015 Form 10-K and Note 11 (Legal Actions) to Financial Statements in our 2016 first and second quarter Quarterly Reports on Form 10-Q for events occurring during third quarter 2016.

MORTGAGE RELATED REGULATORY INVESTIGATIONS Federal and state government agencies, including the United States Department of Justice, continue investigations or examinations of certain mortgage related practices of Wells Fargo and predecessor institutions. Wells Fargo, for itself and for predecessor institutions, has responded, and continues to respond, to requests from these agencies seeking information regarding the origination, underwriting and securitization of residential mortgages, including sub-prime mortgages. This includes discussions with various government agencies that are part of the RMBS Working Group of the Financial Fraud Enforcement Task Force in which potential theories of liability have been raised. Other financial institutions have entered into settlements with these agencies, the nature of which related to the specific activities of those financial institutions, including the imposition of significant financial penalties and remedial actions.

ORDER OF POSTING LITIGATION A series of putative class actions have been filed against Wachovia Bank, N.A. and Wells Fargo Bank, N.A., as well as many other banks, challenging the "high to low" order in which the banks post debit card transactions to consumer deposit accounts. There are currently several such cases pending against Wells Fargo Bank (including the Wachovia Bank cases to which Wells Fargo succeeded), most of which have been consolidated in multi-district litigation proceedings (the "MDL proceedings") in the U.S. District Court for the Southern District of Florida. The court in the MDL proceedings has certified a class of putative plaintiffs and Wells Fargo moved to compel arbitration of the claims of unnamed class members. The court denied these motions to compel arbitration on October 17, 2016.

SALES PRACTICES MATTERS Federal, state and local government agencies, including the United States Department of Justice and the United States Securities and Exchange Commission, and state attorneys general and prosecutors' offices, as well as Congressional committees, have undertaken formal or informal inquiries, investigations or examinations arising out of certain sales practices of the Company that were the subject of settlements with the Consumer Financial Protection Bureau, the Office of the Comptroller of the Currency and the Office of the Los Angeles City Attorney announced by the Company on September 8, 2016. The Company has responded, and continues to respond, to requests from a number of the foregoing seeking information regarding these sales practices and the circumstances of the settlements and related matters. A number of lawsuits have also been filed by non-governmental parties seeking damages or other remedies related to these sales practices.

OUTLOOK When establishing a liability for contingent litigation losses, the Company determines a range of potential losses for each matter that is both probable and estimable, and records the amount it considers to be the best estimate within the range. The high end of the range of reasonably possible potential litigation losses in excess of the Company's liability for probable and estimable losses was approximately \$1.7 billion as of September 30, 2016. The change in the high end of the range from June 30, 2016 related to a number of matters. It is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. Accordingly, there may be a range of possible losses in excess of the established liability or the range of reasonably possible loss. Wells Fargo is unable to determine whether the ultimate resolution of either the mortgage related regulatory investigations or the sales practices matters will have a material adverse effect on its consolidated financial condition. Based on information currently available, advice of counsel, available insurance coverage and established reserves, Wells Fargo believes that the eventual outcome of other actions against Wells Fargo and/or its subsidiaries will not, individually or in the aggregate, have a material adverse effect on Wells Fargo's consolidated financial condition. However, it is possible that the ultimate resolution of a matter, if unfavorable, may be material to Wells Fargo's results of operations for any particular period.

Note 12: Derivatives

We use derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. We designate certain derivatives as hedging instruments in a qualifying hedge accounting relationship (fair value or cash flow hedge). Our remaining derivatives consist of economic hedges that do not qualify for hedge accounting and derivatives held for customer accommodation trading, or other purposes. For more information on our derivative activities, see Note 16 (Derivatives) to Financial Statements in our 2015 Form 10-K.

Table 12.1 presents the total notional or contractual amounts and fair values for our derivatives. Derivative transactions can be

measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged but is used only as the basis on which interest and other payments are determined. Derivatives designated as qualifying hedging instruments and economic hedges are recorded on the balance sheet at fair value in other assets or other liabilities. Customer accommodation trading and other derivatives are recorded on the balance sheet at fair value in trading assets, other assets or other liabilities.

Table 12.1: Notional or Contractual Amounts and Fair Values of Derivatives

| (in millions) | September 30, 2016 | | | December 31, 2015 | | |
|--|--------------------------------|-------------------|-----------------------------------|--------------------------------|-------------------|-----------------------------------|
| | Notional or contractual amount | Derivative assets | Fair value Derivative liabilities | Notional or contractual amount | Derivative assets | Fair value Derivative liabilities |
| Derivatives designated as hedging instruments | | | | | | |
| Interest rate contracts (1) | \$228,108 | 13,924 | 1,522 | 191,684 | 7,477 | 2,253 |
| Foreign exchange contracts (1) | 28,858 | 1,134 | 1,499 | 25,115 | 378 | 2,494 |
| Total derivatives designated as qualifying hedging instruments | | 15,058 | 3,021 | | 7,855 | 4,747 |
| Derivatives not designated as hedging instruments | | | | | | |
| Economic hedges: | | | | | | |
| Interest rate contracts (2) | 280,338 | 422 | 731 | 211,375 | 195 | 315 |
| Equity contracts | 8,446 | 602 | 139 | 7,427 | 531 | 47 |
| Foreign exchange contracts | 14,966 | 600 | 125 | 16,407 | 321 | 100 |
| Credit contracts – protection purchased | 534 | 94 | — | — | — | — |
| Subtotal | | 1,718 | 995 | | 1,047 | 462 |
| Customer accommodation trading and other derivatives: | | | | | | |
| Interest rate contracts | 6,111,740 | 97,444 | 100,134 | 4,685,898 | 55,053 | 55,409 |
| Commodity contracts | 55,865 | 2,573 | 2,711 | 47,571 | 4,659 | 5,519 |
| Equity contracts | 170,192 | 6,955 | 6,368 | 139,956 | 7,068 | 4,761 |
| Foreign exchange contracts | 340,620 | 7,092 | 7,571 | 295,962 | 8,248 | 8,339 |
| Credit contracts – protection sold | 10,399 | 82 | 417 | 10,544 | 83 | 541 |
| Credit contracts – protection purchased | 21,469 | 400 | 130 | 18,018 | 567 | 88 |
| Other contracts | 986 | — | 73 | 1,041 | — | 58 |
| Subtotal | | 114,546 | 117,404 | | 75,678 | 74,715 |
| Total derivatives not designated as hedging instruments | | 116,264 | 118,399 | | 76,725 | 75,177 |
| Total derivatives before netting | | 131,322 | 121,420 | | 84,580 | 79,924 |
| Netting (3) | | (112,586) | (107,817) | | (66,924) | (66,004) |

| | | | | |
|-------|-----------|--------|--------|--------|
| Total | \$ 18,736 | 13,603 | 17,656 | 13,920 |
|-------|-----------|--------|--------|--------|

Notional amounts presented exclude \$1.9 billion of interest rate contracts at both September 30, 2016, and December 31, 2015, for certain derivatives that are combined for designation as a hedge on a single instrument.

(1) The notional amount for foreign exchange contracts at September 30, 2016, and December 31, 2015, excludes \$10.2 billion and \$7.8 billion, respectively, for certain derivatives that are combined for designation as a hedge on a single instrument.

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

(3) Represents balance sheet netting of derivative asset and liability balances, related cash collateral and portfolio level counterparty valuation adjustments. See Table 12.2 for further information.

Note 12: Derivatives (continued)

Table 12.2 provides information on the gross fair values of derivative assets and liabilities, the balance sheet netting adjustments and the resulting net fair value amount recorded on our balance sheet, as well as the non-cash collateral associated with such arrangements. We execute substantially all of our derivative transactions under master netting arrangements. We reflect all derivative balances and related cash collateral subject to enforceable master netting arrangements on a net basis within the balance sheet. The “Gross amounts recognized” column in the following table includes \$116.2 billion and \$114.2 billion of gross derivative assets and liabilities, respectively, at September 30, 2016, and \$69.9 billion and \$74.0 billion, respectively, at December 31, 2015, with counterparties subject to enforceable master netting arrangements that are carried on the balance sheet net of offsetting amounts. The remaining gross derivative assets and liabilities of \$15.2 billion and \$7.0 billion, respectively, at September 30, 2016, and \$14.6 billion and \$5.9 billion, respectively, at December 31, 2015, include those with counterparties subject to master netting arrangements for which we have not assessed the enforceability because they are with counterparties where we do not currently have positions to offset, those subject to master netting arrangements where we have not been able to confirm the enforceability and those not subject to master netting arrangements. As such, we do not net derivative balances or collateral within the balance sheet for these counterparties.

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

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

The “Net amounts” column within Table 12.2 represents the aggregate of our net exposure to each counterparty after considering the balance sheet and Disclosure-only netting adjustments. We manage derivative exposure by monitoring the credit risk associated with each counterparty using counterparty specific credit risk limits, using master netting arrangements and obtaining collateral. Derivative contracts executed in over-the-counter markets include bilateral contractual arrangements that are not cleared through a central clearing organization but are typically subject to master netting arrangements. The percentage of our bilateral derivative transactions outstanding at period end in such markets, based on gross fair value, is provided within the following table. Other derivative contracts executed in over-the-counter or exchange-traded markets are settled through a central clearing organization and are excluded from this percentage. In addition to the netting amounts included in the table, we also have balance sheet netting related to resale and repurchase agreements that are disclosed within Note 10 (Guarantees, Pledged Assets and Collateral).

Table 12.2: Gross Fair Values of Derivative Assets and Liabilities

| (in millions) | Gross amounts recognized | Gross amounts offset in consolidated balance sheet (1) | Net amounts in consolidated balance sheet (2) | Gross amounts not offset in consolidated balance sheet (Disclosure-only netting) (3) | Net amounts | Percent exchanged in over-the-counter market (4) |
|---|--------------------------|--|---|--|-------------|--|
| September 30, 2016 | | | | | | |
| Derivative assets | | | | | | |
| Interest rate contracts | \$ 111,790 | (102,677) |) 9,113 | (1,314 |) 7,799 | 28 % |
| Commodity contracts | 2,573 | (834) |) 1,739 | (75 |) 1,664 | 59 |
| Equity contracts | 7,557 | (2,719) |) 4,838 | (422 |) 4,416 | 53 |
| Foreign exchange contracts | 8,826 | (5,933) |) 2,893 | (69 |) 2,824 | 93 |
| Credit contracts – protection sold | 82 | (45) |) 37 | — | 37 | 60 |
| Credit contracts – protection purchased | 494 | (378) |) 116 | (5 |) 111 | 99 |
| Total derivative assets | \$ 131,322 | (112,586) |) 18,736 | (1,885 |) 16,851 | |
| Derivative liabilities | | | | | | |
| Interest rate contracts | \$ 102,387 | (96,409) |) 5,978 | (4,250 |) 1,728 | 23 % |
| Commodity contracts | 2,711 | (563) |) 2,148 | (31 |) 2,117 | 68 |
| Equity contracts | 6,507 | (2,570) |) 3,937 | (473 |) 3,464 | 83 |
| Foreign exchange contracts | 9,195 | (7,862) |) 1,333 | (695 |) 638 | 100 |
| Credit contracts – protection sold | 417 | (358) |) 59 | (57 |) 2 | 100 |
| Credit contracts – protection purchased | 130 | (55) |) 75 | (4 |) 71 | 39 |
| Other contracts | 73 | — | 73 | — | 73 | 100 |
| Total derivative liabilities | \$ 121,420 | (107,817) |) 13,603 | (5,510 |) 8,093 | |
| December 31, 2015 | | | | | | |
| Derivative assets | | | | | | |
| Interest rate contracts | \$ 62,725 | (56,612) |) 6,113 | (749 |) 5,364 | 39 % |
| Commodity contracts | 4,659 | (998) |) 3,661 | (76 |) 3,585 | 35 |
| Equity contracts | 7,599 | (2,625) |) 4,974 | (471 |) 4,503 | 51 |
| Foreign exchange contracts | 8,947 | (6,141) |) 2,806 | (34 |) 2,772 | 98 |
| Credit contracts – protection sold | 83 | (79) |) 4 | — | 4 | 76 |
| Credit contracts – protection purchased | 567 | (469) |) 98 | (2 |) 96 | 100 |
| Total derivative assets | \$ 84,580 | (66,924) |) 17,656 | (1,332 |) 16,324 | |
| Derivative liabilities | | | | | | |
| Interest rate contracts | \$ 57,977 | (53,259) |) 4,718 | (3,543 |) 1,175 | 35 % |
| Commodity contracts | 5,519 | (1,052) |) 4,467 | (40 |) 4,427 | 84 |
| Equity contracts | 4,808 | (2,241) |) 2,567 | (154 |) 2,413 | 85 |
| Foreign exchange contracts | 10,933 | (8,968) |) 1,965 | (634 |) 1,331 | 100 |
| Credit contracts – protection sold | 541 | (434) |) 107 | (107 |) — | 100 |
| Credit contracts – protection purchased | 88 | (50) |) 38 | (6 |) 32 | 70 |
| Other contracts | 58 | — | 58 | — | 58 | 100 |

Total derivative liabilities \$ 79,924 (66,004) 13,920 (4,484) 9,436

Represents amounts with counterparties subject to enforceable master netting arrangements that have been offset in the consolidated balance sheet, including related cash collateral and portfolio level counterparty valuation adjustments. Counterparty valuation adjustments were \$423 million and \$375 million related to derivative assets and \$111 million and \$81 million related to derivative liabilities at September 30, 2016, and December 31, 2015, respectively. Cash collateral totaled \$9.1 billion and \$4.7 billion, netted against derivative assets and liabilities, respectively, at September 30, 2016, and \$5.3 billion and \$4.7 billion, respectively, at December 31, 2015.

Net derivative assets of \$4.9 billion and \$12.4 billion are classified in Trading assets at September 30, 2016, and December 31, 2015, respectively. \$13.9 billion and \$5.3 billion are classified in Other assets in the consolidated balance sheet at September 30, 2016, and December 31, 2015, respectively. Net derivative liabilities are classified in Accrued expenses and other liabilities in the consolidated balance sheet.

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

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

Note 12: Derivatives (continued)

Fair Value Hedges

We use derivatives to hedge against changes in fair value of certain financial instruments, including available-for-sale debt securities, mortgages held for sale, and long-term debt. For more information on fair value hedges, see Note 16 (Derivatives) to Financial Statements in our 2015 Form 10-K.

Table 12.3 shows the net gains (losses) recognized in the income statement related to derivatives in fair value hedging relationships. The entire derivative gain or loss is included in the

assessment of hedge effectiveness for all fair value hedge relationships, except for those involving foreign-currency denominated available-for-sale securities and long-term debt hedged with foreign currency forward derivatives for which the time value component of the derivative gain or loss related to the changes in the difference between the spot and forward price is excluded from the assessment of hedge effectiveness.

Table 12.3: Derivatives in Fair Value Hedging Relationships

| (in millions) | Interest rate contracts hedging: | | | Foreign exchange contracts hedging: | | Total net gains (losses) on fair value hedges |
|---|----------------------------------|-------------------------|----------------|-------------------------------------|----------------|---|
| | Available-for-sale securities | Mortgages held for sale | Long-term debt | Available-for-sale securities | Long-term debt | |
| Quarter ended September 30, 2016 | | | | | | |
| Net interest income (expense) recognized on derivatives | \$ (117) | (1 |) 471 | 2 | 9 | 364 |
| Gains (losses) recorded in noninterest income | | | | | | |
| Recognized on derivatives | 21 | 6 | (271 |) 30 | 312 | 98 |
| Recognized on hedged item | (10 |) (7 |) 354 | (32 |) (234 |) 71 |
| Net recognized on fair value hedges (ineffective portion) (1) | \$ 11 | (1 |) 83 | (2 |) 78 | 169 |
| Quarter ended September 30, 2015 | | | | | | |
| Net interest income (expense) recognized on derivatives | \$ (199) | (3 |) 494 | — | 35 | 327 |
| Gains (losses) recorded in noninterest income | | | | | | |
| Recognized on derivatives | (1,182) | (20 |) 2,233 | 27 | (200 |) 858 |
| Recognized on hedged item | 1,180 | 16 | (2,039 |) (29 |) 213 | (659 |
| Net recognized on fair value hedges (ineffective portion) (1) | \$ (2 |) (4 |) 194 | (2 |) 13 | 199 |
| Nine months ended September 30, 2016 | | | | | | |
| Net interest income (expense) recognized on derivatives | \$ (468) | (5 |) 1,436 | 4 | 40 | 1,007 |
| Gains (losses) recorded in noninterest income | | | | | | |
| Recognized on derivatives | (2,674) | (36 |) 4,815 | 98 | 1,475 | 3,678 |
| Recognized on hedged item | 2,699 | 32 | (4,215 |) (106 |) (1,242 |) (2,832 |
| Net recognized on fair value hedges (ineffective portion) (1) | \$ 25 | (4 |) 600 | (8 |) 233 | 846 |
| Nine months ended September 30, 2015 | | | | | | |
| Net interest income (expense) recognized on derivatives | \$ (585) | (10 |) 1,445 | — | 152 | 1,002 |
| Gains (losses) recorded in noninterest income | | | | | | |

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| | | | | | | |
|---|---------|-------|----------|--------|----------|--------|
| Recognized on derivatives | (496) | (14) | 1,186 | 191 | (1,823) | (956) |
| Recognized on hedged item | 484 | 5 | (1,121) | (187) | 1,860 | 1,041 |
| Net recognized on fair value hedges (ineffective portion) (1) | \$(12) | (9) | 65 | 4 | 37 | 85 |

The third quarter and first nine months of 2016 included \$(3) million and \$(10) million, respectively, and the third quarter and first nine months of 2015 included \$(1) million and \$(4) million, respectively, of the time value component recognized as net interest income (expense) on forward derivatives hedging foreign currency available-for-sale securities and long-term debt that were excluded from the assessment of hedge effectiveness.

Cash Flow Hedges

We use derivatives to hedge certain financial instruments against future interest rate increases and to limit the variability of cash flows on certain financial instruments due to changes in the benchmark interest rate. For more information on cash flow hedges, see Note 16 (Derivatives) to Financial Statements in our 2015 Form 10-K. Based upon current interest rates, we estimate that \$887 million (pre tax) of deferred net gains on derivatives in OCI at September 30, 2016, will be reclassified into net interest

income during the next twelve months. Future changes to interest rates may significantly change actual amounts reclassified to earnings. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of 6 years.

Table 12.4 shows the net gains (losses) recognized related to derivatives in cash flow hedging relationships.

Table 12.4: Derivatives in Cash Flow Hedging Relationships

| (in millions) | Quarter ended Sep 30, | | Nine months ended Sep 30, | |
|---|-----------------------|-------|---------------------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| Gains (losses) (pre tax) recognized in OCI on derivatives | \$(445) | 1,769 | 2,611 | 2,233 |
| Gains (pre tax) reclassified from cumulative OCI into net income (1) | 262 | 293 | 783 | 795 |
| Gains (losses) (pre tax) recognized in noninterest income for hedge ineffectiveness (2) | — | — | 1 | 1 |

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

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

Derivatives Not Designated as Hedging Instruments

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

The derivatives used to hedge MSRs measured at fair value, resulted in net derivative gains of \$142 million and \$2.6 billion in the third quarter and first nine months of 2016, respectively, and \$1.1 billion and \$1.0 billion in the third quarter and first nine months of 2015, respectively, which are included in mortgage banking noninterest income. The aggregate fair value of these derivatives was a net asset of \$263 million at September 30, 2016, and net liability of \$3 million at December 31, 2015. The change in fair value of these derivatives for each period end is due

to changes in the underlying market indices and interest rates as well as the purchase and sale of derivative financial instruments throughout the period as part of our dynamic MSR risk management process.

Interest rate lock commitments for mortgage loans that we intend to sell are considered derivatives. The aggregate fair value of derivative loan commitments on the balance sheet was a net asset of \$236 million and \$56 million at September 30, 2016, and December 31, 2015, respectively, and is included in the caption "Interest rate contracts" under "Customer accommodation trading and other derivatives" in Table 12.1 in this Note.

For more information on economic hedges and other derivatives, see Note 16 (Derivatives) to Financial Statements in our 2015 Form 10-K. Table 12.5 shows the net gains recognized in the income statement related to derivatives not designated as hedging instruments.

Table 12.5: Derivatives Not Designated as Hedging Instruments

| (in millions) | Quarter ended | | Nine months ended | |
|--|--------------------|--------|--------------------|-------|
| | September 30, 2016 | 2015 | September 30, 2016 | 2015 |
| Net gains (losses) recognized on economic hedges derivatives: | | | | |
| Interest rate contracts | | | | |
| Recognized in noninterest income: | | | | |
| Mortgage banking (1) | \$4 | 621 | 1,435 | 885 |
| Other (2) | (56) | (92) | (308) | (42) |
| Equity contracts (3) | (372) | (90) | (84) | (85) |
| Foreign exchange contracts (2) | 175 | 325 | 504 | 303 |
| Credit contracts (2) | 12 | — | 12 | — |
| Subtotal | (237) | 764 | 1,559 | 1,061 |
| Net gains (losses) recognized on customer accommodation trading and other derivatives: | | | | |
| Interest rate contracts | | | | |
| Recognized in noninterest income: | | | | |
| Mortgage banking (4) | 510 | 442 | 1,485 | 806 |
| Other (5) | 210 | (340) | (520) | 56 |
| Commodity contracts (5) | 45 | 10 | 162 | 54 |
| Equity contracts (5) | (982) | 747 | (1,277) | 797 |
| Foreign exchange contracts (5) | 188 | 286 | 686 | 611 |
| Credit contracts (5) | (25) | 37 | (66) | 36 |
| Other (2) | 15 | (33) | (15) | (26) |
| Subtotal | (39) | 1,149 | 455 | 2,334 |
| | \$ (276) | 1,913 | 2,014 | 3,395 |

Net gains (losses) recognized related to derivatives not designated as hedging instruments

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

Note 12: Derivatives (continued)

Credit Derivatives

Credit derivative contracts are arrangements whose value is derived from the transfer of credit risk of a reference asset or entity from one party (the purchaser of credit protection) to another party (the seller of credit protection). We use credit derivatives to assist customers with their risk management objectives. We may also use credit derivatives in structured product transactions or liquidity agreements written to special purpose vehicles. The maximum exposure of sold credit derivatives is managed through posted collateral, purchased credit derivatives and similar products in order to achieve our desired credit risk profile. This credit risk management provides an ability to recover a significant portion of any amounts that would be paid under the sold credit derivatives. We would be

required to perform under sold credit derivatives in the event of default by the referenced obligors. Events of default include events such as bankruptcy, capital restructuring or lack of principal and/or interest payment. In certain cases, other triggers may exist, such as the credit downgrade of the referenced obligors or the inability of the special purpose vehicle for which we have provided liquidity to obtain funding.

Table 12.6 provides details of sold and purchased credit derivatives.

Table 12.6: Sold and Purchased Credit Derivatives

| (in millions) | Notional amount | | | | | | |
|---|----------------------|---------------------|--|---|-------------------------------|----------------------------|---------------------|
| | Fair value liability | Protection sold (A) | Protection sold – non-investment grade | Protection purchased with identical underlyings (B) | Net protection sold (A) - (B) | Other protection purchased | Range of maturities |
| September 30, 2016 | | | | | | | |
| Credit default swaps on: | | | | | | | |
| Corporate bonds | \$ 14 | 4,343 | 1,661 | 3,284 | 1,059 | 1,900 | 2016 - 2025 |
| Structured products | 214 | 441 | 353 | 307 | 134 | 84 | 2020 - 2047 |
| Credit protection on: | | | | | | | |
| Default swap index | — | 2,300 | 380 | 1,113 | 1,187 | 3,852 | 2016 - 2021 |
| Commercial mortgage-backed securities index | 170 | 560 | — | 516 | 44 | 153 | 2047 - 2058 |
| Asset-backed securities index | 18 | 45 | — | 40 | 5 | 189 | 2045 - 2046 |
| Other | 1 | 2,710 | 2,710 | — | 2,710 | 10,565 | 2016 - 2026 |
| Total credit derivatives | \$ 417 | 10,399 | 5,104 | 5,260 | 5,139 | 16,743 | |
| December 31, 2015 | | | | | | | |
| Credit default swaps on: | | | | | | | |
| Corporate bonds | \$ 44 | 4,838 | 1,745 | 3,602 | 1,236 | 2,272 | 2016 - 2025 |
| Structured products | 275 | 598 | 463 | 395 | 203 | 142 | 2017 - 2047 |
| Credit protection on: | | | | | | | |
| Default swap index | — | 1,727 | 370 | 1,717 | 10 | 960 | 2016 - 2020 |
| | 203 | 822 | — | 766 | 56 | 316 | |

| | | | | | | | |
|---|--------|--------|-------|-------|-------|--------|-------------|
| Commercial mortgage-backed securities index | | | | | | | 2047 - 2057 |
| Asset-backed securities index | 18 | 47 | — | 1 | 46 | 71 | 2045 - 2046 |
| Other | 1 | 2,512 | 2,512 | — | 2,512 | 7,776 | 2016 - 2025 |
| Total credit derivatives | \$ 541 | 10,544 | 5,090 | 6,481 | 4,063 | 11,537 | |

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

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

Credit-Risk Contingent Features

Certain of our derivative contracts contain provisions whereby if the credit rating of our debt were to be downgraded by certain major credit rating agencies, the counterparty could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a net liability position was \$13.7 billion at September 30, 2016, and \$12.3 billion at December 31, 2015, for which we posted \$10.2 billion and \$8.8 billion, respectively, in collateral in the normal course of business. If the credit rating of our debt had been downgraded below investment grade, which is the credit-risk-related contingent feature that if triggered requires the maximum amount of collateral to be posted, on September 30, 2016, or December 31, 2015, we would have been required to post additional collateral of \$3.5 billion or \$3.6 billion, respectively, or potentially settle the contract in an amount equal to its fair value. Some contracts require that we provide more collateral than the fair value of derivatives that are in a net liability position if a downgrade occurs.

Counterparty Credit Risk

By using derivatives, we are exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to legally enforceable master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent the master netting arrangements and other criteria meet the applicable requirements, including determining the legal enforceability of the arrangement, it is our policy to present derivative balances and related cash collateral amounts net on the balance sheet. We incorporate credit valuation adjustments (CVA) to reflect counterparty credit risk in determining the fair value of our derivatives. Such adjustments, which consider the effects of enforceable master netting agreements and collateral arrangements, reflect market-based views of the credit quality of each counterparty. Our CVA calculation is determined based on observed credit spreads in the credit default swap market and indices indicative of the credit quality of the counterparties to our derivatives.

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

Note 13: Fair Values of Assets and Liabilities

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Assets and liabilities recorded at fair value on a recurring basis are presented in Table 13.2 in this Note. From time to time, we may be required to record fair value adjustments on a nonrecurring basis. These nonrecurring fair value adjustments typically involve application of LOCOM accounting or write-downs of individual assets. Assets recorded on a nonrecurring basis are presented in Table 13.14 in this Note.

See Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2015 Form 10-K for discussion of how we determine fair value. For descriptions of the valuation methodologies we use for assets and liabilities recorded at fair value on a recurring or nonrecurring basis and for estimating fair value for financial instruments that are not recorded at fair value, see Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in our 2015 Form 10-K.

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

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from techniques that use significant assumptions that are not observable in the market.

These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

In accordance with new accounting guidance that we adopted effective January 1, 2016, we do not classify an investment in the fair value hierarchy if we use the non-published net asset value (NAV) per share (or its equivalent) that has been communicated to us as an investor as a practical expedient to measure fair value. We generally use NAV per share as the fair value measurement for certain nonmarketable equity fund investments. This guidance was required to be applied retrospectively. Accordingly, certain prior period fair value disclosures have been revised to conform with current period presentation. Marketable equity investments with published NAVs continue to be classified in the fair value hierarchy.

Fair Value Measurements from Vendors

For certain assets and liabilities, we obtain fair value measurements from vendors, which predominantly consist of third-party pricing services, and record the unadjusted fair value in our financial statements. For additional information, see Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in our 2015 Form 10-K. Table 13.1. presents unadjusted fair value measurements provided by brokers or third-party pricing services by fair value hierarchy level. Fair value measurements obtained from brokers or third-party pricing services that we have adjusted to determine the fair value recorded in our financial statements are excluded from Table 13.1.

Table 13.1: Fair Value Measurements by Brokers or Third-Party Pricing Services

| (in millions) | Brokers | | | Third-party pricing services | | |
|--|---------|---------|---------|------------------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| September 30, 2016 | | | | | | |
| Trading assets (excluding derivatives) | \$— | — | 1,050 | 118 | — | |
| Available-for-sale securities: | | | | | | |
| Securities of U.S. Treasury and federal agencies | — | — | 23,309 | 3,067 | — | |
| Securities of U.S. states and political subdivisions | — | — | — | 54,166 | 49 | |
| Mortgage-backed securities | —279 | — | — | 151,897 | 94 | |
| Other debt securities (1) | —154 | 947 | — | 50,669 | 130 | |
| Total debt securities | —433 | 947 | 23,309 | 259,799 | 273 | |
| Total marketable equity securities | — | — | — | 466 | — | |
| Total available-for-sale securities | —433 | 947 | 23,309 | 260,265 | 273 | |
| Derivatives (trading and other assets) | — | — | — | 198 | — | |
| Derivatives (liabilities) | — | — | — | (194) | — | |
| Other liabilities (2) | — | — | — | (1) | — | |
| December 31, 2015 | | | | | | |
| Trading assets (excluding derivatives) (3) | \$— | — | 700 | 5 | — | |
| Available-for-sale securities: | | | | | | |
| Securities of U.S. Treasury and federal agencies | — | — | 32,868 | 3,382 | — | |
| Securities of U.S. states and political subdivisions | — | — | — | 48,443 | 51 | |
| Mortgage-backed securities | —226 | — | — | 126,525 | 73 | |
| Other debt securities (1) | —503 | 409 | — | 48,721 | 345 | |
| Total debt securities | —729 | 409 | 32,868 | 227,071 | 469 | |
| Total marketable equity securities | — | — | — | 484 | — | |
| Total available-for-sale securities | —729 | 409 | 32,868 | 227,555 | 469 | |
| Derivatives (trading and other assets) | — | — | — | 224 | — | |
| Derivatives (liabilities) | — | — | — | (221) | — | |
| Other liabilities (2) | — | — | — | (1) | — | |

(1) Includes corporate debt securities, collateralized loan and other debt obligations, asset-backed securities, and other debt securities.

(2) Includes short sale liabilities and other liabilities.

(3) The Level 1 third-party pricing services balance for trading assets has been revised to correct the amount previously reported.

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

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

Table 13.2 presents the balances of assets and liabilities recorded at fair value on a recurring basis.

Table 13.2: Fair Value on a Recurring Basis

| (in millions) | Level 1 | Level 2 | Level 3 | Netting | Total |
|--|----------|---------|---------|--------------|------------|
| September 30, 2016 | | | | | |
| Trading assets (excluding derivatives) | | | | | |
| Securities of U.S. Treasury and federal agencies | \$19,184 | 3,883 | — | — | 23,067 |
| Securities of U.S. states and political subdivisions | — | 3,899 | 3 | — | 3,902 |
| Collateralized loan obligations | — | 343 | 288 | — | 631 |
| Corporate debt securities | 25 | 7,355 | 46 | — | 7,426 |
| Mortgage-backed securities | — | 21,039 | — | — | 21,039 |
| Asset-backed securities | — | 1,253 | — | — | 1,253 |
| Equity securities | 22,701 | 286 | — | — | 22,987 |
| Total trading securities (1) | 41,910 | 38,058 | 337 | — | 80,305 |
| Other trading assets | — | 759 | 30 | — | 789 |
| Total trading assets (excluding derivatives) | 41,910 | 38,817 | 367 | — | 81,094 |
| Securities of U.S. Treasury and federal agencies | 23,309 | 3,067 | — | — | 26,376 |
| Securities of U.S. states and political subdivisions | — | 54,166 | 1,200 | (2)— | 55,366 |
| Mortgage-backed securities: | | | | | |
| Federal agencies | — | 135,692 | — | — | 135,692 |
| Residential | — | 8,526 | 1 | — | 8,527 |
| Commercial | — | 9,767 | 93 | — | 9,860 |
| Total mortgage-backed securities | — | 153,985 | 94 | — | 154,079 |
| Corporate debt securities | 60 | 12,186 | 475 | — | 12,721 |
| Collateralized loan and other debt obligations (3) | — | 34,485 | 960 | (2)— | 35,445 |
| Asset-backed securities: | | | | | |
| Automobile loans and leases | — | 10 | — | — | 10 |
| Home equity loans | — | 390 | — | — | 390 |
| Other asset-backed securities | — | 4,921 | 1,046 | (2)— | 5,967 |
| Total asset-backed securities | — | 5,321 | 1,046 | — | 6,367 |
| Other debt securities | — | 4 | — | — | 4 |
| Total debt securities | 23,369 | 263,214 | 3,775 | — | 290,358 |
| Marketable equity securities: | | | | | |
| Perpetual preferred securities | 125 | 466 | — | — | 591 |
| Other marketable equity securities | 642 | — | — | — | 642 |
| Total marketable equity securities | 767 | 466 | — | — | 1,233 |
| Total available-for-sale securities | 24,136 | 263,680 | 3,775 | — | 291,591 |
| Mortgages held for sale | — | 21,540 | 1,107 | — | 22,647 |
| Loans | — | — | 4,788 | — | 4,788 |
| Mortgage servicing rights (residential) | — | — | 10,415 | — | 10,415 |
| Derivative assets: | | | | | |
| Interest rate contracts | 17 | 125,709 | 667 | — | 126,393 |
| Commodity contracts | — | 2,547 | 26 | — | 2,573 |
| Equity contracts | 3,530 | 2,956 | 1,071 | — | 7,557 |
| Foreign exchange contracts | 33 | 9,390 | 29 | — | 9,452 |
| Credit contracts | — | 290 | 286 | — | 576 |
| Netting | — | — | — | (112,586)(4) | (112,586) |

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| | | | | | |
|--|-------------|------------|----------|-----------|------------|
| Total derivative assets (5) | 3,580 | 140,892 | 2,079 | (112,586) | 33,965 |
| Other assets – excluding nonmarketable equity investments at NAV | — | 23 | 3,418 | — | 3,441 |
| Total assets included in the fair value hierarchy | \$69,626 | 464,952 | 25,949 | (112,586) | 447,941 |
| Other assets – nonmarketable equity investments at NAV (6) | | | | | — |
| Total assets recorded at fair value | | | | | \$447,941 |
| Derivative liabilities: | | | | | |
| Interest rate contracts | \$(29) | (104,288) | (34) | — | (104,351) |
| Commodity contracts | — | (2,705) | (6) | — | (2,711) |
| Equity contracts | (1,088) | (3,973) | (1,446) | — | (6,507) |
| Foreign exchange contracts | (17) | (10,608) | (12) | — | (10,637) |
| Credit contracts | — | (331) | (216) | — | (547) |
| Other derivative contracts | — | — | (73) | — | (73) |
| Netting | — | — | — | 107,817 | (4)107,817 |
| Total derivative liabilities (5) | (1,134) | (121,905) | (1,787) | 107,817 | (17,009) |
| Short sale liabilities: | | | | | |
| Securities of U.S. Treasury and federal agencies | (10,906) | (835) | — | — | (11,741) |
| Corporate debt securities | — | (4,501) | — | — | (4,501) |
| Equity securities | (1,435) | (27) | — | — | (1,462) |
| Other securities | — | (105) | — | — | (105) |
| Total short sale liabilities | (12,341) | (5,468) | — | — | (17,809) |
| Other liabilities (excluding derivatives) | — | — | (4) | — | (4) |
| Total liabilities recorded at fair value | \$(13,475) | (127,373) | (1,791) | 107,817 | (34,822) |

Net gains (losses) from trading activities recognized in the income statement for the first nine months of 2016 and (1) 2015 include \$1.4 billion and \$(985) million in net unrealized gains (losses) on trading securities held at September 30, 2016 and 2015, respectively.

Balances consist of securities that are mostly investment grade based on ratings received from the ratings agencies (2) or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.

(3) Includes collateralized debt obligations of \$832 million.

(4) Represents balance sheet netting of derivative asset and liability balances and related cash collateral. See Note 12 (Derivatives) for additional information.

(5) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

(6) Consists of certain nonmarketable equity investments that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

(continued on following page)

(continued from previous page)

(in millions)

December 31, 2015

| | Level 1 | Level 2 | Level 3 | Netting | Total |
|--|----------|---------|---------|-------------|----------|
| Trading assets (excluding derivatives) | | | | | |
| Securities of U.S. Treasury and federal agencies | \$13,357 | 3,469 | — | — | 16,826 |
| Securities of U.S. states and political subdivisions | — | 1,667 | 8 | — | 1,675 |
| Collateralized loan obligations | — | 346 | 343 | — | 689 |
| Corporate debt securities | — | 7,909 | 56 | — | 7,965 |
| Mortgage-backed securities | — | 20,619 | — | — | 20,619 |
| Asset-backed securities | — | 1,005 | — | — | 1,005 |
| Equity securities | 15,010 | 101 | — | — | 15,111 |
| Total trading securities (1) | 28,367 | 35,116 | 407 | — | 63,890 |
| Other trading assets | — | 891 | 34 | — | 925 |
| Total trading assets (excluding derivatives) | 28,367 | 36,007 | 441 | — | 64,815 |
| Securities of U.S. Treasury and federal agencies | 32,868 | 3,382 | — | — | 36,250 |
| Securities of U.S. states and political subdivisions | — | 48,490 | 1,500 | (2)— | 49,990 |
| Mortgage-backed securities: | | | | | |
| Federal agencies | — | 104,546 | — | — | 104,546 |
| Residential | — | 8,557 | 1 | — | 8,558 |
| Commercial | — | 14,015 | 73 | — | 14,088 |
| Total mortgage-backed securities | — | 127,118 | 74 | — | 127,192 |
| Corporate debt securities | 54 | 14,952 | 405 | — | 15,411 |
| Collateralized loan and other debt obligations (3) | — | 30,402 | 565 | (2)— | 30,967 |
| Asset-backed securities: | | | | | |
| Automobile loans and leases | — | 15 | — | — | 15 |
| Home equity loans | — | 414 | — | — | 414 |
| Other asset-backed securities | — | 4,290 | 1,182 | (2)— | 5,472 |
| Total asset-backed securities | — | 4,719 | 1,182 | — | 5,901 |
| Other debt securities | — | 10 | — | — | 10 |
| Total debt securities | 32,922 | 229,073 | 3,726 | — | 265,721 |
| Marketable equity securities: | | | | | |
| Perpetual preferred securities | 434 | 484 | — | — | 918 |
| Other marketable equity securities | 719 | — | — | — | 719 |
| Total marketable equity securities | 1,153 | 484 | — | — | 1,637 |
| Total available-for-sale securities | 34,075 | 229,557 | 3,726 | — | 267,358 |
| Mortgages held for sale | — | 12,457 | 1,082 | — | 13,539 |
| Loans | — | — | 5,316 | — | 5,316 |
| Mortgage servicing rights (residential) | — | — | 12,415 | — | 12,415 |
| Derivative assets: | | | | | |
| Interest rate contracts | 16 | 62,390 | 319 | — | 62,725 |
| Commodity contracts | — | 4,623 | 36 | — | 4,659 |
| Equity contracts | 3,726 | 2,907 | 966 | — | 7,599 |
| Foreign exchange contracts | 48 | 8,899 | — | — | 8,947 |
| Credit contracts | — | 375 | 275 | — | 650 |
| Netting | — | — | — | (66,924)(4) | (66,924) |
| Total derivative assets (5) | 3,790 | 79,194 | 1,596 | (66,924) | 17,656 |
| Other assets – excluding nonmarketable equity investments at NAV | — | — | 3,065 | — | 3,065 |
| Total assets included in the fair value hierarchy | \$66,232 | 357,215 | 27,641 | (66,924) | 384,164 |
| Other assets – nonmarketable equity investments at NAV (6) | | | | | 23 |

| | | | | | |
|--|------------|-----------|----------|--------|-----------|
| Total assets recorded at fair value | | | | | \$384,187 |
| Derivative liabilities: | | | | | |
| Interest rate contracts | \$(41) | (57,905) | (31) | — | (57,977) |
| Commodity contracts | — | (5,495) | (24) | — | (5,519) |
| Equity contracts | (704) | (3,027) | (1,077) | — | (4,808) |
| Foreign exchange contracts | (37) | (10,896) | — | — | (10,933) |
| Credit contracts | — | (351) | (278) | — | (629) |
| Other derivative contracts | — | — | (58) | — | (58) |
| Netting | — | — | — | 66,004 | (4)66,004 |
| Total derivative liabilities (5) | (782) | (77,674) | (1,468) | 66,004 | (13,920) |
| Short sale liabilities: | | | | | |
| Securities of U.S. Treasury and federal agencies | (8,621) | (1,074) | — | — | (9,695) |
| Corporate debt securities | — | (4,209) | — | — | (4,209) |
| Equity securities | (1,692) | (4) | — | — | (1,696) |
| Other securities | — | (70) | — | — | (70) |
| Total short sale liabilities | (10,313) | (5,357) | — | — | (15,670) |
| Other liabilities (excluding derivatives) | — | — | (30) | — | (30) |
| Total liabilities recorded at fair value | \$(11,095) | (83,031) | (1,498) | 66,004 | (29,620) |

(1) Net gains (losses) from trading activities recognized in the income statement for the year ended December 31, 2015, include \$(1.0) billion in net unrealized gains (losses) on trading securities held at December 31, 2015.

Balances consist of securities that are mostly investment grade based on ratings received from the ratings agencies (2) or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.

(3) Includes collateralized debt obligations of \$257 million.

(4) Represents balance sheet netting of derivative asset and liability balances and related cash collateral. See Note 12 (Derivatives) for additional information.

(5) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

(6) Consists of certain nonmarketable equity investments that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

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

Changes in Fair Value Levels

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

changing the valuation technique used, are generally the cause of transfers between Level 1, Level 2, and Level 3. Transfers into and out of Level 1, Level 2, and Level 3 are provided within Table 13.3 for the periods presented. The amounts reported as transfers represent the fair value as of the beginning of the quarter in which the transfer occurred.

Table 13.3: Transfers Between Fair Value Levels

| (in millions) | Transfers Between Fair Value Levels | | | | | | Total |
|---|-------------------------------------|------|---------|-------|-------------|-------|-------|
| | Level 1 | | Level 2 | | Level 3 (1) | | |
| | In | Out | In | Out | In | Out | |
| Quarter ended September 30, 2016 | | | | | | | |
| Trading assets (excluding derivatives) | \$1 | (44) | 44 | (2) | 1 | — | — |
| Available-for-sale securities | — | — | 465 | — | — | (465) | — |
| Mortgages held for sale | — | — | 3 | (18) | 18 | (3) | — |
| Net derivative assets and liabilities (2) | — | — | 79 | (14) | 14 | (79) | — |
| Short sale liabilities | — | 1 | (1) | — | — | — | — |
| Total transfers | \$1 | (43) | 590 | (34) | 33 | (547) | — |
| Quarter ended September 30, 2015 | | | | | | | |
| Trading assets (excluding derivatives) | \$— | (8) | 10 | (10) | 10 | (2) | — |
| Available-for-sale securities | — | — | — | — | — | — | — |
| Mortgages held for sale | — | — | 11 | (60) | 60 | (11) | — |
| Net derivative assets and liabilities (2) | — | — | (3) | — | — | 3 | — |
| Short sale liabilities | — | 1 | (1) | — | — | — | — |
| Total transfers | \$— | (7) | 17 | (70) | 70 | (10) | — |
| Nine months ended September 30, 2016 | | | | | | | |
| Trading assets (excluding derivatives) | \$5 | (48) | 59 | (6) | 1 | (11) | — |
| Available-for-sale securities | — | — | 481 | (80) | 80 | (481) | — |
| Mortgages held for sale | — | — | 12 | (72) | 72 | (12) | — |
| Net derivative assets and liabilities (2) | — | — | 129 | (42) | 42 | (129) | — |
| Short sale liabilities | (1) | 1 | (1) | 1 | — | — | — |
| Total transfers | \$4 | (47) | 680 | (199) | 195 | (633) | — |
| Nine months ended September 30, 2015 | | | | | | | |
| Trading assets (excluding derivatives) | \$16 | (11) | 103 | (26) | 11 | (93) | — |
| Available-for-sale securities (3) | — | — | 76 | — | — | (76) | — |
| Mortgages held for sale | — | — | 464 | (155) | 155 | (464) | — |
| Net derivative assets and liabilities (2) | — | — | 49 | 12 | (12) | (49) | — |
| Short sale liabilities | (1) | 1 | (1) | 1 | — | — | — |
| Total transfers | \$15 | (10) | 691 | (168) | 154 | (682) | — |

(1) All transfers in and out of Level 3 are disclosed within the recurring Level 3 rollforward tables in this Note.

(2) Includes transfers of net derivative assets and net derivative liabilities between levels due to changes in observable market data.

(3)

Transfers out of Level 3 exclude \$640 million in auction rate perpetual preferred equity securities that were transferred in second quarter 2015 from available-for-sale securities to nonmarketable equity investments in other assets.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended September 30, 2016, are presented in Table 13.4.

Table 13.4: Changes in Level 3 Fair Value Assets and Liabilities on a Recurring Basis – Quarter ended September 30, 2016

| (in millions) | Balance, beginning of period | Total net gains (losses) included in | | Purchases, sales, issuances and settlements, net (1) | Transfers into Level 3 | Transfers out of Level 3 | Balance, end of period | Net unrealized gains (losses) included in income related to assets and liabilities held at period end | (2) |
|--|---------------------------------------|--|---------------------------------------|---|------------------------------|--------------------------------|------------------------------|---|-------|
| | | Net income | Other compre- hensive income | | | | | | |
| Quarter ended September 30, 2016 | | | | | | | | | |
| Trading assets (excluding derivatives): | | | | | | | | | |
| Securities of U.S. states and political subdivisions | \$ 7 | — | — | (4 |) — | — | 3 | — | |
| Collateralized loan obligations | 249 | — | — | 39 | — | — | 288 | (1 |) |
| Corporate debt securities | 36 | 1 | — | 9 | — | — | 46 | 1 | |
| Mortgage-backed securities | — | — | — | — | — | — | — | — | |
| Asset-backed securities | — | — | — | — | — | — | — | — | |
| Equity securities | — | — | — | (1 |) 1 | — | — | — | |
| Total trading securities | 292 | 1 | — | 43 | 1 | — | 337 | — | |
| Other trading assets | 33 | (3 |) — | — | — | — | 30 | (2 |) |
| Total trading assets (excluding derivatives) | 325 | (2 |) — | 43 | 1 | — | 367 | (2 |) (3) |
| Available-for-sale securities: | | | | | | | | | |
| Securities of U.S. states and political subdivisions | 1,793 | 1 | (15 |) (114 |) — | (465 |) 1,200 | — | |
| Mortgage-backed securities: | | | | | | | | | |
| Residential | 1 | — | — | — | — | — | 1 | — | |
| Commercial | 94 | — | 1 | (2 |) — | — | 93 | (1 |) |
| Total mortgage-backed securities | 95 | — | 1 | (2 |) — | — | 94 | (1 |) |
| Corporate debt securities | 471 | 3 | 5 | (4 |) — | — | 475 | — | |
| Collateralized loan and other debt obligations | 951 | 19 | 2 | (12 |) — | — | 960 | — | |

| | | | | | | | | | | |
|---|--------|-------|----|------|------|------|-------|--------|------------|-------|
| Asset-backed securities: | | | | | | | | | | |
| Automobile loans and leases | — | — | — | — | — | — | — | — | — | |
| Other asset-backed securities | 1,117 | (1 |) | — | (70 |) | — | 1,046 | — | |
| Total asset-backed securities | 1,117 | (1 |) | — | (70 |) | — | 1,046 | — | |
| Total debt securities | 4,427 | 22 | (7 |) | (202 |) | — | (465 |) 3,775 (1 |) (4) |
| Marketable equity securities: | | | | | | | | | | |
| Perpetual preferred securities | — | — | — | — | — | — | — | — | — | |
| Other marketable equity securities | — | — | — | — | — | — | — | — | — | |
| Total marketable equity securities | — | — | — | — | — | — | — | — | (5) | |
| Total available-for-sale securities | 4,427 | 22 | (7 |) | (202 |) | — | (465 |) 3,775 (1 |) |
| Mortgages held for sale | 1,084 | (10 |) | — | 18 | 18 | (3 |) | 1,107 (11 |) (6) |
| Loans | 5,032 | (25 |) | — | (219 |) | — | — | 4,788 (26 |) (6) |
| Mortgage servicing rights (residential) (7) | 10,396 | (594 |) | — | 613 | — | — | — | 10,415 (8 |) (6) |
| Net derivative assets and liabilities: | | | | | | | | | | |
| Interest rate contracts | 690 | 504 | — | (561 |) | — | — | 633 | 186 | |
| Commodity contracts | 21 | (3 |) | — | — | 1 | 1 | 20 | (1 |) |
| Equity contracts | (252 |) (33 |) | — | (7 |) (3 |) (80 |) (375 |) (54 |) |
| Foreign exchange contracts | — | 1 | — | — | — | 16 | — | 17 | 2 | |
| Credit contracts | 61 | 17 | — | (8 |) | — | — | 70 | 14 | |
| Other derivative contracts | (88 |) 15 | — | — | — | — | — | (73 |) 16 | |
| Total derivative contracts | 432 | 501 | — | (576 |) 14 | (79 |) | 292 | 163 (8) | |
| Other assets | 3,038 | 380 | — | — | — | — | — | 3,418 | 381 (5) | |
| Short sale liabilities | — | — | — | — | — | — | — | — | — (3) | |
| Other liabilities (excluding derivatives) | (5 |) 1 | — | — | — | — | — | (4 |) — (6) | |

(1) See Table 13.5 for detail.

(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.

(4) Included in net gains (losses) from debt securities in the income statement.

(5) Included in net gains (losses) from equity investments in the income statement.

(6) Included in mortgage banking and other noninterest income in the income statement.

(7) For more information on the changes in mortgage servicing rights, see Note 8 (Mortgage Banking Activities).

(8) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

(continued on following page)

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

(continued from previous page)

Table 13.5 presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended September 30, 2016.

Table 13.5: Gross Purchases, Sales, Issuances and Settlements – Level 3 – Quarter ended September 30, 2016 (in millions)

| | Purchases | Sales | Issuances | Settlements | Net |
|--|-----------|--------|-----------|-------------|---------|
| Quarter ended September 30, 2016 | | | | | |
| Trading assets (excluding derivatives): | | | | | |
| Securities of U.S. states and political subdivisions | \$ — | — | (4 |) | (4) |
| Collateralized loan obligations | 75 | (36) | — | — | 39 |
| Corporate debt securities | 19 | (10) | — | — | 9 |
| Mortgage-backed securities | — | — | — | — | — |
| Asset-backed securities | — | — | — | — | — |
| Equity securities | — | (1) | — | — | (1) |
| Total trading securities | 94 | (47) | — | (4 |) 43 |
| Other trading assets | — | — | — | — | — |
| Total trading assets (excluding derivatives) | 94 | (47) | — | (4 |) 43 |
| Available-for-sale securities: | | | | | |
| Securities of U.S. states and political subdivisions | — | — | — | (114 |) (114) |
| Mortgage-backed securities: | | | | | |
| Residential | — | — | — | — | — |
| Commercial | — | — | — | (2 |) (2) |
| Total mortgage-backed securities | — | — | — | (2 |) (2) |
| Corporate debt securities | 1 | (4) | — | (1 |) (4) |
| Collateralized loan and other debt obligations | 121 | (45) | — | (88 |) (12) |
| Asset-backed securities: | | | | | |
| Automobile loans and leases | — | — | — | — | — |
| Other asset-backed securities | — | — | 16 | (86 |) (70) |
| Total asset-backed securities | — | — | 16 | (86 |) (70) |
| Total debt securities | 122 | (49) | 16 | (291 |) (202) |
| Marketable equity securities: | | | | | |
| Perpetual preferred securities | — | — | — | — | — |
| Other marketable equity securities | — | — | — | — | — |
| Total marketable equity securities | — | — | — | — | — |
| Total available-for-sale securities | 122 | (49) | 16 | (291 |) (202) |
| Mortgages held for sale | 23 | (113) | 161 | (53 |) 18 |
| Loans | — | — | 76 | (295 |) (219) |
| Mortgage servicing rights (residential) (1) | — | 3 | 609 | 1 | 613 |
| Net derivative assets and liabilities: | | | | | |
| Interest rate contracts | — | — | — | (561 |) (561) |
| Commodity contracts | — | — | — | — | — |
| Equity contracts | — | — | — | (7 |) (7) |
| Foreign exchange contracts | — | — | — | — | — |
| Credit contracts | 2 | (1) | — | (9 |) (8) |
| Other derivative contracts | — | — | — | — | — |
| Total derivative contracts | 2 | (1) | — | (577 |) (576) |
| Other assets | — | — | — | — | — |
| Short sale liabilities | — | — | — | — | — |
| Other liabilities (excluding derivatives) | — | — | — | — | — |

(1) For more information on the changes in mortgage servicing rights, see Note 8 (Mortgage Banking Activities).

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The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended September 30, 2015, are presented in Table 13.6.

Table 13.6: Changes in Level 3 Fair Value Assets and Liabilities on a Recurring Basis – Quarter ended September 30, 2015

| (in millions) | Balance, beginning of period | Total net gains (losses) included in | | Purchases, sales, issuances and settlements, net (1) | Transfers into Level 3 | Transfers out of Level 3 | Balance, end of period | Net unrealized gains (losses) included in income related to assets and liabilities held at period end | (2) |
|--|---------------------------------------|--|---------------------------------------|---|------------------------------|--------------------------------|------------------------------|---|-------|
| | | Net income | Other compre- hensive income | | | | | | |
| Quarter ended September 30, 2015 | | | | | | | | | |
| Trading assets (excluding derivatives): | | | | | | | | | |
| Securities of U.S. states and political subdivisions | \$ 8 | — | — | 1 | — | — | 9 | — | |
| Collateralized loan obligations | 407 | (3) |) — | (14) |) — | — | 390 | — | |
| Corporate debt securities | 33 | (1) |) — | 6 | 10 | (2) |) 46 | (2) |) |
| Mortgage-backed securities | — | — | — | — | — | — | — | — | |
| Asset-backed securities | — | — | — | — | — | — | — | — | |
| Equity securities | 1 | — | — | — | — | — | 1 | — | |
| Total trading securities | 449 | (4) |) — | (7) |) 10 | (2) |) 446 | (2) |) |
| Other trading assets | 62 | (1) |) — | (27) |) — | — | 34 | (25) |) |
| Total trading assets (excluding derivatives) | 511 | (5) |) — | (34) |) 10 | (2) |) 480 | (27) |) (3) |
| Available-for-sale securities: | | | | | | | | | |
| Securities of U.S. states and political subdivisions | 1,889 | 1 | 1 | 26 | — | — | 1,917 | — | |
| Mortgage-backed securities: | | | | | | | | | |
| Residential | — | — | — | — | — | — | — | — | |
| Commercial | 103 | 5 | (7) |) (17) |) — | — | 84 | (2) |) |
| Total mortgage-backed securities | 103 | 5 | (7) |) (17) |) — | — | 84 | (2) |) |
| Corporate debt securities | 334 | 4 | (9) |) 52 | — | — | 381 | (4) |) |
| Collateralized loan and other debt obligations | 924 | 71 | (76) |) (194) |) — | — | 725 | — | |

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| | | | | | | | | | | | |
|---|--------|--------|------|------|------|----|-----|--------|-------|-----|-----|
| Asset-backed securities: | | | | | | | | | | | |
| Automobile loans and leases | 260 | — | (12 |) | — | — | — | 248 | — | | |
| Other asset-backed securities | 1,320 | — | (6 |) | (74 |) | — | 1,240 | — | | |
| Total asset-backed securities | 1,580 | — | (18 |) | (74 |) | — | 1,488 | — | | |
| Total debt securities | 4,830 | 81 | (109 |) | (207 |) | — | 4,595 | (6 |) | |
| Marketable equity securities: | | | | | | | | | | | |
| Perpetual preferred securities | — | — | — | — | — | — | — | — | — | | |
| Other marketable equity securities | — | — | — | — | — | — | — | — | — | | |
| Total marketable equity securities | — | — | — | — | — | — | — | — | (5) | | |
| Total available-for-sale securities | 4,830 | 81 | (109 |) | (207 |) | — | 4,595 | (6 |) | |
| Mortgages held for sale | 1,623 | 16 | — | (226 |) | 60 | (11 |) | 1,462 | 16 | (6) |
| Loans | 5,651 | (4 |) | — | (118 |) | — | 5,529 | (2 |) | (6) |
| Mortgage servicing rights (residential) (7) | 12,661 | (1,337 |) | — | 454 | — | — | 11,778 | (833 |) | (6) |
| Net derivative assets and liabilities: | | | | | | | | | | | |
| Interest rate contracts | 252 | 562 | — | (371 |) | — | — | 443 | 219 | | |
| Commodity contracts | 3 | 1 | — | — | — | — | — | 4 | 2 | | |
| Equity contracts | (185 |) | 15 | — | 63 | — | 3 | (104 |) | 109 | |
| Foreign exchange contracts | — | — | — | — | — | — | — | — | — | | |
| Credit contracts | (117 |) | (5 |) | — | 81 | — | (41 |) | 7 | |
| Other derivative contracts | (38 |) | (32 |) | — | — | — | (70 |) | (32 |) |
| Total derivative contracts | (85 |) | 541 | — | (227 |) | — | 3 | 232 | 305 | (8) |
| Other assets | 2,636 | 108 | — | 1 | — | — | — | 2,745 | — | (5) | |
| Short sale liabilities | (1 |) | — | — | 1 | — | — | — | — | (3) | |
| Other liabilities (excluding derivatives) | (30 |) | — | — | 10 | — | — | (20 |) | — | (6) |

(1) See Table 13.7 for detail.

(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.

(4) Included in net gains (losses) from debt securities in the income statement.

(5) Included in net gains (losses) from equity investments in the income statement.

(6) Included in mortgage banking and other noninterest income in the income statement.

(7) For more information on the changes in mortgage servicing rights, see Note 8 (Mortgage Banking Activities).

(8) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

(continued on following page)

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

(continued from previous page)

Table 13.7 presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended September 30, 2015.

Table 13.7: Gross Purchases, Sales, Issuances and Settlements – Level 3 – Quarter ended September 30, 2015 (in millions)

| | Purchases | Sales | Issuances | Settlements | Net |
|--|-----------|--------|-----------|-------------|-------|
| Quarter ended September 30, 2015 | | | | | |
| Trading assets (excluding derivatives): | | | | | |
| Securities of U.S. states and political subdivisions | \$ 1 | — | — | — | 1 |
| Collateralized loan obligations | 152 | (166) | — | — | (14) |
| Corporate debt securities | 9 | (3) | — | — | 6 |
| Mortgage-backed securities | — | — | — | — | — |
| Asset-backed securities | — | — | — | — | — |
| Equity securities | — | — | — | — | — |
| Total trading securities | 162 | (169) | — | — | (7) |
| Other trading assets | — | (26) | — | (1) | (27) |
| Total trading assets (excluding derivatives) | 162 | (195) | — | (1) | (34) |
| Available-for-sale securities: | | | | | |
| Securities of U.S. states and political subdivisions | — | — | 261 | (235) | 26 |
| Mortgage-backed securities: | | | | | |
| Residential | — | — | — | — | — |
| Commercial | — | — | — | (17) | (17) |
| Total mortgage-backed securities | — | — | — | (17) | (17) |
| Corporate debt securities | 57 | (3) | — | (2) | 52 |
| Collateralized loan and other debt obligations | 15 | (86) | — | (123) | (194) |
| Asset-backed securities: | | | | | |
| Automobile loans and leases | — | — | — | — | — |
| Other asset-backed securities | 30 | — | 30 | (134) | (74) |
| Total asset-backed securities | 30 | — | 30 | (134) | (74) |
| Total debt securities | 102 | (89) | 291 | (511) | (207) |
| Marketable equity securities: | | | | | |
| Perpetual preferred securities | — | — | — | — | — |
| Other marketable equity securities | — | — | — | — | — |
| Total marketable equity securities | — | — | — | — | — |
| Total available-for-sale securities | 102 | (89) | 291 | (511) | (207) |
| Mortgages held for sale | 44 | (436) | 246 | (80) | (226) |
| Loans | 3 | — | 93 | (214) | (118) |
| Mortgage servicing rights (residential) (1) | — | 6 | 448 | — | 454 |
| Net derivative assets and liabilities: | | | | | |
| Interest rate contracts | — | — | — | (371) | (371) |
| Commodity contracts | — | — | — | — | — |
| Equity contracts | — | (32) | — | 95 | 63 |
| Foreign exchange contracts | — | — | — | — | — |
| Credit contracts | 4 | — | — | 77 | 81 |
| Other derivative contracts | — | — | — | — | — |
| Total derivative contracts | 4 | (32) | — | (199) | (227) |
| Other assets | 1 | — | — | — | 1 |
| Short sale liabilities | 1 | — | — | — | 1 |
| Other liabilities (excluding derivatives) | — | — | — | 10 | 10 |

(1) For more information on the changes in mortgage servicing rights, see Note 8 (Mortgage Banking Activities).

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the first nine months of 2016, are presented in Table 13.8.

Table 13.8: Changes in Level 3 Fair Value Assets and Liabilities on a Recurring Basis – Nine months ended September 30, 2016

| (in millions) | Total net gains (losses) included in | | Purchases, sales, issuances and settlements, net (1) | Transfers into Level 3 | Transfers out of Level 3 | Balance, end of period | Net unrealized gains (losses) included in income related to assets and liabilities held at period end | (2) | |
|--|--|---------------|---|------------------------------|--------------------------------|------------------------------|---|-----|---------------------------------------|
| | Balance, beginning of period | Net income | | | | | | | Other compre- hensive income |
| Nine months ended September 30, 2016 | | | | | | | | | |
| Trading assets (excluding derivatives): | | | | | | | | | |
| Securities of U.S. states and political subdivisions | \$ 8 | — | — | (5 |) — | — | 3 | — | |
| Collateralized loan obligations | 343 | (24 |) — | (20 |) — | (11 |) 288 | (25 |) |
| Corporate debt securities | 56 | (7 |) — | (3 |) — | — | 46 | (6 |) |
| Mortgage-backed securities | — | — | — | — | — | — | — | — | |
| Asset-backed securities | — | — | — | — | — | — | — | — | |
| Equity securities | — | — | — | (1 |) 1 | — | — | — | |
| Total trading securities | 407 | (31 |) — | (29 |) 1 | (11 |) 337 | (31 |) |
| Other trading assets | 34 | (4 |) — | — | — | — | 30 | 1 | |
| Total trading assets (excluding derivatives) | 441 | (35 |) — | (29 |) 1 | (11 |) 367 | (30 |) (3) |
| Available-for-sale securities: | | | | | | | | | |
| Securities of U.S. states and political subdivisions | 1,500 | 5 | (11 |) 107 | 80 | (481 |) 1,200 | — | |
| Mortgage-backed securities: | | | | | | | | | |
| Residential | 1 | — | — | — | — | — | 1 | — | |
| Commercial | 73 | — | 1 | 19 | — | — | 93 | (1 |) |
| Total mortgage-backed securities | 74 | — | 1 | 19 | — | — | 94 | (1 |) |
| Corporate debt securities | 405 | 8 | 33 | 29 | — | — | 475 | — | |
| Collateralized loan and other debt obligations | 565 | 42 | (18 |) 371 | — | — | 960 | — | |

| | | | | | | | | | |
|---|--------|--------|-----|--------|------|------|---------|--------|-------|
| Asset-backed securities: | | | | | | | | | |
| Automobile loans and leases | — | — | — | — | — | — | — | — | — |
| Other asset-backed securities | 1,182 | 1 | (7 |) (130 |) — | — | 1,046 | (4 |) |
| Total asset-backed securities | 1,182 | 1 | (7 |) (130 |) — | — | 1,046 | (4 |) |
| Total debt securities | 3,726 | 56 | (2 |) 396 | 80 | (481 |) 3,775 | (5 |) (4) |
| Marketable equity securities: | | | | | | | | | |
| Perpetual preferred securities | — | — | — | — | — | — | — | — | — |
| Other marketable equity securities | — | — | — | — | — | — | — | — | — |
| Total marketable equity securities | — | — | — | — | — | — | — | — | (5) |
| Total available-for-sale securities | 3,726 | 56 | (2 |) 396 | 80 | (481 |) 3,775 | (5 |) |
| Mortgages held for sale | 1,082 | 20 | — | (55 |) 72 | (12 |) 1,107 | 15 | (6) |
| Loans | 5,316 | (29 |) — | (499 |) — | — | 4,788 | (30 |) (6) |
| Mortgage servicing rights (residential) (7) | 12,415 | (3,434 |) — | 1,434 | — | — | 10,415 | (1,789 |) (6) |
| Net derivative assets and liabilities: | | | | | | | | | |
| Interest rate contracts | 288 | 1,763 | — | (1,411 |) — | (7 |) 633 | 374 | |
| Commodity contracts | 12 | 5 | — | (2 |) 4 | 1 | 20 | 13 | |
| Equity contracts | (111 |) (26 |) — | (137 |) 22 | (123 |) (375 |) (278 |) |
| Foreign exchange contracts | — | 1 | — | — | 16 | — | 17 | 16 | |
| Credit contracts | (3 |) 25 | — | 48 | — | — | 70 | 16 | |
| Other derivative contracts | (58 |) (15 |) — | — | — | — | (73 |) (15 |) |
| Total derivative contracts | 128 | 1,753 | — | (1,502 |) 42 | (129 |) 292 | 126 | (8) |
| Other assets | 3,065 | 142 | — | 211 | — | — | 3,418 | 142 | (5) |
| Short sale liabilities | — | — | — | — | — | — | — | — | (3) |
| Other liabilities (excluding derivatives) | (30 |) 1 | — | 25 | — | — | (4 |) — | (6) |

(1) See Table 13.9 for detail.

(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.

(4) Included in net gains (losses) from debt securities in the income statement.

(5) Included in net gains (losses) from equity investments in the income statement.

(6) Included in mortgage banking and other noninterest income in the income statement.

(7) For more information on the changes in mortgage servicing rights, see Note 8 (Mortgage Banking Activities).

(8) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

(continued on following page)

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

(continued from previous page)

Table 13.9 presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the first nine months of 2016.

Table 13.9: Gross Purchases, Sales, Issuances and Settlements – Level 3 – Nine months ended September 30, 2016 (in millions)

| | Purchases | Sales | Issuances | Settlements | Net |
|--|-----------|--------|-----------|-------------|----------|
| Nine months ended September 30, 2016 | | | | | |
| Trading assets (excluding derivatives): | | | | | |
| Securities of U.S. states and political subdivisions | \$ 2 | (2) | — | (5) | (5) |
| Collateralized loan obligations | 265 | (285) | — | — | (20) |
| Corporate debt securities | 32 | (35) | — | — | (3) |
| Mortgage-backed securities | — | — | — | — | — |
| Asset-backed securities | — | — | — | — | — |
| Equity securities | — | (1) | — | — | (1) |
| Total trading securities | 299 | (323) | — | (5) | (29) |
| Other trading assets | — | — | — | — | — |
| Total trading assets (excluding derivatives) | 299 | (323) | — | (5) | (29) |
| Available-for-sale securities: | | | | | |
| Securities of U.S. states and political subdivisions | 28 | (7) | 475 | (389) | 107 |
| Mortgage-backed securities: | | | | | |
| Residential | — | — | — | — | — |
| Commercial | 22 | — | — | (3) | 19 |
| Total mortgage-backed securities | 22 | — | — | (3) | 19 |
| Corporate debt securities | 35 | (4) | — | (2) | 29 |
| Collateralized loan and other debt obligations | 610 | (49) | — | (190) | 371 |
| Asset-backed securities: | | | | | |
| Automobile loans and leases | — | — | — | — | — |
| Other asset-backed securities | — | (28) | 214 | (316) | (130) |
| Total asset-backed securities | — | (28) | 214 | (316) | (130) |
| Total debt securities | 695 | (88) | 689 | (900) | 396 |
| Marketable equity securities: | | | | | |
| Perpetual preferred securities | — | — | — | — | — |
| Other marketable equity securities | — | — | — | — | — |
| Total marketable equity securities | — | — | — | — | — |
| Total available-for-sale securities | 695 | (88) | 689 | (900) | 396 |
| Mortgages held for sale | 67 | (424) | 443 | (141) | (55) |
| Loans | 12 | — | 248 | (759) | (499) |
| Mortgage servicing rights (residential) (1) | — | (19) | 1,452 | 1 | 1,434 |
| Net derivative assets and liabilities: | | | | | |
| Interest rate contracts | — | — | — | (1,411) | (1,411) |
| Commodity contracts | — | — | — | (2) | (2) |
| Equity contracts | 29 | (146) | — | (20) | (137) |
| Foreign exchange contracts | — | — | — | — | — |
| Credit contracts | 5 | (2) | — | 45 | 48 |
| Other derivative contracts | — | — | — | — | — |
| Total derivative contracts | 34 | (148) | — | (1,388) | (1,502) |
| Other assets | 211 | — | — | — | 211 |
| Short sale liabilities | — | — | — | — | — |
| Other liabilities (excluding derivatives) | — | — | — | 25 | 25 |

(1) For more information on the changes in mortgage servicing rights, see Note 8 (Mortgage Banking Activities).

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the first nine months of 2015, are presented in Table 13.10.

Table 13.10: Changes in Level 3 Fair Value Assets and Liabilities on a Recurring Basis – Nine months ended September 30, 2015

| (in millions) | Balance, beginning of period | Total net gains (losses) included in | | Purchases, sales, issuances and settlements, net (1) | Transfers into Level 3 | Transfers out of Level 3 | Balance, end of period | Net unrealized gains (losses) included in income related to assets and liabilities held at period end | (2) |
|--|---------------------------------------|--|---------------------------------------|---|------------------------------|--------------------------------|------------------------------|---|-------|
| | | Net income | Other compre- hensive income | | | | | | |
| Nine months ended September 30, 2015 | | | | | | | | | |
| Trading assets (excluding derivatives): | | | | | | | | | |
| Securities of U.S. states and political subdivisions | \$ 7 | — | — | 2 | — | — | 9 | — | |
| Collateralized loan obligations | 445 | 39 | — | (94 |) — | — | 390 | 5 | |
| Corporate debt securities | 54 | 1 | — | (8 |) 10 | (11 |) 46 | (2 |) |
| Mortgage-backed securities | — | — | — | — | — | — | — | — | |
| Asset-backed securities | 79 | 16 | — | (14 |) — | (81 |) — | — | |
| Equity securities | 10 | 1 | — | (10 |) — | — | 1 | — | |
| Total trading securities | 595 | 57 | — | (124 |) 10 | (92 |) 446 | 3 | |
| Other trading assets | 55 | 4 | — | (25 |) 1 | (1 |) 34 | (15 |) |
| Total trading assets (excluding derivatives) | 650 | 61 | — | (149 |) 11 | (93 |) 480 | (12 |) (3) |
| Available-for-sale securities: | | | | | | | | | |
| Securities of U.S. states and political subdivisions | 2,277 | 4 | (14 |) (274 |) — | (76 |) 1,917 | (5 |) |
| Mortgage-backed securities: | | | | | | | | | |
| Residential | 24 | 4 | (6 |) (22 |) — | — | — | — | |
| Commercial | 109 | 6 | (9 |) (22 |) — | — | 84 | (2 |) |
| Total mortgage-backed securities | 133 | 10 | (15 |) (44 |) — | — | 84 | (2 |) |
| Corporate debt securities | 252 | 7 | (12 |) 134 | — | — | 381 | (2 |) |

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| | | | | | | | | | | | |
|--|--------|--------|-------|---|-------|----|-----|------|--------|---------------|-------------|
| Collateralized loan and other debt obligations | 1,087 | 132 | (87 |) | (407 |) | — | — | 725 | — | |
| Asset-backed securities: | | | | | | | | | | | |
| Automobile loans and leases | 245 | — | 3 | — | — | — | — | — | 248 | — | |
| Other asset-backed securities | 1,372 | 2 | (15 |) | (119 |) | — | — | 1,240 | — | |
| Total asset-backed securities | 1,617 | 2 | (12 |) | (119 |) | — | — | 1,488 | — | |
| Total debt securities | 5,366 | 155 | (140 |) | (710 |) | — | (76 |) | 4,595 (9) (4) | |
| Marketable equity securities: | | | | | | | | | | | |
| Perpetual preferred securities | 663 | 3 | (2 |) | (24 |) | — | (640 |) | — | |
| Other marketable equity securities | — | — | — | — | — | — | — | — | — | — | |
| Total marketable equity securities | 663 | 3 | (2 |) | (24 |) | — | (640 |) | — (5) | |
| Total available-for-sale securities | 6,029 | 158 | (142 |) | (734 |) | — | (716 |) | 4,595 (9) () | |
| Mortgages held for sale | 2,313 | 53 | — | — | (595 |) | 155 | (464 |) | 1,462 14 (6) | |
| Loans | 5,788 | (51 |) | — | (208 |) | — | — | 5,529 | (37) (6) | |
| Mortgage servicing rights (residential) (7) | 12,738 | (2,144 |) | — | 1,184 | — | — | — | 11,778 | (553) (6) | |
| Net derivative assets and liabilities: | | | | | | | | | | | |
| Interest rate contracts | 293 | 987 | — | — | (837 |) | — | — | 443 | 240 | |
| Commodity contracts | 1 | 3 | — | — | 2 | (2 |) | — | 4 | 4 | |
| Equity contracts | (84 |) | 65 | — | (26 |) | (10 |) | (49 |) | (104) 96 |
| Foreign exchange contracts | — | — | — | — | — | — | — | — | — | — | |
| Credit contracts | (189 |) | (4 |) | — | — | — | — | (41 |) | 2 |
| Other derivative contracts | (44 |) | (26 |) | — | — | — | — | (70 |) | (26) () |
| Total derivative contracts | (23 |) | 1,025 | — | (709 |) | (12 |) | (49 |) | 232 316 (8) |
| Other assets | 2,512 | 136 | — | — | 97 | — | — | — | 2,745 | — (5) | |
| Short sale liabilities | (6 |) | — | — | 6 | — | — | — | — | — (3) | |
| Other liabilities (excluding derivatives) | (28 |) | (2 |) | — | — | — | — | (20 |) | — (6) |

(1) See Table 13.11 for detail.

(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.

(4) Included in net gains (losses) from debt securities in the income statement.

(5) Included in net gains (losses) from equity investments in the income statement.

(6) Included in mortgage banking and other noninterest income in the income statement.

(7) For more information on the changes in mortgage servicing rights, see Note 8 (Mortgage Banking Activities).

(8) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

(continued on following page)

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

(continued from previous page)

Table 13.11 presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the first nine months of 2015.

Table 13.11: Gross Purchases, Sales, Issuances and Settlements – Level 3 – Nine months ended September 30, 2015 (in millions)

| | Purchases | Sales | Issuances | Settlements | Net |
|--|-----------|----------|-----------|-------------|--------|
| Nine months ended September 30, 2015 | | | | | |
| Trading assets (excluding derivatives): | | | | | |
| Securities of U.S. states and political subdivisions | \$ 4 | (2) | — | — | 2 |
| Collateralized loan obligations | 1,060 | (1,154) | — | — | (94) |
| Corporate debt securities | 36 | (44) | — | — | (8) |
| Mortgage-backed securities | — | — | — | — | — |
| Asset-backed securities | — | (5) | — | (9) | (14) |
| Equity securities | — | — | — | (10) | (10) |
| Total trading securities | 1,100 | (1,205) | — | (19) | (124) |
| Other trading assets | 3 | (27) | — | (1) | (25) |
| Total trading assets (excluding derivatives) | 1,103 | (1,232) | — | (20) | (149) |
| Available-for-sale securities: | | | | | |
| Securities of U.S. states and political subdivisions | — | (41) | 555 | (788) | (274) |
| Mortgage-backed securities: | | | | | |
| Residential | — | (22) | — | — | (22) |
| Commercial | — | (5) | — | (17) | (22) |
| Total mortgage-backed securities | — | (27) | — | (17) | (44) |
| Corporate debt securities | 153 | (11) | — | (8) | 134 |
| Collateralized loan and other debt obligations | 74 | (188) | — | (293) | (407) |
| Asset-backed securities: | | | | | |
| Automobile loans and leases | — | — | — | — | — |
| Other asset-backed securities | 30 | (1) | 268 | (416) | (119) |
| Total asset-backed securities | 30 | (1) | 268 | (416) | (119) |
| Total debt securities | 257 | (268) | 823 | (1,522) | (710) |
| Marketable equity securities: | | | | | |
| Perpetual preferred securities | — | — | — | (24) | (24) |
| Other marketable equity securities | — | — | — | — | — |
| Total marketable equity securities | — | — | — | (24) | (24) |
| Total available-for-sale securities | 257 | (268) | 823 | (1,546) | (734) |
| Mortgages held for sale | 164 | (1,059) | 592 | (292) | (595) |
| Loans | 70 | — | 287 | (565) | (208) |
| Mortgage servicing rights (residential) (1) | — | 5 | 1,184 | (5) | 1,184 |
| Net derivative assets and liabilities: | | | | | |
| Interest rate contracts | — | — | — | (837) | (837) |
| Commodity contracts | — | — | — | 2 | 2 |
| Equity contracts | 15 | (103) | — | 62 | (26) |
| Foreign exchange contracts | — | — | — | — | — |
| Credit contracts | 10 | (2) | — | 144 | 152 |
| Other derivative contracts | — | — | — | — | — |
| Total derivative contracts | 25 | (105) | — | (629) | (709) |
| Other assets | 97 | — | — | — | 97 |
| Short sale liabilities | 21 | (15) | — | — | 6 |
| Other liabilities (excluding derivatives) | — | — | — | 10 | 10 |

(1) For more information on the changes in mortgage servicing rights, see Note 8 (Mortgage Banking Activities).

Table 13.12 and Table 13.13 provide quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a recurring basis for which we use an internal model.

The significant unobservable inputs for Level 3 assets and liabilities that are valued using fair values obtained from third party vendors are not included in the table, as the specific inputs applied are not provided by the vendor. In addition, the table excludes the valuation techniques and significant unobservable inputs for certain classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 assets and liabilities. We made this determination

based upon an evaluation of each class, which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs. For information on how changes in significant unobservable inputs affect the fair values of Level 3 assets and liabilities, see Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in our 2015 Form 10-K.

Table 13.12: Valuation Techniques – Recurring Basis – September 30, 2016

| (\$ in millions, except cost to service amounts) | Fair Value Level 3 | Valuation Technique(s) | Significant Unobservable Input | Range of Inputs | Weighted Average (1) |
|---|--------------------|---------------------------|--------------------------------|-----------------|----------------------|
| September 30, 2016 | | | | | |
| Trading and available-for-sale securities: | | | | | |
| Securities of U.S. states and political subdivisions: | | | | | |
| Government, healthcare and other revenue bonds | \$951 | Discounted cash flow | Discount rate | 0.9 - 4.8 | % 1.7 |
| | 49 | Vendor priced | | | |
| Auction rate securities and other municipal bonds | 203 | Discounted cash flow | Discount rate | 1.5 - 5.1 | 3.0 |
| | | | Weighted average life | 1.9 - 17.7 | yrs 9.2 |
| Collateralized loan and other debt obligations (2) | 288 | Market comparable pricing | Comparability adjustment | (21.3- 20.3 | % 2.9 |
| | 960 | Vendor priced | | | |
| Asset-backed securities: | | | | | |
| Diversified payment rights (3) | 437 | Discounted cash flow | Discount rate | 1.4 - 4.1 | 2.8 |
| Other commercial and consumer | 603 | (4)Discounted cash flow | Discount rate | 2.6 - 5.4 | 3.2 |
| | | | Weighted average life | 0.9 - 10.8 | yrs 3.0 |
| | 6 | Vendor priced | | | |
| Mortgages held for sale (residential) | 1,070 | Discounted cash flow | Default rate | 0.5 - 8.9 | % 2.1 |
| | | | Discount rate | 2.0 - 6.2 | 4.4 |
| | | | Loss severity | 0.1 - 40.3 | 21.3 |
| | | | Prepayment rate | 7.7 - 16.5 | 10.6 |
| | 37 | Market comparable pricing | Comparability adjustment | (53.3- 0.0 | (32.9) |
| Loans | 4,788 | (5)Discounted cash flow | Discount rate | 0.0 - 3.2 | 2.7 |
| | | | Prepayment rate | 0.4 - 100.0 | 18.2 |
| | | | Utilization rate | 0.0 - 0.8 | 0.3 |
| Mortgage servicing rights (residential) | 10,415 | Discounted cash flow | Cost to service per loan (6) | \$70 - 566 | 161 |
| | | | Discount rate | 5.9 - 13.4 | % 6.2 |
| | | | Prepayment rate (7) | 10.9 - 23.2 | 13.5 |
| Net derivative assets and (liabilities): | | | | | |
| Interest rate contracts | 397 | Discounted cash flow | Default rate | 0.1 - 6.8 | 2.1 |
| | | | Loss severity | 50.0 - 50.0 | 50.0 |
| | | | Prepayment rate | 2.8 - 12.5 | 9.7 |
| Interest rate contracts: derivative loan commitments | 236 | Discounted cash flow | Fall-out factor | 1.0 - 99.0 | 20.8 |
| | | | Initial-value servicing | (21.7- 131.2 | bps 71.5 |
| Equity contracts | 90 | Discounted cash flow | Conversion factor | (10.5- 0.0 | % (7.9) |
| | | | Weighted average life | 0.8 - 3.3 | yrs 2.2 |
| | (465) | Option model | Correlation factor | (77.0- 98.5 | % 47.1 |
| | | | Volatility factor | 6.5 - 100.0 | 27.5 |

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| | | | | | |
|--|--------------|---------------------------|--------------------------|---------------|--------|
| Credit contracts | (31) | Market comparable pricing | Comparability adjustment | (12.5- 25.7 % | 1.4 |
| | 101 | Option model | Credit spread | 0.0 - 5.9 | 1.2 |
| | | | Loss severity | 13.0 - 60.0 | 51.1 |
| Other assets: nonmarketable equity investments | 10 | Discounted cash flow | Discount rate | 5.0 - 10.3 | 6.2 |
| | 3,408 | Market comparable pricing | Comparability adjustment | (22.7- (6.3) | (17.0) |
| Insignificant Level 3 assets, net of liabilities | 605 (8) | | | | |
| Total level 3 assets, net of liabilities | \$24,158 (9) | | | | |

- (1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments, such as loans and securities, and notional amounts for derivative instruments.
- (2) Includes \$832 million of collateralized debt obligations.
- (3) Securities backed by specified sources of current and future receivables generated from foreign originators.
- (4) A significant portion of the balance consists of investments in asset-backed securities that are revolving in nature, for which the timing of advances and repayments of principal are uncertain.
- (5) Consists of reverse mortgage loans.
- (6) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is \$70 - \$315.
- (7) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.
- (8) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, other trading assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts and other derivative contracts.
- (9) Consists of total Level 3 assets of \$25.9 billion and total Level 3 liabilities of \$1.8 billion, before netting of derivative balances.

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

Table 13.13: Valuation Techniques – Recurring Basis – December 31, 2015

| (\$ in millions, except cost to service amounts) | Fair Value Level 3 | Valuation Technique(s) | Significant Unobservable Input | Range of Inputs | Weighted Average (1) |
|---|--------------------|---------------------------|--------------------------------|------------------|----------------------|
| December 31, 2015 | | | | | |
| Trading and available-for-sale securities: | | | | | |
| Securities of U.S. states and political subdivisions: | | | | | |
| Government, healthcare and other revenue bonds | \$1,213 | Discounted cash flow | Discount rate | 0.8 - 5.6 | % 1.9 |
| | 51 | Vendor priced | | | |
| Auction rate securities and other municipal bonds | 244 | Discounted cash flow | Discount rate | 0.8 - 4.5 | 2.0 |
| | | | Weighted average life | 1.0 - 10.0 | yrs 4.7 |
| Collateralized loan and other debt obligations (2) | 343 | Market comparable pricing | Comparability adjustment | (20.0- 20.3 | % 2.9 |
| | 565 | Vendor priced | | | |
| Asset-backed securities: | | | | | |
| Diversified payment rights (3) | 608 | Discounted cash flow | Discount rate | 1.0 - 5.0 | 3.2 |
| Other commercial and consumer | 508 | (4) Discounted cash flow | Discount rate | 2.5 - 6.3 | 3.8 |
| | | | Weighted average life | 1.0 - 9.4 | yrs 4.3 |
| | 66 | Vendor priced | | | |
| Mortgages held for sale (residential) | 1,033 | Discounted cash flow | Default rate | 0.5 - 13.7 | % 3.6 |
| | | | Discount rate | 1.1 - 6.3 | 4.7 |
| | | | Loss severity | 0.1 - 22.7 | 11.2 |
| | | | Prepayment rate | 2.6 - 9.6 | 6.4 |
| | 49 | Market comparable pricing | Comparability adjustment | (53.3- 0.0 | (32.6) |
| Loans | 5,316 | (5) Discounted cash flow | Discount rate | 0.0 - 3.9 | 3.1 |
| | | | Prepayment rate | 0.2 - 100.0 | 14.6 |
| | | | Utilization rate | 0.0 - 0.8 | 0.3 |
| Mortgage servicing rights (residential) | 12,415 | Discounted cash flow | Cost to service per loan (6) | \$70 - 599 | 168 |
| | | | Discount rate | 6.8 - 11.8 | % 7.3 |
| | | | Prepayment rate (7) | 10.1 - 18.9 | 11.4 |
| Net derivative assets and (liabilities): | | | | | |
| Interest rate contracts | 230 | Discounted cash flow | Default rate | 0.1 - 9.6 | 2.6 |
| | | | Loss severity | 50.0 - 50.0 | 50.0 |
| | | | Prepayment rate | 0.3 - 2.5 | 2.2 |
| Interest rate contracts: derivative loan commitments | 58 | (8) Discounted cash flow | Fall-out factor | 1.0 - 99.0 | 18.8 |
| | | | | (30.6- 127.0 bps | 41.5 |

| | | | | | |
|--|----------|---------------------------|--|----------------|--------|
| Equity contracts | 72 | Discounted cash flow | Initial-value servicing Conversion factor | (10.6- 0.0 % | (8.1) |
| | | | Weighted average life | 0.5 - 2.0 yrs | 1.5 |
| | (183) | Option model | Correlation factor | (77.0- 98.5 % | 66.0 |
| | | | Volatility factor | 6.5 - 91.3 | 24.2 |
| Credit contracts | (9) | Market comparable pricing | Comparability adjustment | (53.6- 18.2 | (0.6) |
| | 6 | Option model | Credit spread | 0.0 - 19.9 | 1.6 |
| | | | Loss severity | 13.0 - 73.0 | 49.6 |
| Other assets: nonmarketable equity investments | 3,065 | Market comparable pricing | Comparability adjustment | (19.1)- (5.5) | (15.1) |
| Insignificant Level 3 assets, net of liabilities | 493 | (9) | | | |
| Total level 3 assets, net of liabilities | \$26,143 | (10) | | | |

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments, such as loans and securities, and notional amounts for derivative instruments.

(2) Includes \$257 million of collateralized debt obligations.

(3) Securities backed by specified sources of current and future receivables generated from foreign originators.

(4) Consists largely of investments in asset-backed securities that are revolving in nature, for which the timing of advances and repayments of principal are uncertain.

(5) Consists of reverse mortgage loans.

(6) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is \$70 - \$335.

(7) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.

(8) Total derivative loan commitments were a net asset of \$56 million, of which a \$2 million derivative liability was classified as level 2 at December 31, 2015.

(9) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, other trading assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts and other derivative contracts.

(10) Consists of total Level 3 assets of \$27.6 billion and total Level 3 liabilities of \$1.5 billion, before netting of derivative balances.

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

Discounted cash flow – Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument and then discounting those cash flows at a rate of return that results in the fair value amount.

Market comparable pricing – Market comparable pricing valuation techniques are used to determine the fair value of certain instruments by incorporating known inputs, such as recent transaction prices, pending transactions, or prices of other similar investments that require significant adjustment to reflect differences in instrument characteristics.

Option model – Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.

Vendor-priced – Prices obtained from third party pricing vendors or brokers that are used to record the fair value of the asset or liability for which the related valuation technique and significant unobservable inputs are not provided.

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

Comparability adjustment – is an adjustment made to observed market data, such as a transaction price in order to reflect dissimilarities in underlying collateral, issuer, rating, or other factors used within a market valuation approach, expressed as a percentage of an observed price.

Conversion Factor – is the risk-adjusted rate in which a particular instrument may be exchanged for another instrument upon settlement, expressed as a percentage change from a specified rate.

Correlation factor – is the likelihood of one instrument changing in price relative to another based on an established relationship, expressed as a percentage of relative change in price over a period over time.

Cost to service – is the expected cost per loan of servicing a portfolio of loans, which includes estimates for unreimbursed expenses (including delinquency and foreclosure costs) that may occur as a result of servicing such loan portfolios.

Credit spread – is the portion of the interest rate in excess of a benchmark interest rate, such as Overnight Index Swap (OIS), LIBOR or U.S. Treasury rates, that when applied to an investment captures changes in the obligor's creditworthiness.

Default rate – is an estimate of the likelihood of not collecting contractual amounts owed expressed as a constant default rate (CDR).

Discount rate – is a rate of return used to calculate the present value of the future expected cash flow to arrive at the fair value of an instrument. The discount rate consists of a benchmark rate component and a risk premium component.

The benchmark rate component, for example, OIS, LIBOR or U.S. Treasury rates, is generally observable within the market and is necessary to appropriately reflect the time value of money. The risk premium component reflects the amount of compensation market participants require due to the uncertainty inherent in the instruments' cash flows resulting from risks such as credit and liquidity.

Fall-out factor – is the expected percentage of loans associated with our interest rate lock commitment portfolio that are likely of not funding.

Initial-value servicing – is the estimated value of the underlying loan, including the value attributable to the embedded servicing right, expressed in basis points of outstanding unpaid principal balance.

• Loss severity – is the estimated percentage of contractual cash flows lost in the event of a default.

• Prepayment rate – is the estimated rate at which forecasted prepayments of principal of the related loan or debt instrument are expected to occur, expressed as a constant prepayment rate (CPR).

• Utilization rate – is the estimated rate in which incremental portions of existing reverse mortgage credit lines are expected to be drawn by borrowers, expressed as an annualized rate.

• Volatility factor – is the extent of change in price an item is estimated to fluctuate over a specified period of time, expressed as a percentage of relative change in price over a period over time.

• Weighted average life – is the weighted average number of years an investment is expected to remain outstanding based on its expected cash flows, reflecting the estimated date the issuer will call or extend the maturity of the instrument or otherwise reflecting an estimate of the timing of an instrument's cash flows whose timing is not contractually fixed.

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

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

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

LOCOM accounting or write-downs of individual assets. Table 13.14 provides the fair value hierarchy and carrying amount of all assets that were still held as of September 30, 2016, and December 31, 2015, and for which a nonrecurring fair value adjustment was recorded during the periods presented.

Table 13.14: Fair Value on a Nonrecurring Basis

| (in millions) | September 30, 2016 | | | | December 31, 2015 | | | |
|--|--------------------|---------|---------|---------|-------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Mortgages held for sale (LOCOM) (1) | \$— | 2,069 | 1,525 | 3,594 | — | 4,667 | 1,047 | 5,714 |
| Loans held for sale | — | 183 | — | 183 | — | 279 | — | 279 |
| Loans: | | | | | | | | |
| Commercial | — | 440 | — | 440 | — | 191 | — | 191 |
| Consumer | — | 758 | 6 | 764 | — | 1,406 | 7 | 1,413 |
| Total loans (2) | — | 1,198 | 6 | 1,204 | — | 1,597 | 7 | 1,604 |
| Other assets - excluding nonmarketable equity investments at NAV (3) | — | 226 | 416 | 642 | — | 280 | 368 | 648 |
| Total included in the fair value hierarchy | \$— | 3,676 | 1,947 | 5,623 | — | 6,823 | 1,422 | 8,245 |
| Other assets - nonmarketable equity investments at NAV (4) | | | | 24 | | | | 286 |
| Total assets at fair value on a nonrecurring basis | | | | \$5,647 | | | | 8,531 |

(1) Consists of commercial mortgages and residential real estate 1-4 family first mortgage loans.

(2) Represents the carrying value of loans for which nonrecurring adjustments are based on the appraised value of the collateral.

(3) Includes the fair value of foreclosed real estate, other collateral owned, operating lease assets and nonmarketable equity investments.

(4) Consists of certain nonmarketable equity investments that are measured at fair value on a nonrecurring basis using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

Table 13.15 presents the increase (decrease) in value of certain assets held at the end of the respective reporting periods presented for which a nonrecurring fair value adjustment was recognized during the reporting period.

Table 13.15: Change in Value of Assets with Nonrecurring Fair Value Adjustment

| (in millions) | Nine months ended | |
|---------------------------------|--------------------|--------------------|
| | September 30, 2016 | September 30, 2015 |
| Mortgages held for sale (LOCOM) | \$26 | 17 |
| Loans held for sale | (21) | (3) |
| Loans: | | |
| Commercial | (736) | (113) |
| Consumer | (578) | (816) |
| Total loans (1) | (1,314) | (929) |
| Other assets (2) | (339) | (223) |
| Total | \$(1,648) | (1,138) |

(1) Represents write-downs of loans based on the appraised value of the collateral.

(2)

Includes the losses on foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets. Also includes impairment losses on nonmarketable equity investments.

Table 13.16 provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets that are measured at fair value on a nonrecurring basis using an internal model. The table is limited to financial instruments that had nonrecurring fair value adjustments during the periods presented.

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

Table 13.16: Valuation Techniques – Nonrecurring Basis

| (\$ in millions) | Fair Value Level 3 | Valuation Technique(s) (1) | Significant Unobservable Inputs (1) | Range of inputs | Weighted Average (2) |
|--|--------------------|----------------------------|-------------------------------------|-----------------|----------------------|
| September 30, 2016 | | | | | |
| Residential mortgages held for sale (LOCOM) | \$1,525 | (3) Discounted cash flow | Default rate | (4) 0.2–7.3 | % 2.4 |
| | | | Discount rate | 1.5–8.5 | 3.5 |
| | | | Loss severity | 0.0–56.3 | 2.0 |
| | | | Prepayment rate | (5) 3.2–100.0 | 62.4 |
| Other assets: nonmarketable equity investments | — | Market comparable pricing | Comparability adjustment | 0.0–0.0 | 0.0 |
| | 170 | Discounted cash flow | Discount rate | 7.7–9.3 | 8.2 |
| Insignificant level 3 assets | 252 | | | | |
| Total | \$1,947 | | | | |
| December 31, 2015 | | | | | |
| Residential mortgages held for sale (LOCOM) | \$1,047 | (3) Discounted cash flow | Default rate | (4) 0.5–5.0 | % 4.2 |
| | | | Discount rate | 1.5–8.5 | 3.5 |
| | | | Loss severity | 0.0–26.1 | 2.9 |
| | | | Prepayment rate | (5) 2.6–100.0 | 65.4 |
| Other assets: nonmarketable equity investments | 228 | Market comparable pricing | Comparability adjustment | 5.0–9.2 | 8.5 |
| | — | Discounted cash flow | Discount rate | 0.0–0.0 | 0.0 |
| Insignificant level 3 assets | 147 | | | | |
| Total | \$1,422 | | | | |

(1) Refer to the narrative following Table 13.13 of this Note for a definition of the valuation technique(s) and significant unobservable inputs.

(2) For residential MHFS, weighted averages are calculated using the outstanding unpaid principal balance of the loans.

(3) Consists of approximately \$1.5 billion and \$1.0 billion of government insured/guaranteed loans purchased from GNMA-guaranteed mortgage securitizations at September 30, 2016, and December 31, 2015, respectively, and \$35 million and \$41 million of other mortgage loans that are not government insured/guaranteed at September 30, 2016 and December 31, 2015, respectively.

(4) Applies only to non-government insured/guaranteed loans.

(5) Includes the impact on prepayment rate of expected defaults for government insured/guaranteed loans, which impact the frequency and timing of early resolution of loans.

Alternative Investments

We hold certain nonmarketable equity investments for which we use NAV per share (or its equivalent) as a practical expedient for fair value measurements, including estimated fair values for investments accounted for under the cost method. The funds predominantly consist of private equity funds that invest in equity and debt securities issued by private and publicly-held companies in connection with leveraged buyouts, recapitalizations and expansion opportunities. The fair values of these investments and related unfunded commitments totaled \$67 million and \$52 million, respectively, at September 30, 2016, and \$642 million and \$144 million, respectively, at December 31, 2015. The investments do not allow redemptions. We receive distributions as the underlying assets of the funds liquidate, which we expect to occur over the next 12 months.

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

Fair Value Option

The fair value option is an irrevocable election, generally only permitted upon initial recognition of financial assets or liabilities, to measure eligible financial instruments at fair value with changes in fair value reflected in earnings. We may elect the fair value option to align the measurement model with how the financial assets or liabilities are managed or to reduce complexity or accounting asymmetry. For more information, including the basis for our fair value option elections, see Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in our 2015 Form 10-K.

Table 13.17 reflects differences between the fair value carrying amount of certain assets for which we have elected the fair value option and the contractual aggregate unpaid principal amount at maturity.

Table 13.17: Fair Value Option

| (in millions) | September 30, 2016 | | | December 31, 2015 | | |
|---|----------------------------|----------------------------|--|----------------------------|----------------------------|--|
| | Fair value carrying amount | Aggregate unpaid principal | Fair value carrying amount less aggregate unpaid principal | Fair value carrying amount | Aggregate unpaid principal | Fair value carrying amount less aggregate unpaid principal |
| Trading assets – loans: | | | | | | |
| Total loans | \$738 | 788 | (50) | 886 | 935 | (49) |
| Nonaccrual loans | 49 | 57 | (8) | — | — | — |
| Mortgages held for sale: | | | | | | |
| Total loans | 22,647 | 21,857 | 790 | 13,539 | 13,265 | 274 |
| Nonaccrual loans | 136 | 179 | (43) | 161 | 228 | (67) |
| Loans 90 days or more past due and still accruing | 14 | 17 | (3) | 19 | 22 | (3) |
| Loans held for sale: | | | | | | |
| Total loans | — | 6 | (6) | — | 5 | (5) |
| Nonaccrual loans | — | 6 | (6) | — | 5 | (5) |
| Loans: | | | | | | |
| Total loans | 4,788 | 4,692 | 96 | 5,316 | 5,184 | 132 |
| Nonaccrual loans | 277 | 295 | (18) | 305 | 322 | (17) |
| Other assets (1) | 3,441 | N/A | N/A | 3,065 | N/A | N/A |

(1) Consists of nonmarketable equity investments carried at fair value. See Note 6 (Other Assets) for more information.

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

measurement and subsequent changes in fair value included in earnings for these assets and liabilities measured at fair value are shown in Table 13.18 by income statement line item.

Table 13.18: Fair Value Option – Changes in Fair Value Included in Earnings

| (in millions) | 2016 | | 2015 | |
|---------------------------------|---|--------------------------------|--|--|
| | Net gains (losses) from noninterest trading income activities | Other noninterest income | Mortgage banking noninterest income | Net gains (losses) from trading activities |
| Quarter ended September 30, | | | | |
| Trading assets - loans | \$-21 | 1 | — | (16) 1 |
| Mortgages held for sale | 563 | — | 662 | — |
| Loans | — | (25) | — | (2) |
| Other assets | — | 383 | — | 109 |
| Other interests held (1) | —(3) | — | — | (3) — |
| Nine months ended September 30, | | | | |
| Trading assets – loans | \$-47 | 2 | — | 3 3 |
| Mortgages held for sale | 1,739 | — | 1,559 | — |
| Loans | — | (29) | — | (45) |
| Other assets | — | 149 | — | 137 |
| Other interests held (1) | —(4) | — | — | (5) — |

(1) Includes retained interests in securitizations.

For performing loans, instrument-specific credit risk gains or losses were derived principally by determining the change in fair value of the loans due to changes in the observable or implied credit spread. Credit spread is the market yield on the loans less the relevant risk-free benchmark interest rate. For

nonperforming loans, we attribute all changes in fair value to instrument-specific credit risk. Table 13.19 shows the estimated gains and losses from earnings attributable to instrument-specific credit risk related to assets accounted for under the fair value option.

Table 13.19: Fair Value Option – Gains/Losses Attributable to Instrument-Specific Credit Risk

| (in millions) | Quarter ended | | Nine months ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Gains (losses) attributable to instrument-specific credit risk: | | | | |
| Trading assets – loans | \$ 21 | (16) | 47 | 3 |
| Mortgages held for sale | 1 | (5) | (4) | 43 |
| Total | \$ 22 | (21) | 43 | 46 |

Disclosures about Fair Value of Financial Instruments

Table 13.20 is a summary of fair value estimates for financial instruments, excluding financial instruments recorded at fair value on a recurring basis, as they are included within Table 13.2 in this Note. The carrying amounts in the following table are recorded on the balance sheet under the indicated captions, except for nonmarketable equity investments, which are included in other assets.

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

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

Table 13.20: Fair Value Estimates for Financial Instruments

| (in millions) | Carrying amount | Estimated fair value | | | |
|---|-----------------|----------------------|-----------|---------|-----------|
| | | Level 1 | Level 2 | Level 3 | Total |
| September 30, 2016 | | | | | |
| Financial assets | | | | | |
| Cash and due from banks (1) | \$19,287 | 19,287 | — | — | 19,287 |
| Federal funds sold, securities purchased under resale agreements and other short-term investments (1) | 298,325 | 17,043 | 281,196 | 86 | 298,325 |
| Held-to-maturity securities | 99,241 | 46,891 | 53,190 | 2,466 | 102,547 |
| Mortgages held for sale (2) | 4,776 | — | 3,284 | 1,525 | 4,809 |
| Loans held for sale | 183 | — | 183 | — | 183 |
| Loans, net (3) | 926,262 | — | 61,422 | 884,473 | 945,895 |
| Nonmarketable equity investments (cost method) | | | | | |
| Excluding investments at NAV | 8,029 | — | 18 | 8,591 | 8,609 |
| Total financial assets included in the fair value hierarchy | 1,356,103 | 83,221 | 399,293 | 897,141 | 1,379,655 |
| Investments at NAV (4) | 48 | | | | 67 |
| Total financial assets | \$1,356,151 | | | | 1,379,722 |
| Financial liabilities | | | | | |
| Deposits | \$1,275,894 | — | 1,251,257 | 24,873 | 1,276,130 |
| Short-term borrowings (1) | 124,668 | — | 124,668 | — | 124,668 |
| Long-term debt (5) | 254,827 | — | 242,172 | 10,700 | 252,872 |
| Total financial liabilities | \$1,655,389 | — | 1,618,097 | 35,573 | 1,653,670 |
| December 31, 2015 | | | | | |
| Financial assets | | | | | |
| Cash and due from banks (1) | \$19,111 | 19,111 | — | — | 19,111 |
| Federal funds sold, securities purchased under resale agreements and other short-term investments (1) | 270,130 | 14,057 | 255,911 | 162 | 270,130 |
| Held-to-maturity securities | 80,197 | 45,167 | 32,052 | 3,348 | 80,567 |
| Mortgages held for sale (2) | 6,064 | — | 5,019 | 1,047 | 6,066 |
| Loans held for sale | 279 | — | 279 | — | 279 |
| Loans, net (3) | 887,497 | — | 60,848 | 839,816 | 900,664 |
| Nonmarketable equity investments (cost method) | | | | | |
| Excluding investments at NAV | 6,659 | — | 14 | 7,271 | 7,285 |
| Total financial assets included in the fair value hierarchy | 1,269,937 | 78,335 | 354,123 | 851,644 | 1,284,102 |
| Investments at NAV (4) | 376 | | | | 619 |
| Total financial assets | \$1,270,313 | | | | 1,284,721 |
| Financial liabilities | | | | | |
| Deposits | \$1,223,312 | — | 1,194,781 | 28,616 | 1,223,397 |
| Short-term borrowings (1) | 97,528 | — | 97,528 | — | 97,528 |
| Long-term debt (5) | 199,528 | — | 188,015 | 10,468 | 198,483 |
| Total financial liabilities | \$1,520,368 | — | 1,480,324 | 39,084 | 1,519,408 |

(1) Amounts consist of financial instruments for which carrying value approximates fair value.

(2) MHFS exclude balances for which we elected the fair value option.

(3) Loans exclude balances for which we elected the fair value option and also exclude lease financing with a carrying amount of \$18.9 billion and \$12.4 billion at September 30, 2016, and December 31, 2015, respectively.

(4) Consists of certain nonmarketable equity investments for which estimated fair values are determined using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

(5)

The carrying amount and fair value exclude obligations under capital leases of \$8 million at both September 30, 2016, and December 31, 2015.

Loan commitments, standby letters of credit and commercial and similar letters of credit are not included in the table above. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the allowance for unfunded credit commitments, which totaled \$1.2 billion and \$1.0 billion at September 30, 2016, and December 31, 2015, respectively.

Note 14: Preferred Stock

We are authorized to issue 20 million shares of preferred stock and 4 million shares of preference stock, both without par value. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. We have not issued any preference shares under

this authorization. If issued, preference shares would be limited to one vote per share. Our total authorized, issued and outstanding preferred stock is presented in the following two tables along with the Employee Stock Ownership Plan (ESOP) Cumulative Convertible Preferred Stock.

Table 14.1: Preferred Stock Shares

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| | Liquidation Shares preference authorized per share and designated | Liquidation Shares preference authorized per share and designated |
| DEP Shares | | |
| Dividend Equalization Preferred Shares (DEP) | \$10 97,000 | \$10 97,000 |
| Series H | | |
| Floating Class A Preferred Stock | 20,000,000 | 20,000,000 |
| Series I | | |
| Floating Class A Preferred Stock | 100,000,010 | 100,000,010 |
| Series J | | |
| 8.00% Non-Cumulative Perpetual Class A Preferred Stock | 1,000,300,000 | 1,000,300,000 |
| Series K | | |
| 7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock | 1,000,500,000 | 1,000,500,000 |
| Series L | | |
| 7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock | 1,000,025,000 | 1,000,025,000 |
| Series N | | |
| 5.20% Non-Cumulative Perpetual Class A Preferred Stock | 25,000,000 | 25,000,000 |
| Series O | | |
| 5.125% Non-Cumulative Perpetual Class A Preferred Stock | 25,000,600 | 25,000,600 |
| Series P | | |
| 5.25% Non-Cumulative Perpetual Class A Preferred Stock | 25,000,400 | 25,000,400 |
| Series Q | | |
| 5.85% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock | 25,000,000 | 25,000,000 |
| Series R | | |
| 6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock | 25,000,500 | 25,000,500 |
| Series S | | |
| 5.90% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock | 25,000,000 | 25,000,000 |
| Series T | | |
| 6.00% Non-Cumulative Perpetual Class A Preferred Stock | 25,000,200 | 25,000,200 |
| Series U | | |
| 5.875% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock | 25,000,000 | 25,000,000 |
| Series V | | |

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| | | |
|---|-------------|-------------|
| 6.00% Non-Cumulative Perpetual Class A Preferred Stock Series W | 25,000,000 | 25,000,000 |
| 5.70% Non-Cumulative Perpetual Class A Preferred Stock Series X | 25,000,000 | — — |
| 5.50% Non-Cumulative Perpetual Class A Preferred Stock ESOP | 25,006,000 | — — |
| Cumulative Convertible Preferred Stock (1) | — 1,482,072 | — 1,252,386 |
| Total | 11,984,782 | 11,669,096 |

(1) See the ESOP Cumulative Convertible Preferred Stock section in this Note for additional information about the liquidation preference for the ESOP Cumulative Convertible Preferred Stock.

Note 14: Preferred Stock (continued)

Table 14.2: Preferred Stock – Shares Issued and Carrying Value

| (in millions, except shares) | September 30, 2016 | | | | December 31, 2015 | | | |
|--|-------------------------------|------------------------------|----------------|----------|-------------------------------|------------------------------|----------------|----------|
| | Shares issued and outstanding | Liquidation preference value | Carrying value | Discount | Shares issued and outstanding | Liquidation preference value | Carrying value | Discount |
| DEP Shares | | | | | | | | |
| Dividend Equalization Preferred Shares (DEP) Series I (1) | 96,546 | \$ — | — | — | 96,546 | \$ — | — | — |
| Floating Class A Preferred Stock Series J (1) | 25,010 | 2,501 | 2,501 | — | 25,010 | 2,501 | 2,501 | — |
| 8.00% Non-Cumulative Perpetual Class A Preferred Stock Series K (1) | 2,150,375 | 2,150 | 1,995 | 155 | 2,150,375 | 2,150 | 1,995 | 155 |
| 7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock Series L (1) | 3,352,000 | 3,352 | 2,876 | 476 | 3,352,000 | 3,352 | 2,876 | 476 |
| 7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock Series N (1) | 3,968,000 | 3,968 | 3,200 | 768 | 3,968,000 | 3,968 | 3,200 | 768 |
| 5.20% Non-Cumulative Perpetual Class A Preferred Stock Series O (1) | 30,000 | 750 | 750 | — | 30,000 | 750 | 750 | — |
| 5.125% Non-Cumulative Perpetual Class A Preferred Stock Series P (1) | 26,000 | 650 | 650 | — | 26,000 | 650 | 650 | — |
| 5.25% Non-Cumulative Perpetual Class A Preferred Stock Series Q (1) | 25,000 | 625 | 625 | — | 25,000 | 625 | 625 | — |
| 5.85% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock Series R (1) | 69,000 | 1,725 | 1,725 | — | 69,000 | 1,725 | 1,725 | — |
| 6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock Series S (1) | 33,600 | 840 | 840 | — | 33,600 | 840 | 840 | — |
| 5.90% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock Series T (1) | 80,000 | 2,000 | 2,000 | — | 80,000 | 2,000 | 2,000 | — |
| | 32,000 | 800 | 800 | — | 32,000 | 800 | 800 | — |

| | | | | | | | | |
|--|------------|-----------|--------|-------|------------|-----------|--------|-------|
| 6.00% Non-Cumulative Perpetual Class A Preferred Stock Series U (1) 5.875% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock Series V (1) 6.00% Non-Cumulative Perpetual Class A Preferred Stock Series W (1) 5.70% Non-Cumulative Perpetual Class A Preferred Stock Series X (1) 5.50% Non-Cumulative Perpetual Class A Preferred Stock ESOP Cumulative Convertible Preferred Stock | 80,000 | 2,000 | 2,000 | — | 80,000 | 2,000 | 2,000 | — |
| | 40,000 | 1,000 | 1,000 | — | 40,000 | 1,000 | 1,000 | — |
| | 40,000 | 1,000 | 1,000 | — | — | — | — | — |
| | 46,000 | 1,150 | 1,150 | — | — | — | — | — |
| | 1,482,072 | 1,482 | 1,482 | — | 1,252,386 | 1,252 | 1,252 | — |
| Total | 11,575,603 | \$ 25,993 | 24,594 | 1,399 | 11,259,917 | \$ 23,613 | 22,214 | 1,399 |

(1) Preferred shares qualify as Tier 1 capital.

In January 2016, we issued 40 million Depositary Shares, each representing a 1/1,000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series W, for an aggregate public offering price of \$1.0 billion. In June 2016, we issued 46 million Depositary Shares, each representing a 1/1,000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series X, for an aggregate public offering price of \$1.2 billion. See Note 7 (Securitizations and Variable Interest Entities) for additional information on our trust preferred securities. We do not have a commitment to issue Series H preferred stock.

ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK All shares of our ESOP Cumulative Convertible Preferred Stock (ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (the 401(k) Plan). Dividends on the ESOP Preferred Stock are cumulative from the date of initial issuance and are payable quarterly at annual rates based upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the 401(k) Plan is converted into shares of our common stock based on the stated

value of the ESOP Preferred Stock and the then current market price of our common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. We have the option to redeem the ESOP Preferred Stock at any time, in whole or in part, at a redemption price per share equal to the higher of (a) \$1,000 per share plus accrued and unpaid dividends or (b) the fair market value, as defined in the Certificates of Designation for the ESOP Preferred Stock.

Table 14.3: ESOP Preferred Stock

| (in millions, except shares) | Shares issued and outstanding | | Carrying value | | Adjustable dividend rate | |
|--|-------------------------------|--------------|----------------|--------------|--------------------------|---------|
| | Sep 30, 2016 | Dec 31, 2015 | Sep 30, 2016 | Dec 31, 2015 | Minimum | Maximum |
| ESOP Preferred Stock | | | | | | |
| \$1,000 liquidation preference per share | | | | | | |
| 2016 | 401,419 | — | \$401 | — | 9.30 | % 10.30 |
| 2015 | 200,820 | 220,408 | 201 | 220 | 8.90 | 9.90 |
| 2014 | 255,413 | 283,791 | 255 | 284 | 8.70 | 9.70 |
| 2013 | 222,558 | 251,304 | 223 | 251 | 8.50 | 9.50 |
| 2012 | 144,072 | 166,353 | 144 | 166 | 10.00 | 11.00 |
| 2011 | 149,301 | 177,614 | 149 | 178 | 9.00 | 10.00 |
| 2010 | 90,775 | 113,234 | 91 | 113 | 9.50 | 10.50 |
| 2008 | 17,714 | 28,972 | 18 | 29 | 10.50 | 11.50 |
| 2007 | — | 10,710 | — | 11 | 10.75 | 11.75 |
| Total ESOP Preferred Stock (1) | 1,482,072 | 1,252,386 | \$1,482 | 1,252 | | |
| Unearned ESOP shares (2) | | | \$(1,612) | (1,362) | | |

(1) At September 30, 2016 and December 31, 2015, additional paid-in capital included \$130 million and \$110 million, respectively, related to ESOP preferred stock.

We recorded a corresponding charge to unearned ESOP shares in connection with the issuance of the ESOP (2) Preferred Stock. The unearned ESOP shares are reduced as shares of the ESOP Preferred Stock are committed to be released.

Note 15: Employee Benefits

We sponsor a frozen noncontributory qualified defined benefit retirement plan called the Wells Fargo & Company Cash Balance Plan (Cash Balance Plan), which covers eligible employees of Wells Fargo. The Cash Balance Plan was frozen on July 1, 2009, and no new benefits accrue after that date. Although not required, we made a \$1.3 billion contribution to our Cash Balance Plan in August 2016, which decreased cash and our net Cash Balance Plan liability. The contribution also resulted in a re-measurement of the Cash Balance Plan obligation and plan assets as of August 31, 2016. We used a discount rate of 3.50% for the re-measurement based on our consistent methodology of

determining our discount rate based upon the yields on multiple portfolios of bonds with maturity dates that closely match the estimated timing and amounts of the expected benefit payments for our plans. The remeasurement resulted in an increase to the pension obligation of \$958 million and an increase to the fair value of plan assets of \$511 million. Cumulative other comprehensive income decreased by \$447 million pre-tax (\$279 million after tax) in third quarter 2016.

Table 15.1 presents the components of net periodic benefit cost.

Table 15.1: Net Periodic Benefit Cost

| (in millions) | 2016 | | | 2015 | | |
|---|------------------|---------------|----------------|------------------|---------------|----------------|
| | Pension benefits | | Other benefits | Pension benefits | | Other benefits |
| | Qualified | Non-qualified | | Qualified | Non-qualified | |
| Quarter ended September 30, | | | | | | |
| Service cost | \$— | — | — | 1 | — | 1 |
| Interest cost | 105 | 6 | 11 | 107 | 5 | 11 |
| Expected return on plan assets | (152) | — | (8) | (161) | — | (8) |
| Amortization of net actuarial loss (gain) | 37 | 3 | (1) | 27 | 5 | (1) |
| Amortization of prior service credit | — | — | — | — | — | (1) |
| Settlement loss | — | — | — | — | — | — |
| Net periodic benefit cost (income) | \$(10) | 9 | 2 | (26) | 10 | 2 |
| Nine months ended September 30, | | | | | | |
| Service cost | \$2 | — | — | 2 | — | 5 |
| Interest cost | 323 | 19 | 31 | 321 | 18 | 32 |
| Expected return on plan assets | (435) | — | (23) | (483) | — | (26) |
| Amortization of net actuarial loss (gain) | 103 | 9 | (3) | 81 | 14 | (3) |
| Amortization of prior service credit | — | — | — | — | — | (2) |
| Settlement loss | 4 | 2 | — | — | 13 | — |
| Net periodic benefit cost (income) | \$(3) | 30 | 5 | (79) | 45 | 6 |

Note 16: Earnings Per Common Share

Table 16.1 shows earnings per common share and diluted earnings per common share and reconciles the numerator and denominator of both earnings per common share calculations.

Table 16.1: Earnings Per Common Share Calculations

| (in millions, except per share amounts) | Quarter ended | | Nine months ended | |
|---|---------------|---------|-------------------|---------|
| | September 30, | | September 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Wells Fargo net income | \$5,644 | 5,796 | \$16,664 | 17,319 |
| Less: Preferred stock dividends and other | 401 | 353 | 1,163 | 1,052 |
| Wells Fargo net income applicable to common stock (numerator) | \$5,243 | 5,443 | \$15,501 | 16,267 |
| Earnings per common share | | | | |
| Average common shares outstanding (denominator) | 5,043.4 | 5,125.8 | 5,061.9 | 5,145.9 |
| Per share | \$1.04 | 1.06 | \$3.06 | 3.16 |
| Diluted earnings per common share | | | | |
| Average common shares outstanding | 5,043.4 | 5,125.8 | 5,061.9 | 5,145.9 |
| Add: Stock options | 18.1 | 25.5 | 19.6 | 27.3 |
| Restricted share rights | 23.1 | 29.0 | 26.1 | 33.0 |
| Warrants | 10.0 | 13.5 | 10.6 | 14.1 |
| Diluted average common shares outstanding (denominator) | 5,094.6 | 5,193.8 | 5,118.2 | 5,220.3 |
| Per share | \$1.03 | 1.05 | \$3.03 | 3.12 |

Table 16.2 presents the outstanding options to purchase shares of common stock that were anti-dilutive (the exercise price was higher than the weighted-average market price), and therefore not included in the calculation of diluted earnings per common share.

Table 16.2: Outstanding Anti-Dilutive Options

| (in millions) | Weighted-average shares | | Nine months ended | |
|---------------|-----------------------------|------|-------------------|------|
| | Quarter ended September 30, | 2015 | September 30, | 2015 |
| | 2016 | 2015 | 2016 | 2015 |
| Options | 2.6 | 5.0 | 3.4 | 5.9 |

Note 17: Other Comprehensive Income (continued)

Note 17: Other Comprehensive Income

Table 17.1 provides the components of other comprehensive income (OCI), reclassifications to net income by income statement line item, and the related tax effects.

Table 17.1: Summary of Other Comprehensive Income

| (in millions) | Quarter ended September 30, 2016 | | | 2015 | | | Nine months ended September 30, 2016 | | | 2015 | | |
|---|-------------------------------------|---------------|------------------|---------------|---------------|------------------|---|---------------|------------------|---------------|---------------|---------------|
| | Before tax | Tax effect | Net of tax | Before tax | Tax effect | Net of tax | Before tax | Tax effect | Net of tax | Before tax | Tax effect | Net of tax |
| Investment securities: | | | | | | | | | | | | |
| Net unrealized gains (losses) arising during the period | \$ 112 | (32) | 80 | (441) | 148 | (293) | 2,478 | (938) | 1,540 | (2,017) | 779 | (1,238) |
| Reclassification of net (gains) losses to net income: | | | | | | | | | | | | |
| Interest income on investment securities (1) | 2 | (1) | 1 | 1 | (1) | — | 5 | (2) | 3 | (1) | — | (1) |
| Net gains on debt securities | (106) | 40 | (66) | (147) | 52 | (95) | (797) | 299 | (498) | (606) | 225 | (381) |
| Net gains from equity investments | (85) | 32 | (53) | (288) | 107 | (181) | (204) | 77 | (127) | (345) | 128 | (217) |
| Other noninterest income | (4) | 2 | (2) | (5) | 2 | (3) | (5) | 2 | (3) | (5) | 2 | (3) |
| Subtotal reclassifications to net income | (193) | 73 | (120) | (439) | 160 | (279) | (1,001) | 376 | (625) | (957) | 355 | (602) |
| Net change | (81) | 41 | (40) | (880) | 308 | (572) | 1,477 | (562) | 915 | (2,974) | 1,134 | (1,840) |
| Derivatives and hedging activities: | | | | | | | | | | | | |
| Net unrealized gains (losses) arising during the period | (445) | 168 | (277) | 1,769 | (667) | 1,102 | 2,611 | (984) | 1,627 | 2,233 | (842) | 1,391 |
| Reclassification of net (gains) losses to net income: | | | | | | | | | | | | |
| Interest income on investment securities | — | — | — | — | — | — | — | — | — | (2) | 1 | (1) |
| | (266) | 100 | (166) | (297) | 112 | (185) | (794) | 299 | (495) | (806) | 304 | (502) |

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| | | | | | | | | | | | | |
|---|-----------|-------|---------|--------|--------|--------|--------|---------|--------|----------|--------|---------|
| Interest income on loans | | | | | | | | | | | | |
| Interest expense on long-term debt | 4 | (1) | 3 | 4 | (2) | 2 | 11 | (4) | 7 | 13 | (5) | 8 |
| Subtotal reclassifications to net income | (262) | 99 | (163) | (293) | 110 | (183) | (783) | 295 | (488) | (795) | 300 | (495) |
| Net change | (707) | 267 | (440) | 1,476 | (557) | 919 | 1,828 | (689) | 1,139 | 1,438 | (542) | 896 |
| Defined benefit plans adjustments: | | | | | | | | | | | | |
| Net actuarial losses arising during the period | (447) | 168 | (279) | — | — | — | (474) | 178 | (296) | (11) | 4 | (7) |
| Reclassification of amounts to net periodic benefit costs (2): | | | | | | | | | | | | |
| Amortization of net actuarial loss | 39 | (14) | 25 | 31 | (12) | 19 | 109 | (41) | 68 | 92 | (35) | 57 |
| Settlements and other | — | — | — | (1) | 1 | — | 6 | (2) | 4 | 11 | (4) | 7 |
| Subtotal reclassifications to net periodic benefit costs | 39 | (14) | 25 | 30 | (11) | 19 | 115 | (43) | 72 | 103 | (39) | 64 |
| Net change | (408) | 154 | (254) | 30 | (11) | 19 | (359) | 135 | (224) | 92 | (35) | 57 |
| Foreign currency translation adjustments: | | | | | | | | | | | | |
| Net unrealized gains (losses) arising during the period | (10) | (1) | (11) | (59) | (8) | (67) | 27 | 6 | 33 | (104) | (13) | (117) |
| Net change | (10) | (1) | (11) | (59) | (8) | (67) | 27 | 6 | 33 | (104) | (13) | (117) |
| Other comprehensive income (loss) | \$(1,206) | 461 | (745) | 567 | (268) | 299 | 2,973 | (1,110) | 1,863 | (1,548) | 544 | (1,004) |
| Less: Other comprehensive income (loss) from noncontrolling interests, net of tax | | | 19 | | (22) | | | | (24) | | | 125 |
| Wells Fargo other comprehensive income (loss), net of tax | | | \$(764) | | 321 | | | | 1,887 | | | (1,129) |

(1) Represents net unrealized gains and losses amortized over the remaining lives of securities that were transferred from the available-for-sale portfolio to the held-to-maturity portfolio.

(2) These items are included in the computation of net periodic benefit cost, which is recorded in employee benefits expense (see Note 15 (Employee Benefits) for additional details).

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Table 17.2: Cumulative OCI Balances

| (in millions) | Investment securities | Derivatives and hedging activities | Defined benefit plans adjustments | Foreign currency translation adjustments | Cumulative other comprehensive income |
|---|-----------------------|------------------------------------|-----------------------------------|--|---------------------------------------|
| Quarter ended September 30, 2016 | | | | | |
| Balance, beginning of period | \$ 2,812 | 2,199 | (1,921 |) (142 |) 2,948 |
| Net unrealized gains (losses) arising during the period | 80 | (277 |) (279 |) (11 |) (487 |
| Amounts reclassified from accumulated other comprehensive income | (120 |) (163 |) 25 | — | (258 |
| Net change | (40 |) (440 |) (254 |) (11 |) (745 |
| Less: Other comprehensive income from noncontrolling interests | 19 | — | — | — | 19 |
| Balance, end of period | \$ 2,753 | 1,759 | (2,175 |) (153 |) 2,184 |
| Quarter ended September 30, 2015 | | | | | |
| Balance, beginning of period | \$ 3,509 | 310 | (1,665 |) (86 |) 2,068 |
| Net unrealized gains (losses) arising during the period | (293 |) 1,102 | — | (67 |) 742 |
| Amounts reclassified from accumulated other comprehensive income | (279 |) (183 |) 19 | — | (443 |
| Net change | (572 |) 919 | 19 | (67 |) 299 |
| Less: Other comprehensive loss from noncontrolling interests | (20 |) — | — | (2 |) (22 |
| Balance, end of period | \$ 2,957 | 1,229 | (1,646 |) (151 |) 2,389 |
| Nine months ended September 30, 2016 | | | | | |
| Balance, beginning of period | \$ 1,813 | 620 | (1,951 |) (185 |) 297 |
| Net unrealized gains (losses) arising during the period | 1,540 | 1,627 | (296 |) 33 | 2,904 |
| Amounts reclassified from accumulated other comprehensive income | (625 |) (488 |) 72 | — | (1,041 |
| Net change | 915 | 1,139 | (224 |) 33 | 1,863 |
| Less: Other comprehensive income (loss) from noncontrolling interests | (25 |) — | — | 1 | (24 |
| Balance, end of period | \$ 2,753 | 1,759 | (2,175 |) (153 |) 2,184 |
| Nine months ended September 30, 2015 | | | | | |
| Balance, beginning of period | \$ 4,926 | 333 | (1,703 |) (38 |) 3,518 |
| Net unrealized gains (losses) arising during the period | (1,238 |) 1,391 | (7 |) (117 |) 29 |
| Amounts reclassified from accumulated other comprehensive income | (602 |) (495 |) 64 | — | (1,033 |
| Net change | (1,840 |) 896 | 57 | (117 |) (1,004 |
| Less: Other comprehensive income (loss) from noncontrolling interests | 129 | — | — | (4 |) 125 |
| Balance, end of period | \$ 2,957 | 1,229 | (1,646 |) (151 |) 2,389 |

Note 18: Operating Segments

We have three reportable operating segments: Community Banking; Wholesale Banking; and Wealth and Investment Management. We define our operating segments by product type and customer segment and their results are based on our management accounting process, for which there is no comprehensive, authoritative guidance equivalent to GAAP for financial accounting. The management accounting process measures the performance of the operating segments based on

our management structure and is not necessarily comparable with similar information for other financial services companies. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change. For a description of our operating segments, including the underlying management accounting process, see Note 24 (Operating Segments) to Financial Statements in our 2015 Form 10-K. Table 18.1 presents our results by operating segment.

Table 18.1: Operating Segments

| | Community Banking | | Wholesale Banking | | Wealth and Investment Management | | Other (1) | | Consolidated Company | |
|--|-------------------|--------|-------------------|--------|----------------------------------|-------|-----------|---------|----------------------|---------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| (income/expense in millions, average balances in billions) | | | | | | | | | | |
| Quarter ended Sep 30, | | | | | | | | | | |
| Net interest income (2) | \$7,430 | 7,409 | 4,062 | 3,611 | 977 | 887 | (517) | (450) | 11,952 | 11,457 |
| Provision (reversal of provision) for credit losses | 651 | 668 | 157 | 36 | 4 | (6) | (7) | 5 | 805 | 703 |
| Noninterest income | 4,957 | 5,524 | 3,085 | 2,715 | 3,122 | 2,991 | (788) | (812) | 10,376 | 10,418 |
| Noninterest expense | 6,953 | 6,778 | 4,120 | 3,503 | 2,999 | 2,909 | (804) | (791) | 13,268 | 12,399 |
| Income (loss) before income tax expense (benefit) | 4,783 | 5,487 | 2,870 | 2,787 | 1,096 | 975 | (494) | (476) | 8,255 | 8,773 |
| Income tax expense (benefit) | 1,546 | 1,785 | 827 | 815 | 415 | 371 | (187) | (181) | 2,601 | 2,790 |
| Net income (loss) before noncontrolling interests | 3,237 | 3,702 | 2,043 | 1,972 | 681 | 604 | (307) | (295) | 5,654 | 5,983 |
| Less: Net income (loss) from noncontrolling interests | 10 | 142 | (4) | 47 | 4 | (2) | — | — | 10 | 187 |
| Net income (loss) (3) | \$3,227 | 3,560 | 2,047 | 1,925 | 677 | 606 | (307) | (295) | 5,644 | 5,796 |
| Average loans | \$489.2 | 477.0 | 454.3 | 405.6 | 68.4 | 61.1 | (54.4) | (48.6) | 957.5 | 895.1 |
| Average assets | 993.6 | 898.9 | 794.2 | 739.1 | 212.1 | 192.6 | (85.3) | (84.2) | 1,914.6 | 1,746.4 |
| Average deposits | 708.0 | 655.6 | 441.2 | 442.0 | 189.2 | 172.6 | (76.9) | (71.3) | 1,261.5 | 1,198.9 |
| Nine months ended Sep 30, | | | | | | | | | | |
| Net interest income (2) | \$22,277 | 21,833 | 11,729 | 10,639 | 2,852 | 2,545 | (1,506) | (1,304) | 35,352 | 33,713 |
| Provision (reversal of provision) for credit losses | 2,060 | 1,723 | 905 | (99) | (8) | (19) | 8 | 6 | 2,965 | 1,611 |
| Noninterest income | 14,928 | 15,178 | 9,660 | 8,706 | 9,020 | 9,285 | (2,275) | (2,411) | 31,333 | 30,758 |
| Noninterest expense | 20,437 | 20,088 | 12,124 | 10,625 | 9,017 | 9,069 | (2,416) | (2,407) | 39,162 | 37,375 |
| Income (loss) before income tax expense (benefit) | 14,708 | 15,200 | 8,360 | 8,819 | 2,863 | 2,780 | (1,373) | (1,314) | 24,558 | 25,485 |
| Income tax expense (benefit) | 4,910 | 4,695 | 2,341 | 2,583 | 1,087 | 1,054 | (521) | (500) | 7,817 | 7,832 |
| Net income (loss) before noncontrolling interests | 9,798 | 10,505 | 6,019 | 6,236 | 1,776 | 1,726 | (852) | (814) | 16,741 | 17,653 |
| Less: Net income (loss) from noncontrolling interests | 96 | 183 | (22) | 146 | 3 | 5 | — | — | 77 | 334 |

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| | | | | | | | | | | |
|-----------------------|---------|--------|-------|-------|-------|-------|---------|---------|---------|---------|
| Net income (loss) (3) | \$9,702 | 10,322 | 6,041 | 6,090 | 1,773 | 1,721 | (852) | (814) | 16,664 | 17,319 |
| Average loans | \$486.4 | 473.9 | 445.2 | 390.7 | 66.4 | 59.1 | (52.8) | (47.3) | 945.2 | 876.4 |
| Average assets | 969.6 | 906.2 | 771.9 | 714.6 | 208.5 | 191.1 | (84.3) | (83.9) | 1,865.7 | 1,728.0 |
| Average deposits | 698.3 | 651.3 | 431.7 | 435.4 | 185.4 | 170.4 | (76.1) | (70.7) | 1,239.3 | 1,186.4 |

Includes the elimination of certain items that are included in more than one business segment, substantially all of (1) which represents products and services for Wealth and Investment Management customers served through Community Banking distribution channels.

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

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

Note 19: Regulatory and Agency Capital Requirements

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

Table 19.1 presents regulatory capital information for Wells Fargo & Company and the Bank using Basel III, which increased minimum required capital ratios, and introduced a minimum Common Equity Tier 1 (CET1) ratio. We must report the lower of our CET1, tier 1 and total capital ratios calculated under the Standardized Approach and under the Advanced Approach in the assessment of our capital adequacy. The information presented reflects risk-weighted assets (RWAs) under the Standardized and Advanced Approaches with Transition Requirements. The Standardized Approach applies assigned risk weights to broad risk categories, while the calculation of RWAs under the Advanced Approach differs by requiring applicable banks to

utilize a risk-sensitive methodology, which relies upon the use of internal credit models, and includes an operational risk component. The Basel III revised definition of capital, and changes are being phased-in effective January 1, 2014, through the end of 2021.

The Bank is an approved seller/servicer of mortgage loans and is required to maintain minimum levels of shareholders' equity, as specified by various agencies, including the United States Department of Housing and Urban Development, GNMA, FHLMC and FNMA. At September 30, 2016, the Bank met these requirements. Other subsidiaries, including the Company's insurance and broker-dealer subsidiaries, are also subject to various minimum capital levels, as defined by applicable industry regulations. The minimum capital levels for these subsidiaries, and related restrictions, are not significant to our consolidated operations.

Table 19.1: Regulatory Capital Information

| | Wells Fargo & Company | | December 31, 2015 | | Wells Fargo Bank, N.A. | | December 31, 2015 | |
|------------------------------|-----------------------|-----------------------|-------------------|-----------------------|------------------------|-----------------------|-------------------|-----------------------|
| | September 30, 2016 | | Advanced Approach | Standardized Approach | Advanced Approach | Standardized Approach | Advanced Approach | Standardized Approach |
| (in millions, except ratios) | Advanced Approach | Standardized Approach | Advanced Approach | Standardized Approach | Advanced Approach | Standardized Approach | Advanced Approach | Standardized Approach |
| Regulatory capital: | | | | | | | | |
| Common equity tier 1 | \$ 148,845 | 148,845 | 144,247 | 144,247 | 132,794 | 132,794 | 126,901 | 126,901 |
| Tier 1 | 171,491 | 171,491 | 164,584 | 164,584 | 132,794 | 132,794 | 126,901 | 126,901 |
| Total | 202,182 | 213,408 | 195,153 | 205,529 | 145,757 | 156,142 | 140,545 | 149,969 |
| Assets: | | | | | | | | |
| Risk-weighted | \$ 1,313,080 | 1,361,405 | 1,263,182 | 1,303,148 | 1,166,282 | 1,236,842 | 1,100,896 | 1,197,648 |
| Adjusted average (1) | 1,883,305 | 1,883,305 | 1,757,107 | 1,757,107 | 1,699,270 | 1,699,270 | 1,584,297 | 1,584,297 |
| Regulatory capital ratios: | | | | | | | | |
| Common equity tier 1 capital | 11.34 | % 10.93 | * 11.42 | 11.07 | * 11.39 | 10.74 | * 11.53 | 10.60 |
| Tier 1 capital | 13.06 | 12.60 | * 13.03 | 12.63 | * 11.39 | 10.74 | * 11.53 | 10.60 |
| Total capital | 15.40 | * 15.68 | 15.45 | * 15.77 | 12.50 | * 12.62 | 12.77 | 12.52 |
| Tier 1 leverage (1) | 9.11 | 9.11 | 9.37 | 9.37 | 7.81 | 7.81 | 8.01 | 8.01 |

*Denotes the lowest capital ratio as determined under the Advanced and Standardized Approaches.

(1) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items.

Table 19.2 presents the minimum required regulatory capital ratios under Transition Requirements to which the Company and the Bank were subject as of September 30, 2016 and December 31, 2015.

Table 19.2: Minimum Required Regulatory Capital Ratios – Transition Requirements (1)

| | Wells Fargo & Company | | Wells Fargo Bank, N.A. | |
|------------------------------|-----------------------|-------------------|------------------------|-------------------|
| | September 30, 2016 | December 31, 2015 | September 30, 2016 | December 31, 2015 |
| Regulatory capital ratios: | | | | |
| Common equity tier 1 capital | 5.625 | % 4.500 | 5.125 | 4.500 |
| Tier 1 capital | 7.125 | 6.000 | 6.625 | 6.000 |
| Total capital | 9.125 | 8.000 | 8.625 | 8.000 |
| Tier 1 leverage | 4.000 | 4.000 | 4.000 | 4.000 |

(1) At September 30, 2016, under transition requirements, the CET1, tier 1 and total capital minimum ratio requirements for Wells Fargo & Company include a capital conservation buffer of 0.625% and a global systemically important bank (G-SIB) surcharge of 0.5%. Only the 0.625% capital conservation buffer applies to the Bank at September 30, 2016.

Glossary of Acronyms

| | | | |
|-------|--|-----------|--|
| ABS | Asset-backed security | HAMP | Home Affordability Modification Program |
| ACL | Allowance for credit losses | HUD | U.S. Department of Housing and Urban Development |
| ALCO | Asset/Liability Management Committee | LCR | Liquidity coverage ratio |
| ARM | Adjustable-rate mortgage | LHFS | Loans held for sale |
| ASC | Accounting Standards Codification | LIBOR | London Interbank Offered Rate |
| ASU | Accounting Standards Update | LIHTC | Low income housing tax credit |
| AUA | Assets under administration | LOCOM | Lower of cost or market value |
| AUM | Assets under management | LTV | Loan-to-value |
| AVM | Automated valuation model | MBS | Mortgage-backed security |
| BCBS | Basel Committee on Bank Supervision | MHA | Making Home Affordable programs |
| BHC | Bank holding company | MHFS | Mortgages held for sale |
| CCAR | Comprehensive Capital Analysis and Review | MSR | Mortgage servicing right |
| CD | Certificate of deposit | MTN | Medium-term note |
| CDO | Collateralized debt obligation | NAV | Net asset value |
| CDS | Credit default swaps | NPA | Nonperforming asset |
| CET1 | Common Equity Tier 1 | OCC | Office of the Comptroller of the Currency |
| CLO | Collateralized loan obligation | OCI | Other comprehensive income |
| CLTV | Combined loan-to-value | OTC | Over-the-counter |
| CMBS | Commercial mortgage-backed securities | OTTI | Other-than-temporary impairment |
| CPP | Capital Purchase Program | PCI Loans | Purchased credit-impaired loans |
| CRE | Commercial real estate | PTPP | Pre-tax pre-provision profit |
| DPD | Days past due | RBC | Risk-based capital |
| ESOP | Employee Stock Ownership Plan | RMBS | Residential mortgage-backed securities |
| FAS | Statement of Financial Accounting Standards | ROA | Wells Fargo net income to average total assets |
| FASB | Financial Accounting Standards Board | ROE | Wells Fargo net income applicable to common stock |
| FDIC | Federal Deposit Insurance Corporation | | to average Wells Fargo common stockholders' equity |
| FFELP | Federal Family Education Loan Program | ROTCE | Return on average tangible common equity |
| FHA | Federal Housing Administration | RWAs | Risk-weighted assets |
| FHLB | Federal Home Loan Bank | SEC | Securities and Exchange Commission |
| FHLMC | Federal Home Loan Mortgage Corporation | S&P | Standard & Poor's Ratings Services |
| FICO | Fair Isaac Corporation (credit rating) | SPE | Special purpose entity |
| FNMA | Federal National Mortgage Association | TARP | Troubled Asset Relief Program |
| FRB | Board of Governors of the Federal Reserve System | TDR | Troubled debt restructuring |
| GAAP | Generally accepted accounting principles | TLAC | Total Loss Absorbing Capacity |
| GNMA | Government National Mortgage Association | VA | Department of Veterans Affairs |
| GSE | Government-sponsored entity | VaR | Value-at-Risk |
| G-SIB | Globally systemic important bank | VIE | Variable interest entity |

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

The following table shows Company repurchases of its common stock for each calendar month in the quarter ended September 30, 2016.

| Calendar month | Total number of shares repurchased (1) | Weighted-average price paid per share | Maximum number of shares that may yet be repurchased under the authorization |
|----------------|--|---------------------------------------|--|
| July | 4,285,238 | \$ 48.20 | 326,214,294 |
| August | 12,032,209 | 48.25 | 314,182,085 |
| September (2) | 21,990,586 | 47.83 | 292,191,499 |
| Total | 38,308,033 | | |

(1) All shares were repurchased under an authorization covering up to 350 million shares of common stock approved by the Board of Directors and publicly announced by the Company on January 26, 2016. Unless modified or revoked by the Board, this authorization does not expire.

(2) September includes a private repurchase transaction of 15,667,662 shares at a weighted-average price paid per share of \$47.87.

The following table shows Company repurchases of the warrants for each calendar month in the quarter ended September 30, 2016.

| Calendar month | Total number of warrants repurchased (1) | Average price paid per warrant | Maximum dollar value of warrants that may yet be repurchased |
|----------------|--|--------------------------------|--|
| July | — | \$ — | 451,944,402 |
| August | — | — | 451,944,402 |
| September | — | — | 451,944,402 |
| Total | — | | |

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

Item 6. Exhibits

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

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

SIGNATURE

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

Dated: November 3, 2016

WELLS FARGO & COMPANY

By: /s/ RICHARD D. LEVY
Richard D. Levy
Executive Vice President and Controller
(Principal Accounting Officer)

EXHIBIT INDEX

| Exhibit Number | Description | Location | | | | | | | | | | | | | | | | | | | | |
|--------------------------------|---|---|---------------------------------------|-----------------------------------|--|---------------------------------------|--|--|------|------|------|------|--------------------------------|------|------|------|------|--------------------------------|------|-------|------|-------|
| 3(a) | Restated Certificate of Incorporation, as amended and in effect on the date hereof. | Incorporated by reference to Exhibit 3(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016. | | | | | | | | | | | | | | | | | | | | |
| 3(b) | By-Laws. | Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed December 22, 2015. | | | | | | | | | | | | | | | | | | | | |
| 4(a) | See Exhibits 3(a) and 3(b). | | | | | | | | | | | | | | | | | | | | | |
| 4(b) | The Company agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of the Company. | | | | | | | | | | | | | | | | | | | | | |
| 10(a) | Letter Agreement, effective September 27, 2016, between the Company and Carrie Tolsted. | Incorporated by reference to Exhibit 10(a) to the Company's Current Report on Form 8-K filed September 28, 2016. | | | | | | | | | | | | | | | | | | | | |
| 12(a) | Computation of Ratios of Earnings to Fixed Charges: | Filed herewith. | | | | | | | | | | | | | | | | | | | | |
| | | <table border="0" style="margin-left: 150px;"> <thead> <tr> <th></th> <th colspan="2">Quarter ended September 30,</th> <th colspan="2">Nine months ended September 30,</th> </tr> <tr> <th></th> <th>2016</th> <th>2015</th> <th>2016</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>Including interest on deposits</td> <td>6.03</td> <td>8.88</td> <td>6.36</td> <td>8.81</td> </tr> <tr> <td>Excluding interest on deposits</td> <td>7.42</td> <td>11.02</td> <td>7.86</td> <td>11.06</td> </tr> </tbody> </table> | | Quarter ended September 30, | | Nine months ended September 30, | | | 2016 | 2015 | 2016 | 2015 | Including interest on deposits | 6.03 | 8.88 | 6.36 | 8.81 | Excluding interest on deposits | 7.42 | 11.02 | 7.86 | 11.06 |
| | Quarter ended September 30, | | Nine months ended September 30, | | | | | | | | | | | | | | | | | | | |
| | 2016 | 2015 | 2016 | 2015 | | | | | | | | | | | | | | | | | | |
| Including interest on deposits | 6.03 | 8.88 | 6.36 | 8.81 | | | | | | | | | | | | | | | | | | |
| Excluding interest on deposits | 7.42 | 11.02 | 7.86 | 11.06 | | | | | | | | | | | | | | | | | | |
| 12(b) | Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends: | Filed herewith. | | | | | | | | | | | | | | | | | | | | |
| | | <table border="0" style="margin-left: 150px;"> <thead> <tr> <th></th> <th colspan="2">Quarter ended September 30,</th> <th colspan="2">Nine months ended September 30,</th> </tr> <tr> <th></th> <th>2016</th> <th>2015</th> <th>2016</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>Including interest on deposits</td> <td>4.44</td> <td>5.99</td> <td>4.63</td> <td>5.97</td> </tr> <tr> <td>Excluding interest on deposits</td> <td>5.10</td> <td>6.82</td> <td>5.31</td> <td>6.86</td> </tr> </tbody> </table> | | Quarter ended September 30, | | Nine months ended September 30, | | | 2016 | 2015 | 2016 | 2015 | Including interest on deposits | 4.44 | 5.99 | 4.63 | 5.97 | Excluding interest on deposits | 5.10 | 6.82 | 5.31 | 6.86 |
| | Quarter ended September 30, | | Nine months ended September 30, | | | | | | | | | | | | | | | | | | | |
| | 2016 | 2015 | 2016 | 2015 | | | | | | | | | | | | | | | | | | |
| Including interest on deposits | 4.44 | 5.99 | 4.63 | 5.97 | | | | | | | | | | | | | | | | | | |
| Excluding interest on deposits | 5.10 | 6.82 | 5.31 | 6.86 | | | | | | | | | | | | | | | | | | |
| 31(a) | Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed herewith. | | | | | | | | | | | | | | | | | | | | |
| 31(b) | Certification of principal financial officer pursuant to Section 302 of the | Filed herewith. | | | | | | | | | | | | | | | | | | | | |

| | | |
|---------|---|---------------------|
| | Sarbanes-Oxley Act of 2002. | |
| 32(a) | Certification of Periodic Financial Report by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350. | Furnished herewith. |
| 32(b) | Certification of Periodic Financial Report by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350. | Furnished herewith. |
| 101.INS | XBRL Instance Document | Filed herewith. |
| 101.SCH | XBRL Taxonomy Extension Schema Document | Filed herewith. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | Filed herewith. |
| 101.DEF | XBRL Taxonomy Extension Definitions Linkbase Document | Filed herewith. |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | Filed herewith. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | Filed herewith. |