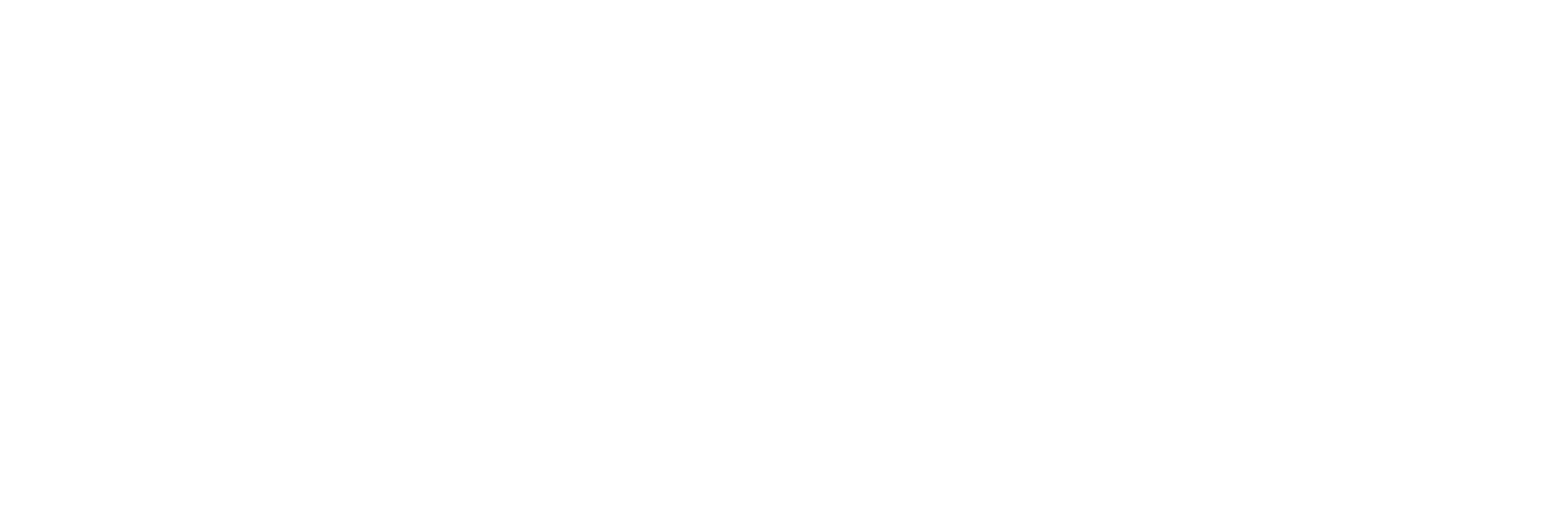
### Corrected Transcript



13-Apr-2012

Wells Fargo & Co. *(WFC)*

Q1 2012 Earnings Call

 Total Pages: 33

**CORPORATE PARTICIPANTS**

Jim Rowe

*Director-Investor Relations, Wells Fargo & Co.*

### John G. Stumpf

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

### Timothy J. Sloan

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

......................................................................................................................................................................................................................................................

# OTHER PARTICIPANTS

### Joseph Morford

*Analyst, RBC Capital Markets Equity Research*

### John E. McDonald

*Analyst, Sanford C. Bernstein & Co., Inc.*

### Betsy L. Graseck

*Analyst, Morgan Stanley & Co. LLC*

### Brian Foran

*Analyst, Nomura Securities International, Inc.*

### L. Erika Penala

*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.*

### Ed R. Najarian

*Analyst, International Strategy & Investment Group, Inc.*

### Paul J. Miller

*Analyst, FBR Capital Markets*

### Matthew D. O'Connor

*Analyst, Deutsche Bank Securities, Inc.*

### Mike L. Mayo

*Analyst, Credit Agricole Securities (USA), Inc.*

### Nancy Avans Bush

*Analyst, NAB Research LLC*

### R. Scott Siefers

*Analyst, Sandler O'Neill & Partners*

### Brian M. Kleinhanzl

*Strategist, Keefe, Bruyette & Woods, Inc.*

### Andrew Marquardt

*Analyst, Evercore Partners (Securities)*

### Christopher M. Mutascio

*Analyst, Stifel, Nicolaus & Co., Inc.*

# MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Regina, and I will be your conference operator today. At this time, I would like to welcome everyone to the Wells Fargo First Quarter Earnings Conference Call. [Operator Instructions]

I would now like to turn the call over to Jim Rowe, Director of Investor Relations. Mr. Rowe, you may begin your conference.

......................................................................................................................................................................................................................................................

## Jim Rowe

*Director-Investor Relations, Wells Fargo & Co.*

Thank you, Regina, and good morning, everyone. Thank you for joining our call today, during which our Chairman and CEO, John Stumpf, and our CFO, Tim Sloan, will review first quarter results and answer your questions. Before we get started, I would like to remind you that our first quarter earnings release and quarterly supplement are available on our website.

I'd also like to caution you that we may make forward-looking statements during today's call that are subject to risks and uncertainties. Factors that may cause actual results to differ materially from expectations are detailed in our SEC filings, including the Form 8-K filed today containing our earnings release and quarterly supplement. Information about any non-GAAP financial measures referenced, including a reconciliation of those measures to GAAP measures, can also be found in our SEC filings, in the earnings release, and in the quarterly supplement available on our website at wellsfargo.com.

I will now turn the call over to our Chairman and CEO, John Stumpf.

......................................................................................................................................................................................................................................................

## John G. Stumpf

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Thank you, Jim, and good morning, everyone, and thanks for joining us. Our outstanding results for the first quarter demonstrate the strength of our franchise and the benefit of our diversified business model. Our ability to meet our customers' financial needs throughout our geographic footprint and broadly diversified businesses is clearly reflected in our results. Let me quickly review some of the highlights of the first quarter.

We grew revenue to $21.6 billion, up 6% from a year ago. We generated net income after tax up 13% and EPS up 12% from a year ago. Pre-tax pre-provision profits increased 14% from a year ago. We had positive operating leverage, and our expense/efficiency ratio improved by 250 basis points from a year ago. We grew our retail banking cross-sell ratio to a record 5.98 products per household. Credit quality continued to improve, with our charge-off ratio declining to 1.25%, the lowest level since 2007.

Our profitability ratios reflect these strong results, with our return on assets growing to 1.31%, up eight basis points from a year ago, the highest it's been in four years. Our return on equity increased to 12.14%, up 16 basis points from just a year ago. We continued to grow capital, with our estimated Tier 1 common equity ratio under Basel III increasing to 7.81%. We are extremely pleased that during the first quarter, we were able to reward our shareholders by increasing our dividend for the second consecutive year, with an 83% increase to $0.22 per share per quarter.

Wells Fargo's performance has benefited from our diversified business model and the improvements in the economy. We remain focused on our commitment to do all we can to help customers and the overall economy. We are helping homeowners stay in their homes, with over 740,000 active trial or completed mortgage modifications since the beginning of 2009. We've also helped nearly 5.6 million customers secure new low-rate loans for home purchases or refinancing since the beginning of 2009.

In the first quarter, we successfully completed integrating the largest and most complex bank merger in our nation's history. It took us three years, but we did it the right way, on time and under budget. We believe our strong results this quarter are just the beginning of our ability to capitalize on all of the tremendous growth opportunities ahead of us as we move forward as One Wells Fargo, serving our 70 million customers coast to coast.

Now Tim, our CFO, will provide more details on our financial results.

......................................................................................................................................................................................................................................................

## Timothy J. Sloan

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Thanks, John, and good morning, everyone. My remarks will follow the presentation included in the first half of the quarterly supplement, starting on Page 2, and then John and I will take your questions.

As John highlighted, we achieved very strong first quarter results, with record earnings of $4.2 billion, up 3% from the fourth quarter and up 13% from a year ago. Earnings per share were a record $0.75, up 3% from last quarter and 12% from a year ago. This is our ninth consecutive quarter of EPS growth. That's real consistency.

Our ability to grow our bottom line consistently during a time when the industry has faced many challenges reflects the underlying strength and the benefit of our diversified business model. This quarter was no different. As Slide 3 shows, we have a diversified loan portfolio, balanced spread and fee income, and our sources of noninterest income are well-diversified.

Let me start by highlighting some of the key drivers of our results this quarter, and I'll add more detail later in my remarks. While total loans declined this quarter, our core loan portfolio, which excludes the planned runoff from the liquidating portfolio, was up $1 billion from the fourth quarter. Our securities portfolio grew $7.7 billion, as we continued to deploy cash into longer-term investments and benefit from continued strong deposit growth, with deposit balances up $10.2 billion.

Now let's turn to the income statement. Revenue grew by $1 billion, or 5%, from the fourth quarter on strong mortgage results and fee growth throughout our diversified businesses, while net interest income was stable. As expected, our expenses remained elevated in this quarter, but we generated positive operating leverage. We expect second quarter expenses to decline by $500 million to $700 million and that our quarterly expenses will continue to decline over the remainder of the year.

Now let me cover our results in more detail. As shown on Page 6, period-end loans were down $3.1 billion from the fourth quarter, as we continue to reduce the size of our liquidating portfolio. Excluding the runoff of $4.1 billion of liquidating loans, our core loan portfolio grew by $1 billion. Commercial loans grew $299 million, as growth in C&I was partially offset by lower commercial real estate and foreign loans. Loan growth benefited from

$858 million of loans acquired from Burdale Capital Finance during the quarter.

As we head into the second quarter, we have a nice tailwind for increasing loans with the announced acquisition of BNP Paribas North American Energy Lending business, which includes approximately $3.9 billion of loans outstanding and is expected to close later this month.

Consumer loans declined $3.4 billion from the fourth quarter, as growth in our auto and our private student lending portfolios was offset by lower junior lien mortgages and seasonally lower credit card balances. Average loan balances were flat linked-quarter, but we had growth in many portfolios. We believe we're well-positioned to grow loans during the rest of the year.

We had strong deposit growth, with average core deposits up $5.6 billion from the fourth quarter and up $73.7 billion, or 9%, from a year ago. Core deposits were 113% of average loans. Average core checking and savings deposits were up 12% from a year ago and were 93% of core deposits. Consumer checking accounts were up a net 2.5% from a year ago.

We have successfully grown deposits while reducing our deposit costs for six consecutive quarters. Deposit costs in the first quarter were 20 basis points, down 2 basis points from the fourth quarter and down 10 basis points from a year ago.

Tax-equivalent net interest income was stable from the fourth quarter, with average earning assets essentially unchanged, and the NIM was up two basis points. That said, we expect continued pressure on our NIM as a result of the current interest rate environment. The benefit of disciplined deposit pricing, with interest-bearing deposit costs down three basis points in the quarter, and the redeployment of short-term investments into longer-term securities largely offset the expected runoff of higher-yielding loans and investments during the quarter.

Noninterest income increased $1 billion from the fourth quarter, up 11%. This growth was broad-based and reflected very strong mortgage results. Mortgage banking revenue increased $506 million, up 21% from the fourth quarter, driven by strong originations and higher margins. Mortgage originations were $129 billion in the first quarter, up 8% from the fourth quarter. Only 15% of our origination volume this quarter was from HARP.

The unclosed mortgage pipeline was solid, at $79 billion at quarter-end. Mortgage results included a $343 million reduction in the value of MSRs to incorporate a higher discount rate. Market-sensitive revenues were up $458 million from the fourth quarter and included $364 million in equity gains. These equity gains were up $303 million from last quarter but were in line with our quarterly average last year of $370 million.

Trading gains increased $210 million from the last quarter, reflecting the benefit from $109 million of higher deferred compensation plan investment results, which is offset in expense, and stronger core customer accommodation trading. Trust and investment fees increased $181 million, up 7% from the fourth quarter, from higher retail brokerage transaction activity and asset-based fees.

Turning to expenses, recall that we indicated last quarter that costs would remain elevated in the first quarter. Noninterest expense increased $485 million from the fourth quarter, driven primarily by two factors: higher personnel expenses and operating losses.

Now let me walk you through the first quarter expenses in more detail on Page 11. Employee compensation expense increased for three primary reasons. First, we had $476 million of seasonally higher employee benefit expenses from higher payroll taxes and 401(k) matching. Second, we had $120 million of higher deferred compensation expenses, which are offset in revenue. And, finally, we had $166 million of higher commission and incentive compensation expenses, driven by revenue growth in mortgage, retail brokerage, and insurance.

In addition, we had $314 million of higher operating losses, primarily due to additional litigation accruals for various legal matters. Offsetting these increases was $262 million of lower merger integration and Compass severance expenses, and $329 million in lower expenses from seasonally higher fourth quarter levels in equipment and foreclosed asset expense, and other benefits, including Compass cost saves.

As shown on Page 12, we expect second quarter expenses to decline by $500 million to $700 million, driven by the elimination of merger integration expenses and lower personnel expense, and we expect expenses to continue to decline over the remainder of the year.

As you will recall, when we first provided you detail on our expense initiative in the second quarter of last year, we stated that we expected our fourth quarter 2012 expenses to be within the range of $10.75 billion to $11.25 billion, with a target of $11 billion. This target assumed a certain level of revenue growth, which we now expect to be stronger than we originally assumed, obviously a very good thing. Because of expected higher revenue, we're now targeting fourth quarter 2012 expenses to be $11.25 billion.

We have continued to make progress on reducing expenses through our Compass expense initiative. For example, non-customer-facing team members and contractors in high-cost geographies are down 11% from the beginning of 2011, and we've reduced technology expense by 3% despite meaningful growth in IT-related volumes.

Turning briefly to our segment results, starting on Page 13, Community Banking earned $2.3 billion in the first quarter, benefiting from strong mortgage results. Retail Banking sales continued to generate strong growth, with core product sales up 9% from a year ago. Retail Banking cross-sell grew to 5.98 products per household, up from

5.76 a year ago. Cross-sell growth occurred throughout the franchise, but with the East cross-sell 86 basis points lower than the West, we have plenty of opportunity to earn more business from our customers in the East.

Credit card penetration in our Retail Banking households continued to increase, to 30%, up from 27% a year ago. We generated record consumer auto originations in the first quarter of $6 billion, up 25% from the fourth quarter and 10% from a year ago.

Wholesale Banking earned $1.9 billion in the first quarter, up $232 million, or 14%, from the fourth quarter. This strong bottom-line growth reflects record revenue of $6 billion, up 11% from the fourth quarter, which was broad- based across our diversified commercial businesses. Wholesale Banking also generated record pre-tax pre- provision profit and positive operating leverage, with the expense/efficiency ratio improving to 50.6% in the first quarter, compared with 54.2% in the fourth quarter.

Loan growth was broad-based, reflecting new and existing customer growth and our ability to capitalize on acquisition opportunities in this environment. For example, we have grown our commercial banking portfolio for 20 consecutive months from new originations and increased line utilization from our middle-market customers. During the past year, we have completed $4.8 million of loan portfolio acquisitions, and this quarter we announced the acquisition of $3.9 billion in loans outstanding from BNP Paribas, which we expect to close later this month.

Wealth, Brokerage and Retirement earned $296 million. Excluding the fourth quarter's gain on the sale of H.D. Vest of $153 million, earnings would have increased 34% from last quarter. Revenue increased 1% from the fourth quarter. Again, excluding the fourth quarter H.D. Vest gain, revenue grew 6% from last quarter. This growth was driven by higher asset-based fees, strong brokerage transaction revenue, and securities gains in the brokerage business.

Managed account assets were up $26 billion, or 10%, from the fourth quarter, driven by strong net flows and market performance. First quarter net flows reflect recovery to levels last seen in the second quarter of 2011. Our continued focus on helping customers succeed financially drove cross-sell to 10.16, up from 9.85 a year ago.

Credit quality continued to improve this quarter, as shown on Page 16. Net charge-offs were down $245 million from the fourth quarter and were 1.25% of average loans, down 48 basis points from a year ago, and the lowest charge-off rates since 2007. Provision expense was $2 billion, including a $400 million reserve release in the first quarter. Absent significant deterioration of the economy, we continue to expect future reserve releases in 2012.

Nonaccrual loans increased $722 million from the fourth quarter. This entire increase was a result of the reclassification of $1.7 billion of performing junior lien loans and lines to nonaccrual status in accordance with Interagency Guidance issued to the industry this quarter related to junior liens behind a delinquent senior lien loan. Only 12% of these reclassified junior liens were 30 days or more past due.

This policy change had an immaterial impact on our earnings, since the loans were already considered in our loan loss allowance, and the related interest income impact was minimal. Absent this policy change, nonaccrual loans would have been down $948 million from the fourth quarter, with declines in all loan categories. This continues the trend of improvement that started in the fourth quarter of 2010.

Loans 90 days or more past due were down $412 million, or 20%, from the fourth quarter, with declines in both commercial and consumer portfolios. Early-stage consumer loan delinquency balances and rates also improved from the fourth quarter, driven by seasonality, but are also significantly better than a year ago, as portfolio performance continued to improve.

We service $1.8 trillion of residential mortgages. We like the cross-sell opportunities this provides, and it also positions us well to benefit from refinance waves like we're experiencing now, since existing customers usually give us the first chance when they refinance.

On Page 18, we highlight why we believe our servicing portfolio is the best in the industry. 71% of our servicing portfolio is serviced for the Agency; only 5% are private securitizations; and 79% of those were prime at origination, and over half were originated prior to 2006. Most of the loans we securitize with jumbo loans. We do not have private-label option ARM securities, nor do we have a significant amount of home equity securitizations.

Reflecting the quality of our servicing portfolio, our delinquency and foreclosure rate was nearly 400 basis points lower than the industry average, excluding Wells Fargo, based on the most recent publicly available data. Our total delinquency and foreclosure rate was 6.89% in the first quarter, down from 7.22% a year ago and from a peak of 8.96% in the fourth quarter of 2009. The repurchase reserve increased by $118 million in the first quarter. Total repurchase demands were down $154 million from the fourth quarter, down approximately 25% from a year ago, and down 57% from the peak in the second quarter of 2010.

As shown on Page 20, our capital position continued to improve, with our Tier 1 common equity ratio increasing to 9.95% and our estimated Tier 1 common equity ratio under current Basel III proposals growing to 7.81%, up 31 basis points from the fourth quarter. We've been able to grow our capital ratios while rewarding our shareholders by increasing our first quarter dividend by 83%. We purchased 7.6 million shares in the first quarter, primarily through a forward repurchase transaction entered into during the fourth quarter. We called $875 million of 6.38% trust-preferred securities in the first quarter, which we redeemed today.

In summary, our diversified business model focused on basic banking generated another quarter of outstanding results, with record earnings, robust revenue and pre-tax pre-provision growth, positive operating leverage, and

continued improvement in credit quality. These results drove our ROA to 1.31% and increased our ROA (sic) [ROE] to 12.14%, and our capital ratios continued to grow. We increased our dividend rate to $0.22 per share, which we paid to our shareholders in the first quarter.

We are well-positioned to continue to grow, ending the quarter with a strong mortgage pipeline, and we are focused on capitalizing on acquisition opportunities, increasing our cross-sell, growing our loans and deposits, and reducing our expenses. We look forward to sharing more details on our growth opportunities at our Investor Day next month.

I will now open the call up for questions.

......................................................................................................................................................................................................................................................

# QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question will come from the line of Joe Morford with RBC Capital Markets.

......................................................................................................................................................................................................................................................

### Joseph Morford

Q

*Analyst, RBC Capital Markets Equity Research*

Good morning, everyone.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Good morning, Joe.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Hi, Joe.

......................................................................................................................................................................................................................................................

### Joseph Morford

Q

*Analyst, RBC Capital Markets Equity Research*

Hey, there. I wondered, Tim, could you give us a sense of the yields you're getting on some of these loan portfolio purchases you've made to date, and how additive they are to the margin? And also, are you still seeing a good pipeline of opportunities, and just how competitive is the market now for these acquisitions?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Sure. Good question. When you look at the yields that we received on our commercial real estate loans that we bought last year in a number of transactions, they were more or less consistent with the rest of the portfolio. These were generally high-quality loans. As you recall, a good portion of those were customers that we already knew, so I would say that it was consistent with those yields. And then in terms of the Burdale Capital Finance portfolio, again, it was pretty consistent, high-quality stuff, with the Capital Finance portfolio. In terms of how competitive the market is, I wouldn't say that it's really changed a whole lot. In any situation that we're seeing that we're interested in, there's at least a handful of competitors, and everybody wants to grow, so you've got to pay an appropriate price.

......................................................................................................................................................................................................................................................

### Joseph Morford

Q

*Analyst, RBC Capital Markets Equity Research*

Okay. And then just one other is that you mentioned HARP accounting for around 15% of origination volume in the first quarter. Do you see that rising much and having a greater impact on your business? And beyond that, just in general, what are your thoughts on the current strength of the housing market?

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Yeah, I want to – on the housing side, we're seeing improvement, and we've been seeing that for some time, but we're seeing it more, and it depends on the region of the country, strength of course and the different price points. But when you have the dynamics of higher rental rates and lower home values at great financing rates, there's a point in time where the market's going to clear and you're going to see improvement. I think we're getting very close to that tipping point, and we've seen it in some of the markets. In some markets like Northern California, Texas, the District of Columbia, in that area, stronger; other areas would be a bit weaker, but we are seeing improvement there.

With respect to HARP, you're right; 15% of our volume was HARP, but we had a pretty good pipeline there. HARP

2.0 is an opportunity for very high loan-to-value or "underwater" – from an equity perspective – current borrowers to refinance and we're going to see more volume in that.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

And, John, maybe let me just add on to that, and that is that, Joe, most of the volume that we saw from HARP was from HARP 1.0; and again, about 15% of the total fundings in the first quarter, so we're just beginning to see the results of HARP 2.0 start to kick in. How long that continues, we don't know, but right now the mortgage business is very good for us.

......................................................................................................................................................................................................................................................

### Joseph Morford

Q

*Analyst, RBC Capital Markets Equity Research*

That's great. Thanks so much.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

You bet.

......................................................................................................................................................................................................................................................

### Jim Rowe

A

*Director-Investor Relations, Wells Fargo & Co.*

Operator?

......................................................................................................................................................................................................................................................

Operator: Our next question will come from the line of John McDonald with Sanford Bernstein.

......................................................................................................................................................................................................................................................

### John E. McDonald

Q

*Analyst, Sanford C. Bernstein & Co., Inc.*

Hi. Good morning. Was wondering about if you could give us a little color on your approach to share buybacks; are you purely price-sensitive, or does it kind of depend on what other uses of capital you have? Could you give us some color on how you think about the buybacks?

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Sure. Thank you, John. We've been very consistent with our view of rewarding shareholders. First of all, those of you who know us well know that we are very shareholder-friendly and centric. There's a number of dynamics that are going on right now. We are still buying back TruPS. We have increased our dividend by 83%. We have approval to do more repurchase this year than last year. We are very happy we went through the CCAR with no objections to our plan. And we want to have enough capital around so we can grow this company, and we believe we are a growth company. So we will buy back when it's opportunistic for us to do that. But, again, we have all of those other issues in play, and I think balance, consistency, and a friendly view around rewarding our stockholders who we – again, we have great emphasis on that – will really dictate what we do.

......................................................................................................................................................................................................................................................

### John E. McDonald

Q

*Analyst, Sanford C. Bernstein & Co., Inc.*

Okay. Thank you, John. And a question for Tim on expenses; Tim, any color on the pace of expense decline throughout the year from the second quarter, third, and fourth? Does it pick up steam, or do you envision that kind of spread evenly throughout the quarters as we go towards that fourth quarter goal?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Yeah, John, good question. Again, nothing's really fundamentally changed as we think about expenses from the prior quarter. We're committed to reducing our expenses and improving operating efficiency. Again, we feel good about the $500 million to $700 million. But in terms of specifics as it relates to the third or the fourth quarter, obviously, to get down to the $11.25 billion target that we set, it's going to have to be spread pretty evenly. But, again, we feel confident in our ability to do it and are looking forward to it.

......................................................................................................................................................................................................................................................

### John E. McDonald

Q

*Analyst, Sanford C. Bernstein & Co., Inc.*

Okay.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

John, I'd like to add one thing to that. We are absolutely committed, but if we get to the fourth quarter and if, for whatever reason, there is all kinds of revenue available in a certain business – or a number of businesses, we're not going to be slavish to any one number. We're going to do the right thing for the stockholder, and we're going to make sure that we continue to produce the kind of results you want us to do. But we are committed to that number, we have plans in place, we know we're going to get it, but we're not going to be slavish to it.

......................................................................................................................................................................................................................................................

### John E. McDonald

Q

*Analyst, Sanford C. Bernstein & Co., Inc.*

Understood. Okay, thank you. And then, Tim, is there any Compass savings that go beyond the fourth quarter? Are there savings that you'd be working on for the year 2013 out of Compass? Is there anything else?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Oh, sure.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Absolutely.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Absolutely. I think that's a really important point. It's not as if we've put together an expense focus, and we're going to get the fourth quarter and just stop being focused on improving operating efficiencies. I think that, post the merger integration, it really gives us an opportunity to focus on operating leverage and improved efficiencies, and we'll continue to do that into 2014, 2015, and 2016, and we're not going to stop.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Absolutely, because the key here is if we're more efficient on things that customers don't want to pay for, we can add salespeople, add more value to things that customers want to have, so we can compete for revenues and grow our franchise and do all the things that add value.

......................................................................................................................................................................................................................................................

### John E. McDonald

Q

*Analyst, Sanford C. Bernstein & Co., Inc.*

Okay. And then just a question on Basel III for Tim, I guess. Tim, your pro forma ratio of risk-weighted assets to total assets under Basel III is high. It seems like almost 100%. Where's the biggest inflation of your risk-weighted assets coming from under Basel III? Is it the sub-investment-grade securities that get hit pretty hard, and is there an opportunity to mitigate that over time?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Well, I don't know if I would describe it as an inflation of our numbers. We go through what we think is an appropriate review of all of our assets and try to compare them to what we think the Basel III rules are going to be. Others – it may be where you're going, that others have different ratios. I don't know how anybody else is doing it. I know how we're doing it, and I think we're doing it in an appropriate way. Having said that, obviously, because it's an important ratio, we're going to look at our risk-weighted assets and make sure that we're getting the good return on all of our risk-weighted assets as we roll into Basel III.

But I think the other important point is that, regardless of what the risk-weighted asset level is, capital's not an issue for us. We're at 7.81%. The minimum requirement for us, we know, is 7%. Maybe there's going to be a SIB buffer, maybe not. And so we're not overly concerned about that ratio, but we spend a lot of time making sure that it's calculated correctly.

......................................................................................................................................................................................................................................................

### John E. McDonald

Q

*Analyst, Sanford C. Bernstein & Co., Inc.*

Okay. And does the treatment of MSR under Basel III affect at all how you decide or not – decide to grow the business, or will decisions to grow mortgage servicing or not be independent of capital treatment? Just wondering, is that the factor in how you look at the MSR?

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

John, first of all, we love the mortgage business. We love it because our customers love it. Two-thirds of our customers are in the mortgage business, and I don't know how you can be in the consumer banking business if you're not in the mortgage business. Along with checking accounts and mortgages, that drives a lot of the household acquisition, and once a customer does a mortgage with us, great things happen. They stay longer, they buy more products, so that's great. And in our mortgage business, specifically on the MSR, as you know, it's a balanced business, origination on one side and servicing on the other side, and they move in opposite directions with what happens in interest rates.

Yes, there is a element of the MSR that we think is not – we don't agree with the treatment under Basel because we think it's as good a asset as you can have. But that being said, if rates do rise and the mortgage origination asset goes up in value and less of it gets counted for capital or there's a bigger exclusion, other great things happen in the company. There's offsets and there's balances. We're not going to let one ratio or one issue like that drive us away from the business that we think is a good thing for customers, for our stockholders, for everyone involved here. It's not that we're oblivious to it, and we're looking for other ways to mitigate it, and we spend a lot of time on that, but it's just not a deal-stopper around here. We love the business.

......................................................................................................................................................................................................................................................

### John E. McDonald

Q

*Analyst, Sanford C. Bernstein & Co., Inc.*

Got it. Okay, that's helpful. Thanks, John.

......................................................................................................................................................................................................................................................

Operator: Your next question will come from the line of Betsy Graseck with Morgan Stanley.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Hey, Betsy.

......................................................................................................................................................................................................................................................

### Betsy L. Graseck

Q

*Analyst, Morgan Stanley & Co. LLC*

Hey, good morning. You mentioned that 15% of your total fundings were HARP. Could you just give us a sense of the application volumes that have been HARP-related? And then I just had a follow-up question on the ultimate approval of HARP relative to other apps that you've been seeing.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Yeah, the application volumes, again, were about 15%. HARP 2.0 was kind of rolled out in the middle of the quarter, and so those applications are up a bit, but I wouldn't describe – it wasn't a significant portion of the first quarter volume. Our expectation is they're probably going to increase, but again, we think it's a good program. We think it will be helpful, but it's in its early stages. But, obviously, given the servicing book that we have, we're going to be a large part of that program.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

And, Betsy, one thing that's a little different about that, you actually have to – we spend a little bit more time marketing. You have to actually go and talk with people and help them understand how they qualify and how they fit into the program, and we're doing that. We have feet on the street, we have people available, we have a big retail distribution, and we think it's a – first of all, we think it's a good thing. It's great to see people who have

made their payments every month even though they're underwater or hugely underwater, and now to be able to help them put a few hundred dollars extra in their pocket every month, that's terrific.

......................................................................................................................................................................................................................................................

### Betsy L. Graseck

Q

*Analyst, Morgan Stanley & Co. LLC*

So a little bit more expensive to get the refi in obviously, so I guess the question is what has the approval rate been? What do you think the approval rate is likely to be relative to other refis, non-HARP refis?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Boy, I – you know what, Betsy, and that's a fair question, but I think we're too new to rate into the HARP 2.0 program. I think, over the next few months, we'll have a better appreciation for that, but I wouldn't want to guess on that one.

......................................................................................................................................................................................................................................................

### Betsy L. Graseck

Q

*Analyst, Morgan Stanley & Co. LLC*

Okay. And then just my other question had to do with loan growth, and I know that that's a priority for you. Given the push-pull in the portfolio, where you've got some of the portfolio is obviously still in runoff, do you feel that you can drive net loan growth over the next year or so, or you have to wait for that runoff portfolio to really shrink a little bit more dramatically before you can anticipate that?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

So we think we can continue to drive the growth. You saw in the third and the fourth quarter of last year that we saw point-to-point growth in both quarters. This quarter we were down a bit, but we feel good about our ability to grow loans organically, as well – and in addition, as we mentioned, we've been active from an acquisition standpoint. So any quarter might be a little bit up, a little bit down, but over time we feel confident about our ability to grow the loan portfolio, and we don't think we're going to need to wait until the liquidating portfolio just declines to a small number.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

And, Betsy, the other thing is in the first quarter, there is some seasonality, so we typically see card balances coming down in the first quarter, and then you see that change over the rest of the year. So we believe we can grow organically here, and as Tim mentioned, it'll be lumpy, but we have lots of opportunity.

......................................................................................................................................................................................................................................................

### Betsy L. Graseck

Q

*Analyst, Morgan Stanley & Co. LLC*

Great. And I guess just the last question on this topic is competition. So, clearly, there's competition with other banks, but there's also competition with the capital markets rates because interest rates are so low. So I'm just wondering, how do you deal with that? And in particular on the commercial real estate and the C&I space, where your borrowers might be able to access longer-term funds cheaper than they have historically, would they choose to be doing that as opposed to drawing down C&I lines or doing a...?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Well, they might. No, it's a fair question. I think, depending upon what's going on in the capital markets, you can see kind of the ebb and flow back and forth. I think from our perspective, look, even though we want to grow loans, the most important thing is to do the right thing for the customer. And because of the fact that we've got a broader base of products and services today, including an investment banking capability, unlike maybe where we were a few years ago, we can help them do that. So we sit down with our customers and give them our best recommendations; if it's a commercial real estate customer, whether or not we could do it on-balance-sheet or whether we could do it in the CMBS market, so on and so forth.

So there's no question there's always going to be competition from the capital markets. It was a little bit less in the third quarter of last year, a little bit more in the fourth quarter, probably a little bit more steady-state this quarter, but you're going to see that ebb and flow.

......................................................................................................................................................................................................................................................

### Betsy L. Graseck

Q

*Analyst, Morgan Stanley & Co. LLC*

Thanks.

......................................................................................................................................................................................................................................................

Operator: Your next question will come from the line of Brian Foran with Nomura.

......................................................................................................................................................................................................................................................

### Brian Foran

Q

*Analyst, Nomura Securities International, Inc.*

Hi. I guess on the $1.7 billion re-class of home equities, I totally realize you guys have already reserved for it, but just in thinking about what the loss content on those loans might be, I guess Chase put out there a 55% cum loss rate on these kind of high-risk seconds. Is that a reasonable guess for the type of reserves you would already have against that bucket?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Yeah, our experience hasn't been 55%. I think that our view is that we needed to be consistent with this Interagency Guidance. We had taken into consideration the fact that these were junior lien loans behind sub- performing firsts for an extended period of time. This isn't the first time that we took that into consideration in our loan loss reserve. So we think that we're adequately reserved, but we haven't seen a disproportionate incremental loss rate on this portfolio relative to others. But we've taken into consideration the loan loss reserve, and we have for a while.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

The biggest driver on losses here is jobs. If people have income and if they have work, that drives it more than anything else. But also there's no question that, once they don't have a job, the severity is almost complete, so in other words, you lose most of it. But we're not running at those kind of numbers.

......................................................................................................................................................................................................................................................

### Brian Foran

Q

*Analyst, Nomura Securities International, Inc.*

And then I know you've touched on a lot of the different aspects of HARP, but just one follow-up would be on how does it affect the gain on sale outlook for the mortgage business over the remainder of the year?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Well, I think it's going to be just a function of volume. I think we – if the HARP 2.0 is successful, it will continue to increase volume. The margins that we've had have been good, but I think, generally, they've been a little bit overstated in the market in terms of media reports and the like. Again, HARP 2.0 loans are good. The program seems to be catching on. It's in its early stage. And the way that we price those loans is just similar to any other refinance.

......................................................................................................................................................................................................................................................

### Brian Foran

Q

*Analyst, Nomura Securities International, Inc.*

If I could sneak in one last one, I guess, going back to John's question on the risk-weighted asset inflation, I agree with everything you said, but maybe the thing that's not obvious, based on your business mix, is the $346 billion higher risk-weighted assets under Basel III versus Basel I as of March 31. And how much of that risk-weighted asset difference between Basel III and Basel I is something that would be permanent, versus how much of it is from things that can be mitigated or reduced over time, like subprime MBS that might be on the books or things like that?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Well – so let's step back for a minute. I guess I'm disagreeing a little bit with the premise that somehow there's inflation in how we're calculating our risk-weighted assets under Basel III. The rules of Basel I and Basel III are just different. You've got to take into consideration things like operating risk. You've got to take into consideration counterparty risk. And everybody's doing that in the industry. We're doing that. And so, again, we feel comfortable with our calculation. We're not going to do anything inappropriate in terms of doing that calculation. Having said that, we're going to make sure that it's appropriate, but again, we're not overly concerned about our risk-weighted asset level just because of the fact that we've got adequate capital in the company.

......................................................................................................................................................................................................................................................

### Brian Foran

Q

*Analyst, Nomura Securities International, Inc.*

Okay, understood.

......................................................................................................................................................................................................................................................

Operator: Your next question will come from the line of Erika Penala with Bank of America Merrill Lynch.

......................................................................................................................................................................................................................................................

### L. Erika Penala

Q

*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.*

Good morning.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Good morning.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Hey, Erika.

......................................................................................................................................................................................................................................................

### L. Erika Penala

Q

*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.*

Morning. Could you give us a sense of how you're treating any associated seconds if you're refinancing a first under the HARP program, particularly if there is an underwater situation?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Well, we normally look at the exposure together or in tandem, but in terms of any additional specifics, we can get back to you. We'll talk to our mortgage folks and follow up. But I don't think there's anything special going on.

......................................................................................................................................................................................................................................................

### L. Erika Penala

Q

*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.*

I guess I'm just wondering – I understand that the $1.7 billion increase in the home equity problem loans was part of a reclassification, but is the improvement generally in home equity problem loans for the industry going to be stagnant as perhaps some of the underwater home equity loans are charged off as the first or refinanced under HARP? Am I thinking about this the wrong way?

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

No, I think you're thinking – here's how we think of it. Every time – anything we can do to help a customer reduce their first mortgage obligations through a refinancing to lower rates or modification to the first obviously helps the second because it's about the total expense and the debt coverage around that. So, as part of how we normally work with customers, we look at – with respect to their debt, and we work through the refinancing. So the reclassification has really nothing to do with how we're going to work with customers or how we feel about future losses. It's merely an Interagency rule that we are honoring.

We have seen our home equity losses continue to come down. That's been a function of working through some of the more challenged customers early, and it's also then because of refinancing to lower rates, to taking pressure off, plus the improved job situation, employment situation. So all those three have helped on the home equity portfolio, and I think we'll see continued improvement there.

......................................................................................................................................................................................................................................................

### L. Erika Penala

Q

*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.*

Got it. And just one last question – it's a follow-up to Joe's question – is the loans that were acquired from BNP, are they going to be in line with the commercial yields on the books today or accretive?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Well, we haven't acquired them yet. The deal should close this month. When we look at that portfolio, again, it's a high-quality portfolio. We're familiar with many of the borrowers and we have relationships with them right now. We're in a number of the deals. So I would say it's consistent.

......................................................................................................................................................................................................................................................

### L. Erika Penala

Q

*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.*

Okay. Thank you for your time.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

You're welcome.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Thank you.

......................................................................................................................................................................................................................................................

Operator: Your next question will come from the line of Ed Najarian with ISI Group.

......................................................................................................................................................................................................................................................

### Ed R. Najarian

Q

*Analyst, International Strategy & Investment Group, Inc.*

Good morning, guys.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Good morning, Ed.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Hey, Ed.

......................................................................................................................................................................................................................................................

### Ed R. Najarian

Q

*Analyst, International Strategy & Investment Group, Inc.*

So a couple of questions; first one is sort of a follow-up to John McDonald's question on the operating costs, and I guess I'm just trying to think about the trajectory of the decline and how you're describing it. I get the idea of getting to the high end of the range by 4Q on higher revenue. But in the fourth quarter, you were $12.5 billion on costs. You said we expect them to remain elevated in the first quarter but then decline significantly starting in the second quarter. Now we're up to $13 billion, and you're looking for a $500 million to $700 million decline in the second quarter. That takes us down to $12.3 billion to $12.5 billion on your guidance. So I guess I'm wondering why is that second quarter number not materially below the fourth quarter number, especially given that it won't include a Wachovia integration cost, whereas the fourth quarter included a fairly large one. Do you expect more litigation, or what is it that I'm missing on 2Q versus 4Q?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Well, Ed, I think that, based on what we see in the second quarter, we're comfortable in providing the guidance that our expenses are going to be down between $500 million and $700 million. Could they be a little bit more than that? They could. But we're comfortable with that number right now. And again, that number's based upon an expectation of revenues. We feel comfortable – as we mentioned, we enter this quarter with some nice tailwinds in terms of the mortgage pipeline as well as some acquisitions that we've mentioned. So could the number be a little bit bigger? It could, but we're comfortable with that range.

......................................................................................................................................................................................................................................................

### Ed R. Najarian

Q

*Analyst, International Strategy & Investment Group, Inc.*

Okay, but given that you don't – if we take out Wachovia integration expense from the fourth quarter, it would actually be up somewhat from the fourth quarter ex integration costs. Is that outlook because of higher incentive comp? Or what is it that would be driving that core number up a little bit versus 4Q, as opposed to down ex the Wachovia integration in 4Q?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Well, again, Ed, you're jumping -

......................................................................................................................................................................................................................................................

### Ed R. Najarian

Q

*Analyst, International Strategy & Investment Group, Inc.*

I'm just trying to pinpoint where your thoughts are on how that's trending.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Yes, you're jumping to the conclusion that it will be up. We're saying that we feel comfortable with the $500 million to $700 million guidance. There's always going to be some puts and takes in our expenses as we move through the quarter. But, again, we believe that we're going into this quarter with nice revenue. And as we've demonstrated this quarter, think about it, our revenue was up $1 billion from the fourth quarter. You have a little bit more expense related to that? Of course you do. Our revenue was up $1.3 billion from the first quarter of last year. Were there a little bit higher expenses? Of course there were. So we're feeling good about this quarter, and we feel good about the $500 million to $700 million. Could it be a little bit higher in terms of the reduction? Sure, it could.

......................................................................................................................................................................................................................................................

### Ed R. Najarian

Q

*Analyst, International Strategy & Investment Group, Inc.*

Okay. All right, thanks. And then just one more, when I look at the net interest margin and it expanding by two basis points, what seems to have been sort of the surprise factor was the overall yield on your commercial loan portfolio going up by six basis points from 4.10% to 4.16% in the fourth quarter to the first quarter.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Right.

......................................................................................................................................................................................................................................................

### Ed R. Najarian

Q

*Analyst, International Strategy & Investment Group, Inc.*

Is there anything in there that's abnormal, or is there any thoughts about what caused the yield on the commercial loan portfolio to go up a little bit linked-quarter versus down a little bit?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

No, I wouldn't say there's anything abnormal in that. I think we're starting to see the yields settle down just a bit. Every quarter we have some level of volatility in terms of special items that are in the numbers, and you saw some of that last year too. But there's nothing abnormal in there.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Yeah, and that's actually influenced a little bit by some of the workouts that we do on the commercial side, so that'll bump around a little bit. But I think it's important, as long as we're talking about the NIM, to mention two things, and you know both of these, Ed. First of all, we don't manage the company around the NIM, and secondly, I still think it's going to be under pressure going forward.

......................................................................................................................................................................................................................................................

### Ed R. Najarian

Q

*Analyst, International Strategy & Investment Group, Inc.*

Okay. I didn't get a chance to look real closely at how the [ph] accretive yield (49:24) came in, but were there some commercial loan sale gains that impacted on marked commercial loans that impacted that yield at all in the first quarter, or not really?

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

It wasn't much. It wasn't much, but there's always a little bit here and there.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

No, that wasn't a driver in terms of the NIM, and in fact, the accretion was actually down a little bit, from 5.52% to 5.14% in the first quarter.

......................................................................................................................................................................................................................................................

### Ed R. Najarian

Q

*Analyst, International Strategy & Investment Group, Inc.*

Okay. All right, thank you very much, guys.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Thank you.

......................................................................................................................................................................................................................................................

Operator: Your next question will come from the line of Paul Miller with FBR Capital Markets.

......................................................................................................................................................................................................................................................

### Paul J. Miller

Q

*Analyst, FBR Capital Markets*

Yeah, thank you very much. I know you're probably sick of talking about HARP, but as of April 1 – have you guys disclosed how much of HARP-eligible loans is in your servicing portfolio?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

No.

......................................................................................................................................................................................................................................................

### Paul J. Miller

Q

*Analyst, FBR Capital Markets*

And, secondly, as of April 1, I believe that you can start to refi other people's servicing portfolios under HARP. I was just wondering – I think the jury's out if that's a smart move or not – have you made any decision on that yet?

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Well, Paul, how we think about that – first of all, since a lot of HARP loans you get through marketing, you need to kind of know where people are. It's easier to do your own portfolio than someone else's. That being said, we want to take on all comers, and this is where our cross-sell and the Community Bank gets very involved as they talk with customers, and frankly, other parts of the company where we are able – if someone has a mortgage that's not with us, that we can do. But I would say we'll know more about that as time goes on, but I would bet the biggest part of the HARP 2.0s that will do will be for our own portfolio, just because of knowing the information.

......................................................................................................................................................................................................................................................

### Paul J. Miller

Q

*Analyst, FBR Capital Markets*

Okay. And then going back – because I didn't quite understand the answer, I didn't get it correct, I think – on the HELOC portfolio, which I believe was like close to $1.6 billion that you moved over, was there other -

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

$1.7 billion.

......................................................................................................................................................................................................................................................

### Paul J. Miller

Q

*Analyst, FBR Capital Markets*

$1.7 billion, sorry about that – was there other loans that were the firsts that defaulted that are not nonaccruals in the HELOC portfolio?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

No.

......................................................................................................................................................................................................................................................

### Paul J. Miller

Q

*Analyst, FBR Capital Markets*

No. So this is the entire community of loans where the first has been defaulted?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Correct.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Correct.

......................................................................................................................................................................................................................................................

### Paul J. Miller

Q

*Analyst, FBR Capital Markets*

Okay. Hey, guys, thank you very much.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Thanks, Paul.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Thanks.

......................................................................................................................................................................................................................................................

Operator: Your next question will come from the line of Matt O'Connor with Deutsche Bank.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Hey, Matt.

......................................................................................................................................................................................................................................................

### Matthew D. O'Connor

Q

*Analyst, Deutsche Bank Securities, Inc.*

Hi, guys. Hopefully, I didn't miss it. I know you've commented on NIM being under pressure but growing loans. When we combine those two and think about your both capacity and desire to buy some more securities, how does that all shake out for net interest income dollars from here?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Well, I think as John said, we continue to believe that the net interest margin's going to be under pressure. Having said that, I think that we've got the ability to grow loans organically. We believe that we can do that. The core loans were up again this quarter, a little bit less than the third and fourth quarter, but we feel confident about our ability to grow our core loans. And one of the other things that I think it's important to note is that the diversification in terms of the loan growth this quarter was a little bit better than the third and the fourth quarter because we saw auto loans and student loans growing, whereas in the third quarter and the fourth quarter, it was a little bit more of a focus on wholesale banking.

As it relates to – but the other avenue we have, obviously, to grow loans is through acquisition. We continued to demonstrate that we're active there and we're paying appropriate prices and bringing new customers to the company.

In terms of securities purchases, we're going to continue to manage the portfolio as we have, very prudently. We're not going too far out onto the curb. Having said that, if we've got incremental liquidity that's not needed for our customers in terms of loans, we're going to invest appropriately. And you saw our securities increase about $7 billion, $8 billion this quarter, so we'll continue to do that. And then I think the other point to make is just in terms of the input costs, and that is we've been able to continue to grow deposits while reducing our deposit costs, so we feel good about the ability to grow net interest income.

......................................................................................................................................................................................................................................................

### Matthew D. O'Connor

Q

*Analyst, Deutsche Bank Securities, Inc.*

Okay, great. And then, separately, as we think about the provision expense – I was just looking at one of the slides

– over the last few quarters, the provision expense in dollars has been relatively stable. It seems like you still have quite a bit of excess loan loss reserves. Most of the credit metrics continue to improve from here – or up until here. How do we think about the pace of reserve release going forward?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Yeah, that's a fair question. I think we believe that we'll have incremental reserve release. Whether the – I'm not 100% sure what the pace is going to be. We don't really make those decisions until the end of the quarter. But we do think, based upon the continued improvement in the portfolio which we've continued to see, that we will have additional reserve release. But it's going to be less than it was last year. The pace of improvement has slowed down a little bit. I think the important thing is that we've gotten through the point at which the lines of the reduction in the loan loss reserve release and the improvement in charge-offs cross, so that what we're seeing is a real kind of button-down provision expense and net charge-off level.

......................................................................................................................................................................................................................................................

### Matthew D. O'Connor

Q

*Analyst, Deutsche Bank Securities, Inc.*

And then just lastly, if I could sneak in a third one here, the tax rate I calculated was around 35% this quarter. It's averaged probably 25% to 33% the last three years. Anything different, or just a little more conservative earlier in the year?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

No, it was up a bit this quarter. And we think that the tax rate for 2012 is going to be higher than last year because we're making more money, but beyond that, I wouldn't read anything into it.

......................................................................................................................................................................................................................................................

### Matthew D. O'Connor

Q

*Analyst, Deutsche Bank Securities, Inc.*

Okay, thank you.

......................................................................................................................................................................................................................................................

Operator: Your next question will come from the line of Mike Mayo with CLSA.

......................................................................................................................................................................................................................................................

### Mike L. Mayo

Q

*Analyst, Credit Agricole Securities (USA), Inc.*

Good morning.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Hi, Mike.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Hi, Mike.

......................................................................................................................................................................................................................................................

### Mike L. Mayo

Q

*Analyst, Credit Agricole Securities (USA), Inc.*

Just to further clarify, so your expense guidance is $250 million higher, and, John, you said you're not going to be slavish to any one target. Can you guys commit to having positive operating leverage?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Yes.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Yes, absolutely.

......................................................................................................................................................................................................................................................

### Mike L. Mayo

Q

*Analyst, Credit Agricole Securities (USA), Inc.*

So you're going to miss it, but revenues will be a lot more – or at least higher than that $250 million, no matter how we slice it?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

No, we're not -

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

We're not saying that.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

No, we're not going to miss it. Okay, a year ago we gave guidance six quarters ahead, and we gave you a range of

$10.75 billion to $11.250 billion, but we said then and we said now, those are based upon a certain set of revenue assumptions. We're going to come in at the high end of the range.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Because revenue's at the high end.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Because revenues are higher, not because we're not executing on our expense reductions.

......................................................................................................................................................................................................................................................

### Mike L. Mayo

Q

*Analyst, Credit Agricole Securities (USA), Inc.*

Okay. And then, separately, John, especially for you, if I asked you 15 years ago, what bank this quarter might have some of the best year-over-year growth in investment banking – because you guys said it's up 20% – a record wholesale, and the biggest absolute growth in syndicated loan volume, would you ever have guessed it'd be your company as opposed to JPMorgan, Bank of America, Citi, Goldman, Morgan Stanley, or some of these firms that are no longer around? So my question really is, is this mission creep? Is this opportunism? What's changed from going back? And I know you've evolved with your acquisitions, and I'm sure we'll talk more about this at Investor Day, but it seems as though you're getting farther away from what made, at least, legacy companies strong, and you're doing more activities further away from your headquarters. So how should we think about that?

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Well, when I think of 15 years ago, I had a mustache and dark hair, so you're dating me now. But let's think about this, Mike. The company today clearly has evolved, but I think it is a more customer-relevant, safer – our risk profile is reduced from 15 years ago. And if you think about the business, look at the balance in the business today, and – but before I get to that, what's stayed consistent is we continue to be a relationship business. We're in the relationship, the long-term relationship with our customers. And today, we have more products to offer these customers to help them succeed financially. We're more balanced. If you look at our income statement, this quarter, half of the revenue comes from fees for services, half from the margin. Half comes basically from wholesale and half from consumer. We now have diversity in geography.

So I think if you look at that 15-year period, you should even be happier today that – and it's safer, more diversified, more customer-focused, more value. And we'll talk about this more at Investor Day, but I think the evolution through that time reinforced what we were trying to do 15 years ago, not moving away from it.

......................................................................................................................................................................................................................................................

### Mike L. Mayo

Q

*Analyst, Credit Agricole Securities (USA), Inc.*

And then specifically as it relates to syndicated loans, I'm surprised when I look at first quarter of this year versus first quarter of last year, the biggest dollar amount increase in acting as agent for syndicated loans is Wells Fargo. And I'm just -

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

You know what, Mike? That's a great thing, right? Why are people coming to – why our customers coming to Wells Fargo? Because they believe in our model; they believe in the company. They like the people they work with. They know that we've got a strong balance sheet. They know that we're going to be able to deliver for us, right? That's a great thing. It diversifies the business and it reinforces the model.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Everything you hear around here starts with the customer. Why wouldn't we want to help our customers? Why wouldn't we want – if we deal with a large Fortune 500 company, and we're doing loan business with them and they want to issue debt to buy a subsidiary or whatever, why wouldn't we want to help them do that? We happen to have 15,000 terrific retail brokerage people out there, advisors, who can help with that and sell this, and we have great people to help them price the debt or the equity. This is what we ought to be doing.

......................................................................................................................................................................................................................................................

### Mike L. Mayo

Q

*Analyst, Credit Agricole Securities (USA), Inc.*

And then last follow up -

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

So – go ahead.

......................................................................................................................................................................................................................................................

### Mike L. Mayo

Q

*Analyst, Credit Agricole Securities (USA), Inc.*

No, I'll let you finish, too, but we can finish at the Investor Day. But is some of this opportunistic, though? Because the European banks' market share in this area has gone from, what, 37% down to 21% over the past year, so not only – I guess I'm hearing you say your clients want this more, but is this some Wells Fargo opportunism?

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Well, of course. Some of the foreign banks are retreating to their home countries. The industry has changed in a lot of these areas. And we celebrated our 160th birthday a few weeks ago. We've always evolved. We always have changed in product offerings and channels, but what's stayed true around here and will continue to stay is that it's all about long-term relationships with our customers, helping them succeed. So when I look at percentage changes from year-over-year or whatever, I don't – first of all, percentages always have a numerator and denominator; I don't get too excited about that. What I get excited about is if we keep customers at the center of what we do, great things happen. It always does.

......................................................................................................................................................................................................................................................

### Mike L. Mayo

Q

*Analyst, Credit Agricole Securities (USA), Inc.*

All right, thank you.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Thank you.

......................................................................................................................................................................................................................................................

Operator: Your next question will come from the line of Nancy Bush with NAB Research LLC.

......................................................................................................................................................................................................................................................

### Nancy Avans Bush

Q

*Analyst, NAB Research LLC*

Good morning, guys.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Hey, Nancy.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Nancy, have you gone to your ATM lately?

......................................................................................................................................................................................................................................................

### Nancy Avans Bush

Q

*Analyst, NAB Research LLC*

I have. Thank you very much for my special message. Now the people in the bank – now I'm standing in front of the ATM, laughing, and the people in the bank think I'm crazy, so. Anyway, a few question for you here. Something we haven't heard a lot about lately is Wells Fargo Financial. Could you guys just talk about what the results have been since you've moved or tried to move the Wells Fargo Financial people into the branch?

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Well, most of those folks on the production side, many of them went into the banks, and they're – become personal bankers. They're helping us serve customers, make loans. So, yeah, that's been very successful.

......................................................................................................................................................................................................................................................

### Nancy Avans Bush

Q

*Analyst, NAB Research LLC*

Have you've been able to track how much business you might have lost for people who just don't want to go into a bank branch to get their loan or whatever?

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

We've really not, but what's happened is we actually have more distribution now because we got rid of 700 or 800 stores, but we picked up 3,000 with the acquisition of Wachovia. So I've not heard – as I'm out there on the street, I've not ever heard from anyone that I'd prefer not going to a bank or I'd prefer going to a finance office. What's changed mostly in that business, Nancy, is that much of what we did in Financial were loan accommodations where we would take three or four different loans, and it'd be a debt consolidation on homes, and of course what's happened to home values, that business really changed a lot. But the people we brought over were primarily lenders. They knew that part of the business well, so that helped enculturate even more in our banking stores this idea that we want to also want to be a great place to borrow money if you're credit-qualified.

......................................................................................................................................................................................................................................................

### Nancy Avans Bush

Q

*Analyst, NAB Research LLC*

Right. And my second question goes back to this point, and it incorporates HARP and HAMP and all the other issues that we've had around mortgage banking, but it's a question that relates more to moral hazard going forward. We've had all these changes. People have found that they can have their principal reduced, they can have their rates reduced, et cetera, et cetera; so how does that impact your underwriting of a mortgage going forward? Do you have to put big orange sticker on it saying, we really mean this, this is really what the thing is going to be, or how do you think about that, protecting yourself going forward?

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Well, it's a great question; so a couple things, first of all, to think about. Of the 50 million mortgages in America, about 10 million or 11 million are underwater, and of those 11 million, 90% or so our current. So, generally, Americans, by a vast majority, want to pay their bills if they have the income to do it. Secondly, you build your best portfolios – whether it's for your own account or whether you sell it off and keep the servicing, you build your best portfolios after a downturn, not going into a downturn. When the bubble's expanding, usually you have your worst portfolio builds.

And the third thing is, on the big yellow sticker, I don't know that – or the orange sticker; today – in fact, since really 2008, the mortgage business has retrenched, and it's more like it was done prior to 2002 or 2003, where there is full documentation, income verification, a proper amount down, depending on which program it is. So I'm

* and I think nothing would fix all of this more than a little appreciation in housing and getting to the bottom, which I think we're very close to that point where we're going to see an inflection point here. So I don't know if I answered your question, but that's how we think about it.

......................................................................................................................................................................................................................................................

### Nancy Avans Bush

Q

*Analyst, NAB Research LLC*

But you think you're just getting a better customer who will treat their mortgage document a bit more carefully or take it more seriously going forward than did some of the people coming into this?

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

You know, Nancy, I think that's a good point – I think everybody involved in a mortgage needs to have skin in the game such that mortgages are good. That's the originator, that's the borrower, that's the realtor that puts the borrower and whatever together if it's a purchase, it's the people who package and the rating agencies and the servicing. And the mortgages aren't complete until they pay off and it's well done, so it's the whole process. I think everybody is showing more care and diligence today, and that's a good thing.

......................................................................................................................................................................................................................................................

### Nancy Avans Bush

Q

*Analyst, NAB Research LLC*

Okay, thank you.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Thank you.

......................................................................................................................................................................................................................................................

Operator: Your next question will come from the line of Scott Siefers with Sandler O'Neill.

......................................................................................................................................................................................................................................................

### R. Scott Siefers

Q

*Analyst, Sandler O'Neill & Partners*

Morning, guys.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Hey, Scott.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Hey, Scott.

......................................................................................................................................................................................................................................................

### R. Scott Siefers

Q

*Analyst, Sandler O'Neill & Partners*

I just had a quick question on the mechanics of the new regulatory guidance and that $1.7 billion that you moved over. So since it's now on nonaccrual, obviously, you don't accrue the interest, but the vast, vast majority is still paying, so the cash is coming in. When you receive that cash, does that go into NII now, or does it go directly to pay down principal balances on the related loans? How does that work?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Like all of nonperforming loans, this isn't different; it pays down the principal.

......................................................................................................................................................................................................................................................

### R. Scott Siefers

Q

*Analyst, Sandler O'Neill & Partners*

Okay, so there's some – in your case, it's an extraordinarily small amount, but some go-forward ramification I guess to the earnings stream then?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

It's not material.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Yeah, it's just -

......................................................................................................................................................................................................................................................

### R. Scott Siefers

Q

*Analyst, Sandler O'Neill & Partners*

Yeah. Yeah, okay, perfect. That was all I needed to know. So thank you.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Great. Thank you.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Thanks, Scott.

......................................................................................................................................................................................................................................................

Operator: Your next question will come from the line of Fred Cannon with KBW.

......................................................................................................................................................................................................................................................

### Brian M. Kleinhanzl

Q

*Strategist, Keefe, Bruyette & Woods, Inc.*

Hi. This is actually Brian Kleinhanzl on for Fred.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Oh, hi, Brian.

......................................................................................................................................................................................................................................................

### Brian M. Kleinhanzl

Q

*Strategist, Keefe, Bruyette & Woods, Inc.*

Hey. So I just had a quick question. On the rep and warranty, it looks like the repurchase demands are coming down, have been coming down over the last couple quarters, but the reserve keeps building from here. Is there a target they're trying to get to? Or when can we finally see that the reserves start to come down for the rep and warranty?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Yeah, and fair question. Total demands outstanding, both number and balances, were down in the first quarter and were down kind of roughly 25% year-over-year. The new Agency demands for the more difficult vintages, the 2006 to 2008 vintages, declined a bit from the fourth quarter. But the additions that we put into the reserves were more or less in line with last quarter. We continue to add to the reserve due to the elevated demands from Fannie and because of the projected higher mortgage insurance rescissions. Freddy's been in line. So we're hopeful it's going to come down at some point, but we just haven't seen it come down enough yet so that we would want to reduce the reserve.

......................................................................................................................................................................................................................................................

### Brian M. Kleinhanzl

Q

*Strategist, Keefe, Bruyette & Woods, Inc.*

Okay, great. And then on a separate topic, you used to give a disclosure about the excess liquidity that you had on the balance sheet. I haven't seen that the last couple quarters. What is it that you think the excess liquidity is right now on the balance sheet? And given that the Basel committee just came out with saying that there's a large shortfall underneath their Basel III standards, what is your idea of what that excess liquidity is for you?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Yeah, I don't recall – we'll go back. I don't recall us giving any sort of guidance as to what our excess liquidity is. I can tell you that we've got a lot of liquidity right now, which is terrific. It's allowed us to grow the loan portfolio year-over-year and grow the securities portfolio in a smart way. And we're still working through and the regulators are still working through what the new liquidity guidance is going to be related to Basel III. There's a lot of discussion going on about that. But when you look at our balance sheet, particularly how we're continuing to grow low-cost deposits, we don't have a liquidity issue at all.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

See, I think that's the key, Brian. When you look at this company, our liquidity is such solid – I mean can you imagine $900 billion-plus of deposits at 20 basis points, and virtually all of it's core? A big chunk of it's consumer. So this is just so, so valuable and so undervalued today, given where interest rates are.

......................................................................................................................................................................................................................................................

### Brian M. Kleinhanzl

Q

*Strategist, Keefe, Bruyette & Woods, Inc.*

Yeah, just a quick question on those deposit costs. We saw them come down again this quarter, basically on that core funding. Is there still room for those to come down in the following quarters? They're already kind of at an industry low, so do guys think that there's a lot more room?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

You know what? Every time we get down to a lower number, we talk to our folks and we ask them to continue to not compete on price, continue to compete on value and relationship, and I think that's one of the primary reasons we're able to continue to reduce costs. Whether or not we're going to be able to continue to do that in the future, I don't know for sure. I hope we can.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

We're getting pretty close here, but it's down 10 basis points in a year. I don't think if you sat here a year ago and said, could you bring them down 10, people would have said, I don't think you can. So we're always looking to find

that right area. But the reason they're coming down is more about the mix as opposed – we have to compete, as we do, but when you have the number of checking or near checking that we have, that's just – that's magical.

......................................................................................................................................................................................................................................................

### Brian M. Kleinhanzl

Q

*Strategist, Keefe, Bruyette & Woods, Inc.*

Okay, great. Thanks for taking my questions.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Thank you.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Thank you.

......................................................................................................................................................................................................................................................

Operator: Your next question will come from Andrew Marquardt with Evercore Partners.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Hey, Andrew.

......................................................................................................................................................................................................................................................

### Andrew Marquardt

Q

*Analyst, Evercore Partners (Securities)*

Hi, guys. Just to follow up on that last question, in terms of the margin guidance, you had talked about how, despite the two basis points better this quarter, that we should expect some pressure going forward. Just hoping to get some color in terms of magnitude; is it kind of in the low-single-digit range? And it also sounds like, despite that, you still feel confident in holding the NII up with loan growth and earning asset growth?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Yeah, Andrew, it's a fair question because there's been a lot of volatility in the NIM, which is, candidly, why we don't manage to it. I don't know what the NIM is going to be this quarter, and I don't know what it's going to be next quarter. What we do know is just the math is that there's pressure on it, for sure. We're hopeful that we can continue to relieve that pressure as best we can through a reduction in our deposit costs, but in terms of specifics, I'm not going to provide any guidance because I can't.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

But, Andrew, you're right in the fact that – forget the margin. Look at net interest income. That's really what drives us because that's the result of the work we do every day of getting new customers and selling them more things and so forth, getting deposits and selling loans. And I wake up and think about that more than I do about the NIM. And there we think we have good opportunities to continue to produce the kind of things that drive net interest income.

......................................................................................................................................................................................................................................................

### Andrew Marquardt

Q

*Analyst, Evercore Partners (Securities)*

Got it. So is it fair to assume that then that the confidence in terms of a higher NIM really won't come until the macro backdrop really improves in terms of a higher rate environment? Is that fair, or maybe the runoff portfolio slows?

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

I wouldn't say it's confidence. I think it's just more probability. I think it's less likely that the NIM is going to grow

* not impossible, because we've been able to grow it a little bit over a few basis points in the last couple of quarters since the decline in the third quarter of last year. It's just a little bit less likely.

......................................................................................................................................................................................................................................................

### Andrew Marquardt

Q

*Analyst, Evercore Partners (Securities)*

Got it. And then, lastly, just going back to expenses, in terms of the slight change in terms of the guidance for year- end at the upper end now, you had mentioned that that's driven by higher confidence in revenue, you were feeling better about revenue than you had before. Can you help us understand exactly – where exactly do you feel better about it? Is it really in mortgage banking or trading, or what is it that makes you feel better?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

Across the board.

......................................................................................................................................................................................................................................................

### Andrew Marquardt

Q

*Analyst, Evercore Partners (Securities)*

Okay, so no one particular area feeling better in terms of mortgage having greater strength or trading coming in better?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

No.

......................................................................................................................................................................................................................................................

### Andrew Marquardt

Q

*Analyst, Evercore Partners (Securities)*

Great. Thank you.

......................................................................................................................................................................................................................................................

### John G. Stumpf

A

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Thank you, Andrew.

......................................................................................................................................................................................................................................................

Operator: Your final question will come from the line of Chris Mutascio with Stifel, Nicolaus.

......................................................................................................................................................................................................................................................

### Christopher M. Mutascio

Q

*Analyst, Stifel, Nicolaus & Co., Inc.*

Mr. Irrelevant again. He John, how are you, Tim? I think it was the second quarter in a row I'm dead last. Hey, guys, thank you for the time. Three quick questions. Tim, on the margin guidance in terms of percent or dollar amounts, does that take into consideration perhaps more aggressive TruPS redemptions than just the $875 million announced today – or redeeming today?

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

No. We're getting through, really, the tail end of the TruPS redemptions that we're going to be doing. Most of the activity occurred last year. So we'll continue to redeem TruPS in an appropriate way, but it's not going to be as big a driver as it was last year.

......................................................................................................................................................................................................................................................

### Christopher M. Mutascio

Q

*Analyst, Stifel, Nicolaus & Co., Inc.*

Okay. The second thing is gain-on-sale margins this quarter versus last quarter; do have those handy on the mortgage side?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

On the mortgage?

......................................................................................................................................................................................................................................................

### Christopher M. Mutascio

Q

*Analyst, Stifel, Nicolaus & Co., Inc.*

Yes.

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

This quarter was, I think, 2.36%, and that's up from 1.9% in the fourth quarter.

......................................................................................................................................................................................................................................................

### Christopher M. Mutascio

Q

*Analyst, Stifel, Nicolaus & Co., Inc.*

Okay. And then, finally, with the robo-signing settlement, do you have discretion on who you modify? In other words, can you modify the firsts that are delinquent ahead of your own home equity loans?

......................................................................................................................................................................................................................................................

### Timothy J. Sloan

A

*Chief Financial Officer & Senior Executive VP, Wells Fargo & Co.*

We certainly have discretion in terms of what you modify. There aren't specific requirements for specific borrowers. We made – and there's a lot of detail in our 10-K in terms of the specifics on the settlement, and I would – rather than go through that in detail right now, I'd just ask you to take a peek at that, and we provide a lot of detail about how we see the settlement and how it would affect us.

......................................................................................................................................................................................................................................................

### Christopher M. Mutascio

Q

*Analyst, Stifel, Nicolaus & Co., Inc.*

All right, thank you so much.

......................................................................................................................................................................................................................................................

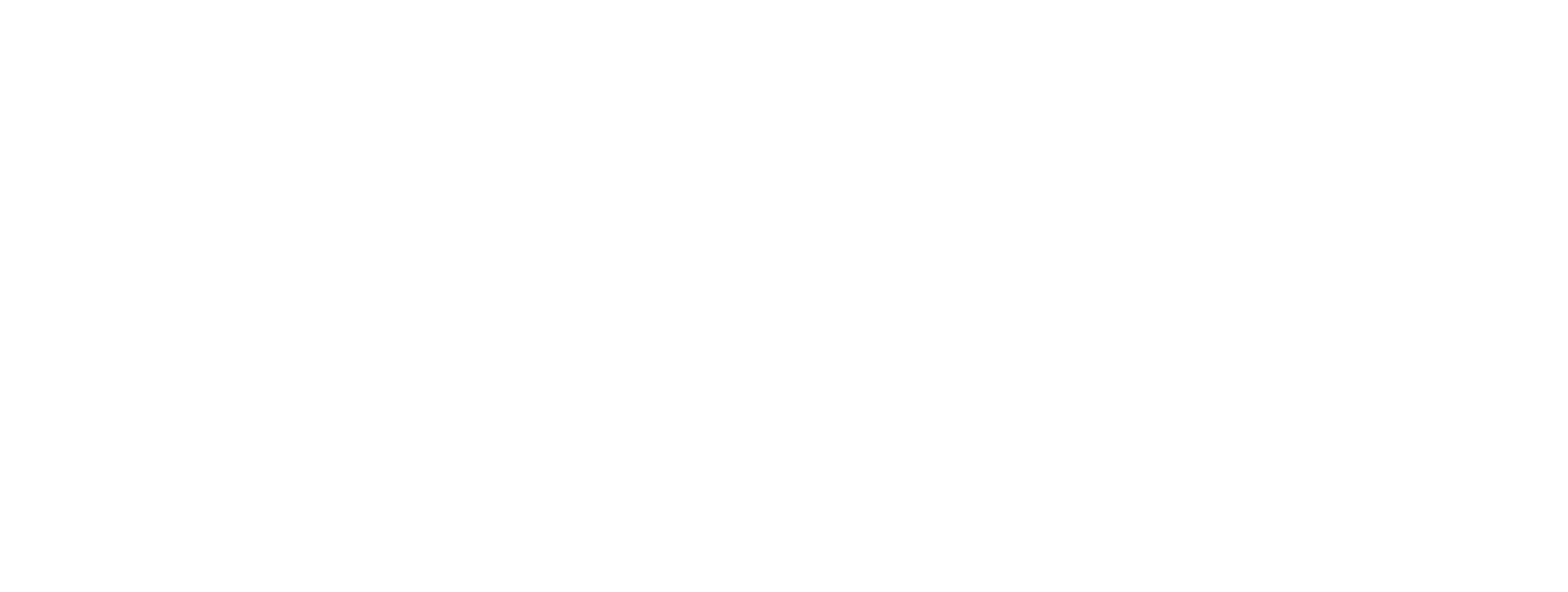
John G. Stumpf

*Chairman, President & Chief Executive Officer, Wells Fargo & Co.*

Thank you, everybody, and thanks for joining our call. We appreciate your interest, and also the ones who asked the questions, thank you much, and we will see you next quarter.

......................................................................................................................................................................................................................................................

Operator: Ladies and gentlemen, this concludes today's conference. Thank you all for participating, and you may now disconnect.



Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2012 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.