This Quarterly Report, including the Financial Review and the Financial Statements and related Notes, contains forward-looking statements, which may include forecasts of our financial results and condition, expectations for our operations and business, and our assumptions for those forecasts and expectations. Do not unduly rely on forward-looking statements. Actual results may differ materially from our forward-looking statements due to several factors. Factors that could cause our actual results to differ materially from our forward-looking statements are described in this Report, including in the "Forward-Looking Statements" section, and in the "Risk Factors" and "Regulation and Supervision" sections of our Annual Report on Form 10-K for the year ended December 31, 2019 (2019 Form 10-K).

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

Financial Review

Overview

Wells Fargo & Company is a diversified, community-based financial services company with $1.92 trillion in assets. Founded in 1852 and headquartered in San Francisco, we provide banking, investment and mortgage products and services, as well as consumer and commercial finance, through 7,200 locations, more than 13,000 ATMs, digital (online, mobile and social), and contact centers (phone, email and correspondence), and we have offices in 31 countries and territories to support customers who conduct business in the global economy. We serve one in three households in the United States and ranked No. 30 on *Fortune's* 2020 rankings of America's largest corporations. We ranked fourth in assets and third in the market value of our common stock among all U.S. banks at September 30, 2020.

Wells Fargo's top priority remains meeting its regulatory requirements to build the right foundation for all that lies ahead. To do that, the Company is committing the resources necessary to ensure that we operate with the strongest business practices and controls, maintain the highest level of integrity, and have an appropriate culture in place.

Federal Reserve Board Consent Order Regarding Governance Oversight and Compliance and Operational Risk Management

On February 2, 2018, the Company entered into a consent order with the Board of Governors of the Federal Reserve System (FRB). As required by the consent order, the Company's Board of Directors (Board) submitted to the FRB a plan to further enhance the Board's governance and oversight of the Company, and the Company submitted to the FRB a plan to further improve the Company's compliance and operational risk management program. The Company continues to engage with the FRB as the Company works to address the consent order provisions. The consent order also requires the Company, following the FRB's acceptance and approval of the plans and the Company's adoption and implementation of the plans, to complete an initial third-party review of the enhancements and improvements provided for in the plans. Until this third-party review is complete and the plans are approved and implemented to the satisfaction of the FRB, the Company's total consolidated assets as defined under the consent order will be limited to the level as of December 31, 2017. Compliance with this asset cap is measured on a two-quarter daily average basis to allow for management of temporary fluctuations. Due to the COVID-19 pandemic, on April 8, 2020, the FRB amended the consent order to allow the Company to exclude from the asset cap any on-balance sheet exposure resulting from loans made by the Company in connection with the Small Business Administration's Paycheck Protection Program and the FRB's Main Street Lending Program. As required under the amendment to the consent order, certain fees and other economic benefits received by the Company from loans made in connection with these programs shall be transferred to the U.S. Treasury or to non-profit organizations approved by the FRB that support small businesses. After removal of the asset cap, a second third-party review must also be conducted to assess the efficacy and sustainability of the enhancements and improvements.

Consent Orders with the Consumer Financial Protection Bureau and Office of the Comptroller of the Currency Regarding Compliance Risk Management Program, Automobile Collateral Protection Insurance Policies, and Mortgage Interest Rate Lock Extensions

On April 20, 2018, the Company entered into consent orders with the Consumer Financial Protection Bureau (CFPB) and the Office of the Comptroller of the Currency (OCC) to pay an aggregate of $1 billion in civil money penalties to resolve matters regarding the Company's compliance risk management program and past practices involving certain automobile collateral protection insurance (CPI) policies and certain mortgage interest rate lock extensions. As required by the consent orders, the Company submitted to the CFPB and OCC an enterprise-wide compliance risk management plan and a plan to enhance the Company's internal audit program with respect to federal consumer financial law and the terms of the consent orders. In addition, as required by the consent orders, the Company submitted for non-objection plans to remediate customers affected by the automobile collateral protection insurance and mortgage interest rate lock matters, as well as a plan for the management of remediation activities conducted by the Company.

Retail Sales Practices Matters

In September 2016, we announced settlements with the CFPB, the OCC, and the Office of the Los Angeles City Attorney, and entered into related consent orders with the CFPB and the OCC, in connection with allegations that some of our retail customers received products and services they did not request. As a result, it remains a top priority to rebuild trust through a comprehensive action plan that includes making things right for our customers, employees, and other stakeholders, and building a better Company for the future. Our priority of rebuilding trust has included numerous actions focused on identifying potential financial harm to customers resulting from these matters and providing remediation.

For additional information regarding retail sales practices matters, including related legal matters, see the "Risk Factors" section in our 2019 Form 10-K and Note 14 (Legal Actions) to Financial Statements in this Report.

Other Customer Remediation Activities

Our priority of rebuilding trust has also included an effort to identify other areas or instances where customers may have experienced financial harm, provide remediation as appropriate, and implement additional operational and control procedures. We are working with our regulatory agencies in this effort. We have previously disclosed key areas of focus as part of our rebuilding trust efforts and are in the process of providing remediation for those matters. We have accrued for the reasonably estimable remediation costs related to our rebuilding trust efforts, which amounts may change based on additional facts and information, as well as ongoing reviews and communications with our regulators.

As our ongoing reviews continue, it is possible that in the future we may identify additional items or areas of potential concern. To the extent issues are identified, we will continue to assess any customer harm and provide remediation as appropriate. For additional information, including related legal and regulatory risk, see the "Risk Factors" section in our 2019 Form 10-K and Note 14 (Legal Actions) to Financial Statements in this Report.

Recent Developments

Efficiency Initiatives

We are pursuing various initiatives to reduce expenses and create a more efficient and streamlined organization. Actions from these initiatives may include reorganizing and simplifying business processes and structures, reducing headcount, optimizing third-party spending, and rationalizing our branch and administrative locations, which may include consolidations and closures. We have established dedicated teams in each of our lines of businesses and functions to focus on an organized and structured approach for implementing these initiatives. The evaluation of potential actions will continue in future periods. In third quarter 2020, we recognized $718 million of restructuring charges, predominantly severance costs, within noninterest expense in our consolidated statement of income as a result of these initiatives. For additional information, see Note 2 (Restructuring Charges) to Financial Statements in this Report.

COVID-19 Pandemic

In response to the COVID-19 pandemic, we have been working diligently to protect employee safety while continuing to carry out Wells Fargo's role as a provider of critical and essential services to the public. We have taken comprehensive steps to help customers, employees and communities.

We have strong levels of capital and liquidity, and we remain focused on delivering for our customers and communities to get through these unprecedented times.

PAYCHECK PROTECTION PROGRAM The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) created funding for the Small Business Administration's (SBA) loan program providing forgiveness of up to the full principal amount of qualifying loans guaranteed under a new program called the Paycheck Protection Program (PPP). The intent of the PPP is to provide loans to small businesses in order to keep their employees on the payroll and make certain other eligible payments. Loans granted under the PPP are guaranteed by the SBA and are fully forgivable if used for qualifying expenses such as payroll, mortgage interest, rent and utilities. If the loans are not forgiven, they must be repaid over a term not to exceed five years. Under the PPP, through September 30, 2020, we funded $10.5 billion in loans to more than 190,000 borrowers and deferred $417 million of SBA processing fees that will be recognized as interest income over the term of the loans. As of September 30, 2020, $10.2 billion of principal remained outstanding on these PPP loans. We have committed to donating the gross processing fees received from funding PPP loans to non-profit organizations that support small businesses as the fees are recognized in earnings. Through September 30, 2020, we donated $51 million of processing fees.

SBA SIX-MONTH PAYMENT ASSISTANCE Under the CARES Act, the SBA will make principal and interest payments on behalf of certain borrowers for six months. During the first nine months of 2020, over 20,000 of our lending customers were eligible for SBA payment assistance, and we received $393 million in payments from the SBA.

LIBOR Transition

Due to uncertainty surrounding the suitability and sustainability of the London Interbank Offered Rate (LIBOR), central banks and global regulators have called for financial market participants to prepare for the discontinuation of LIBOR by the end of 2021. LIBOR is a widely-referenced benchmark rate, which is published in five currencies and a range of tenors, and seeks to estimate the cost at which banks can borrow on an unsecured basis from other banks. We have a significant number of assets and liabilities referenced to LIBOR and other interbank offered rates (IBORs), such as commercial loans, adjustable-rate mortgage loans, derivatives, debt securities, and long-term debt.

Accordingly, we established a LIBOR Transition Office (LTO) in February 2018, with senior management and Board oversight. The LTO is responsible for developing a coordinated strategy to transition the IBOR-linked contracts and processes across Wells Fargo to alternative reference rates and serves as the primary conduit between Wells Fargo and relevant industry groups, such as the Alternative Reference Rates Committee (ARRC).

In addition, the Company is actively working with regulators, industry working groups (such as the ARRC) and trade associations that are developing guidance to facilitate an orderly transition away from the use of LIBOR. We are closely monitoring and seeking to follow the recommendations and guidance announced by such organizations, including those announced by the ARRC and the Bank of England's Working Group on Sterling Risk-Free Reference Rates. We continue to assess the risks and related impacts associated with a transition away from IBORs. See the "Risk Factors" section in the 2019 Form 10-K for additional information regarding the potential impact of a benchmark rate, such as LIBOR, or other referenced financial metric being significantly changed, replaced, or discontinued.

On March 12, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-04 – *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (Update) that provides temporary relief from existing GAAP accounting requirements for entities that perform activities related to reference rate reform. The relief provided by the Update is primarily related to contract modifications and hedge accounting relationships that are impacted by the Company's reference rate reform activities. For additional information on the Update, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

For additional information on the amount of our IBOR-linked assets and liabilities, as well as the program structure and initiatives created by the LTO, see the "Risk Management –

Asset/Liability Management – LIBOR Transition" section in our 2019 Form 10-K.

Capital Actions and Restrictions

On September 30, 2020, the Board of Governors of the Federal Reserve System (FRB) announced that it was extending through fourth quarter 2020 measures it announced on June 25, 2020, prohibiting large bank holding companies (BHCs) subject to the FRB's capital plan rule, including Wells Fargo, from making capital distributions, subject to certain limited exceptions. For additional information about capital planning, including the FRB's recent prohibition on capital distributions, see the "Capital Management – Capital Planning and Stress Testing" section in this Report.

In October 2020, we issued $1.2 billion of our Non-Cumulative Perpetual Class A Preferred Stock, Series AA.

Financial Performance

Consolidated Financial Highlights

	Quarter ended Sep 30,				Nine months ended Sep 30,			
($ in millions)	**2020**	2019	$ Change	% Change	**2020**	2019	$ Change	% Change
Selected income statement data								
Net interest income	**$ 9,368**	11,625	(2,257)	(19)%	**$ 30,560**	36,031	(5,471)	(15)%
Noninterest income	**9,494**	10,385	(891)	(9)	**23,855**	29,172	(5,317)	(18)
Total revenue	**18,862**	22,010	(3,148)	(14)	**54,415**	65,203	(10,788)	(17)
Provision for credit losses	**769**	695	74	11	**14,308**	2,043	12,265	600
Noninterest expense	**15,229**	15,199	30	—	**42,828**	42,564	264	1
Income tax expense (benefit)	**645**	1,304	(659)	(51)	**(3,113)**	3,479	(6,592)	NM
Wells Fargo net income	**2,035**	4,610	(2,575)	(56)	**309**	16,676	(16,367)	(98)
Wells Fargo net income (loss) applicable to common stock	**1,720**	4,037	(2,317)	(57)	**(932)**	15,392	(16,324)	NM

NM – Not meaningful

Wells Fargo had net income of $2.0 billion in third quarter 2020 with diluted earnings per common share (EPS) of $0.42, compared with net income of $4.6 billion and diluted EPS of $0.92 a year ago. Financial performance for third quarter 2020 was impacted by $961 million of customer remediation accruals and $718 million of restructuring charges included in noninterest expense. Also, in third quarter 2020 compared with the same period a year ago:

- total revenue decreased due to lower net interest income and lower noninterest income driven by lower other noninterest income, partially offset by higher mortgage banking noninterest income;
- noninterest expense increased due to higher restructuring charges, partially offset by lower operating losses;
- average loans decreased due to lower commercial and consumer loans; and
- average deposits increased on growth in interest-bearing and noninterest-bearing deposits.

Wells Fargo had net income of $309 million in the first nine months of 2020 with diluted loss per common share of $0.23, compared with net income of $16.7 billion and diluted EPS of $3.43 a year ago. Financial performance for the first nine months of 2020 was impacted by $14.3 billion of provision for credit losses, $1.9 billion of customer remediation accruals and $718 million of restructuring charges included in noninterest expense. Also, in the first nine months of 2020 compared with the same period a year ago:

- total revenue decreased due to lower net interest income and lower noninterest income driven by lower other noninterest income and net gains (losses) from equity securities;
- noninterest expense increased due to higher restructuring charges, operating losses, and occupancy expense, partially offset by lower personnel and advertising and promotion expense;
- average loans increased due to higher commercial loans, partially offset by lower consumer loans; and
- average deposits increased on growth in interest-bearing and noninterest-bearing deposits.

Capital and Liquidity

We maintained a solid capital position in the first nine months of 2020, with total equity of $182.0 billion at September 30, 2020, compared with $188.0 billion at December 31, 2019. Our liquidity and regulatory capital ratios remained strong at September 30, 2020, and included:

- our liquidity coverage ratio (LCR) was 134% at September 30, 2020, which continued to exceed the regulatory minimum of 100%;
- our Common Equity Tier 1 (CET1) ratio was 11.38% at September 30, 2020, which continued to exceed both the regulatory minimum of 9% and our current internal target of 10%; and
- our eligible external total loss absorbing capacity (TLAC) as a percentage of total risk-weighted assets was 25.76% as of September 30, 2020, compared with the regulatory minimum of 22.0%.

See the "Capital Management" and the "Risk Management – Asset/Liability Management – Liquidity and Funding" sections in this Report for additional information regarding our capital and liquidity, including the calculation of our regulatory capital and liquidity amounts.

Credit Quality

Credit quality was affected by the economic impact that the COVID-19 pandemic had on our customer base.

- The allowance for credit losses (ACL) for loans of $20.5 billion at September 30, 2020, increased $10.0 billion from December 31, 2019. We had a $11.3 billion increase in the ACL for loans in the first nine months of 2020, partially offset by a $1.3 billion decrease as a result of our adoption on January 1, 2020, of ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments* (CECL). Our provision for credit losses for loans was $14.1 billion in the first nine months of 2020, up from $2.0 billion in the same period a year ago. The increase in the ACL for loans and the provision for credit losses reflected current and forecasted economic conditions due to the COVID-19 pandemic.
- The allowance coverage for total loans was 2.22% at September 30, 2020, compared with 1.09% at December 31, 2019.
- Net loan charge-offs were $683 million, or 0.29% (annualized) of average loans, in third quarter 2020, compared with $645 million a year ago (0.27%)(annualized).
- Commercial portfolio net loan charge-offs were $356 million, or 29 basis points (annualized) of average commercial loans, in third quarter 2020, compared with net loan charge-offs of $139 million, or 11 basis points (annualized), a year ago, predominantly driven by increased losses in our commercial and industrial and commercial real estate loan portfolios.
- Consumer portfolio net loan charge-offs were $327 million, or 30 basis points (annualized) of average consumer loans, in third quarter 2020, compared with net loan charge-offs of $506 million, or 46 basis points (annualized), a year ago, predominantly driven by lower losses in our credit card, automobile and other revolving credit and installment loan portfolios, partially offset by lower recoveries in our residential real estate portfolios.
- Nonperforming assets (NPAs) of $8.2 billion at September 30, 2020, increased $2.5 billion, or 45%, from December 31, 2019, predominantly driven by increases in commercial and industrial and commercial real estate mortgage nonaccrual loans. NPAs represented 0.89% of total loans at September 30, 2020.

Earnings Performance

Wells Fargo net income for third quarter 2020 was $2.0 billion ($0.42 diluted earnings per common share), compared with $4.6 billion ($0.92 diluted per share) in the same period a year ago. Net income decreased in third quarter 2020, compared with the same period a year ago, predominantly due to a $2.3 billion decrease in net interest income and an $891 million decrease in noninterest income, partially offset by a $659 million decrease in income tax expense.

Net income for the first nine months of 2020 was $309 million, compared with $16.7 billion in the same period a year ago. Net income decreased in the first nine months of 2020, compared with the same period a year ago, due to a $12.3 billion increase in our provision for credit losses, a $5.5 billion decrease in net interest income, and a $5.3 billion decrease in noninterest income, partially offset by a $6.6 billion decrease in income tax expense.

Net Interest Income

Net interest income and the net interest margin are presented on a taxable-equivalent basis in Table 1 to consistently reflect income from taxable and tax-exempt loans and debt and equity securities based on a 21% federal statutory tax rate for the periods ending September 30, 2020 and 2019.

Net interest income and net interest margin decreased in both the third quarter and first nine months of 2020, compared with the same periods a year ago, driven by unfavorable impacts of repricing due to the lower interest rate environment and higher mortgage-backed securities (MBS) premium amortization. The decrease in third quarter 2020 also reflected changes in the mix of earning assets and funding sources.

For additional information about net interest income and net interest margin, see the “Earnings Performance – Net Interest Income” section in our 2019 Form 10-K.

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

						Quarter ended September 30,
			2020			2019
(in millions)	**Average balance**	**Yields/ rates**	**Interest income/ expense**	Average balance	Yields/ rates	Interest income/ expense
Earning assets						
Interest-earning deposits with banks	**$ 216,958**	**0.11 %**	**$ 58**	134,017	2.14 %	$ 723
Federal funds sold and securities purchased under resale agreements	**80,431**	**0.02**	**3**	105,919	2.24	599
Debt securities (2):						
Trading debt securities	**88,021**	**2.49**	**548**	94,737	3.35	794
Available-for-sale debt securities:						
Securities of U.S. Treasury and federal agencies	**8,126**	**0.87**	**18**	16,040	2.14	87
Securities of U.S. states and political subdivisions	**32,326**	**2.16**	**174**	43,305	3.78	409
Mortgage-backed securities:						
Federal agencies	**131,182**	**2.03**	**665**	154,134	2.77	1,066
Residential and commercial	**4,051**	**1.58**	**16**	5,175	4.02	52
Total mortgage-backed securities	**135,233**	**2.02**	**681**	159,309	2.81	1,118
Other debt securities	**41,871**	**1.84**	**194**	42,435	4.12	440
Total available-for-sale debt securities	**217,556**	**1.96**	**1,067**	261,089	3.14	2,054
Held-to-maturity debt securities:						
Securities of U.S. Treasury and federal agencies	**48,582**	**2.14**	**261**	44,770	2.18	247
Securities of U.S. states and political subdivisions	**14,145**	**3.84**	**136**	8,688	4.01	87
Federal agency and other mortgage-backed securities	**113,646**	**1.85**	**525**	95,434	2.54	606
Other debt securities	**11**	**1.66**	**—**	50	3.58	—
Total held-to-maturity debt securities	**176,384**	**2.09**	**922**	148,942	2.52	940
Total debt securities	**481,961**	**2.10**	**2,537**	504,768	3.00	3,788
Mortgage loans held for sale (3)	**29,426**	**3.15**	**232**	22,743	4.08	232
Loans held for sale (3)	**1,597**	**1.60**	**7**	1,964	4.17	20
Loans:						
Commercial loans:						
Commercial and industrial – U.S.	**270,998**	**2.53**	**1,721**	284,278	4.21	3,015
Commercial and industrial – Non-U.S.	**64,048**	**2.14**	**344**	64,016	3.67	593
Real estate mortgage	**123,391**	**2.81**	**870**	121,819	4.36	1,338
Real estate construction	**22,216**	**3.13**	**175**	20,686	5.13	267
Lease financing	**17,091**	**3.41**	**146**	19,266	4.34	209
Total commercial loans	**497,744**	**2.60**	**3,256**	510,065	4.22	5,422
Consumer loans:						
Real estate 1-4 family first mortgage	**290,607**	**3.24**	**2,357**	288,383	3.74	2,699
Real estate 1-4 family junior lien mortgage	**26,018**	**4.13**	**270**	31,454	5.66	448
Credit card	**35,965**	**11.70**	**1,057**	39,204	12.55	1,240
Automobile	**48,718**	**4.90**	**600**	46,286	5.13	599
Other revolving credit and installment	**32,656**	**5.25**	**431**	34,368	6.95	601
Total consumer loans	**433,964**	**4.33**	**4,715**	439,695	5.06	5,587
Total loans (3)	**931,708**	**3.41**	**7,971**	949,760	4.61	11,009
Equity securities	**25,185**	**1.61**	**100**	37,075	2.68	249
Other	**6,974**	**(0.02)**	**—**	6,695	1.77	30
Total earning assets	**$ 1,774,240**	**2.45 %**	**$ 10,908**	1,762,941	3.76 %	$ 16,650
Funding sources						
Deposits:						
Interest-bearing checking	**$ 49,608**	**0.07 %**	**$ 8**	59,310	1.39 %	$ 208
Market rate and other savings	**803,942**	**0.08**	**157**	711,334	0.66	1,182
Savings certificates	**24,808**	**0.83**	**52**	32,751	1.72	142
Other time deposits	**46,920**	**0.64**	**75**	91,820	2.42	561
Deposits in non-U.S. offices	**33,992**	**0.25**	**22**	51,709	1.77	231
Total interest-bearing deposits	**959,270**	**0.13**	**314**	946,924	0.97	2,324
Short-term borrowings	**57,292**	**(0.08)**	**(12)**	121,842	2.07	635
Long-term debt	**222,862**	**1.86**	**1,038**	229,689	3.09	1,780
Other liabilities	**27,679**	**1.33**	**92**	26,173	2.06	135
Total interest-bearing liabilities	**1,267,103**	**0.45**	**1,432**	1,324,628	1.46	4,874
Portion of noninterest-bearing funding sources	**507,137**	**—**	**—**	438,313	—	—
Total funding sources	**$ 1,774,240**	**0.32**	**1,432**	1,762,941	1.10	4,874
Net interest margin and net interest income on a taxable-equivalent basis (4)		**2.13 %**	**$ 9,476**		2.66 %	$ 11,776
Noninterest-earning assets						
Cash and due from banks	**$ 21,991**			19,199		
Goodwill	**26,388**			26,413		
Other	**125,053**			118,862		
Total noninterest-earning assets	**$ 173,432**			164,474		
Noninterest-bearing funding sources						
Deposits	**$ 439,758**			344,451		
Other liabilities	**57,961**			58,241		
Total equity	**182,850**			200,095		
Noninterest-bearing funding sources used to fund earning assets	**(507,137)**			(438,313)		
Net noninterest-bearing funding sources	**$ 173,432**			164,474		
Total assets	**$ 1,947,672**			1,927,415		
Average prime rate		**3.25 %**			5.31 %	
Average three-month London Interbank Offered Rate (LIBOR)		**0.25**			2.20	

(1) Yields/rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.
(2) Yields/rates are based on interest income/expense amounts for the period, annualized based on the accrual basis for the respective accounts. The average balance amounts represent amortized cost for the periods presented.
(3) Nonaccrual loans and related income are included in their respective loan categories.
(4) Includes taxable-equivalent adjustments of $108 million and $151 million for the quarters ended September 30, 2020 and 2019, respectively, and $367 million and $469 million for the first nine months of 2020 and 2019, respectively, predominantly related to tax-exempt income on certain loans and securities.

	Nine months ended September 30,					
	2020			2019		
(in millions)	**Average balance**	**Yields/ rates**	**Interest income/ expense**	Average balance	Yields/ rates	Interest income/ expense
Earning assets						
Interest-earning deposits with banks	**$ 174,425**	**0.37 %**	**$ 490**	138,591	2.27 %	$ 2,352
Federal funds sold and securities purchased under resale agreements	**88,095**	**0.58**	**385**	95,945	2.36	1,692
Debt securities (2):						
Trading debt securities	**95,018**	**2.78**	**1,981**	90,229	3.46	2,338
Available-for-sale debt securities:						
Securities of U.S. Treasury and federal agencies	**9,448**	**1.06**	**75**	15,178	2.17	246
Securities of U.S. states and political subdivisions	**35,656**	**2.90**	**775**	45,787	3.95	1,355
Mortgage-backed securities:						
Federal agencies	**144,425**	**2.37**	**2,564**	151,806	2.95	3,359
Residential and commercial	**4,376**	**2.25**	**74**	5,571	4.12	172
Total mortgage-backed securities	**148,801**	**2.36**	**2,638**	157,377	2.99	3,531
Other debt securities	**40,220**	**2.67**	**805**	44,746	4.33	1,451
Total available-for-sale debt securities	**234,125**	**2.45**	**4,293**	263,088	3.34	6,583
Held-to-maturity debt securities:						
Securities of U.S. Treasury and federal agencies	**47,701**	**2.16**	**770**	44,762	2.19	734
Securities of U.S. states and political subdivisions	**13,950**	**3.83**	**401**	7,277	4.03	220
Federal agency and other mortgage-backed securities	**105,393**	**2.19**	**1,728**	95,646	2.64	1,894
Other debt securities	**17**	**2.64**	**—**	56	3.81	1
Total held-to-maturity debt securities	**167,061**	**2.31**	**2,899**	147,741	2.57	2,849
Total debt securities	**496,204**	**2.47**	**9,173**	501,058	3.13	11,770
Mortgage loans held for sale (3)	**25,264**	**3.48**	**659**	18,401	4.20	579
Loans held for sale (3)	**1,577**	**2.19**	**26**	1,823	4.72	64
Loans:						
Commercial loans:						
Commercial and industrial – U.S.	**289,799**	**2.88**	**6,257**	285,305	4.39	9,360
Commercial and industrial – Non U.S.	**68,965**	**2.61**	**1,345**	63,252	3.82	1,808
Real estate mortgage	**122,903**	**3.25**	**2,987**	121,703	4.51	4,101
Real estate construction	**21,288**	**3.66**	**583**	21,557	5.31	856
Lease financing	**18,152**	**4.07**	**554**	19,262	4.56	659
Total commercial loans	**521,107**	**3.01**	**11,726**	511,079	4.39	16,784
Consumer loans:						
Real estate 1-4 family first mortgage	**288,355**	**3.43**	**7,421**	286,600	3.86	8,296
Real estate 1-4 family junior lien mortgage	**27,535**	**4.52**	**932**	32,610	5.72	1,397
Credit card	**37,415**	**11.58**	**3,243**	38,517	12.69	3,656
Automobile	**48,473**	**4.95**	**1,797**	45,438	5.18	1,762
Other revolving credit and installment	**33,033**	**5.68**	**1,405**	34,832	7.07	1,841
Total consumer loans	**434,811**	**4.54**	**14,798**	437,997	5.17	16,952
Total loans (3)	**955,918**	**3.70**	**26,524**	949,076	4.75	33,736
Equity securities	**30,027**	**1.89**	**425**	35,139	2.65	697
Other	**7,373**	**0.24**	**14**	5,275	1.73	68
Total earning assets	**$ 1,778,883**	**2.83 %**	**$ 37,696**	1,745,308	3.90 %	$ 50,958
Funding sources						
Deposits:						
Interest-bearing checking	**$ 55,407**	**0.37 %**	**$ 152**	57,715	1.42 %	$ 615
Market rate and other savings	**788,732**	**0.24**	**1,446**	696,943	0.58	3,038
Savings certificates	**27,310**	**1.16**	**237**	29,562	1.56	344
Other time deposits	**62,881**	**1.23**	**580**	95,490	2.57	1,836
Deposits in non-U.S. offices	**41,642**	**0.73**	**226**	52,995	1.84	730
Total interest-bearing deposits	**975,972**	**0.36**	**2,641**	932,705	0.94	6,563
Short-term borrowings	**74,538**	**0.47**	**263**	115,131	2.18	1,878
Long-term debt	**228,067**	**2.06**	**3,515**	233,186	3.21	5,607
Other liabilities	**29,270**	**1.59**	**350**	25,263	2.17	410
Total interest-bearing liabilities	**1,307,847**	**0.69**	**6,769**	1,306,285	1.48	14,458
Portion of noninterest-bearing funding sources	**471,036**	**—**	**—**	439,023	—	—
Total funding sources	**$ 1,778,883**	**0.51**	**6,769**	1,745,308	1.11	14,458
Net interest margin and net interest income on a taxable-equivalent basis (4)		**2.32 %**	**$ 30,927**		2.79 %	$ 36,500
Noninterest-earning assets						
Cash and due from banks	**$ 21,266**			19,428		
Goodwill	**26,386**			26,416		
Other	**122,550**			112,721		
Total noninterest-earning assets	**$ 170,202**			158,565		
Noninterest-bearing funding sources						
Deposits	**$ 398,666**			341,541		
Other liabilities	**57,537**			56,664		
Total equity	**185,035**			199,383		
Noninterest-bearing funding sources used to fund earning assets	**(471,036)**			(439,023)		
Net noninterest-bearing funding sources	**$ 170,202**			158,565		
Total assets	**$ 1,949,085**			1,903,873		
Average prime rate		**3.63 %**			5.43 %	
Average three-month London Interbank Offered Rate (LIBOR)		**0.79**			2.46	

Noninterest Income

Table 2: Noninterest Income

	Quarter ended Sep 30,				Nine months ended Sep 30,			
(in millions)	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
Deposit-related fees (1)	$ **1,299**	1,480	(181)	(12)%	$ **3,888**	4,289	(401)	(9)%
Trust and investment fees:								
Brokerage advisory, commissions and other fees	**2,336**	2,346	(10)	—	**6,935**	6,857	78	1
Trust and investment management	**737**	729	8	1	**2,125**	2,310	(185)	(8)
Investment banking	**441**	484	(43)	(9)	**1,379**	1,333	46	3
Total trust and investment fees	**3,514**	3,559	(45)	(1)	**10,439**	10,500	(61)	(1)
Card fees	**912**	1,027	(115)	(11)	**2,601**	2,996	(395)	(13)
Lending-related fees (1)	**352**	374	(22)	(6)	**1,025**	1,116	(91)	(8)
Mortgage banking:								
Servicing income, net	**341**	(142)	483	NM	**(77)**	499	(576)	NM
Net gains on mortgage loan origination/sales activities	**1,249**	608	641	105	**2,363**	1,433	930	65
Total mortgage banking	**1,590**	466	1,124	241	**2,286**	1,932	354	18
Net gains from trading activities	**361**	276	85	31	**1,232**	862	370	43
Net gains on debt securities	**264**	3	261	NM	**713**	148	565	382
Net gains (losses) from equity securities	**649**	956	(307)	(32)	**(219)**	2,392	(2,611)	NM
Lease income	**333**	402	(69)	(17)	**1,021**	1,270	(249)	(20)
Life insurance investment income	**156**	173	(17)	(10)	**480**	499	(19)	(4)
Other (1)	**64**	1,669	(1,605)	(96)	**389**	3,168	(2,779)	(88)
Total	$ **9,494**	10,385	(891)	(9)	$ **23,855**	29,172	(5,317)	(18)

NM- not meaningful

(1) In third quarter 2020, service charges on deposit accounts, cash network fees, wire transfer and other remittance fees, and certain other fees were combined into a single line item for deposit-related fees; certain fees associated with lending activities were combined into a single line item for lending-related fees; and certain other fees were reclassified to other noninterest income. Prior period balances have been revised to conform with the current period presentation.

Third quarter 2020 vs. third quarter 2019

Deposit-related fees decreased driven by:
- lower customer transaction volumes and higher average consumer deposit account balances due to the economic slowdown associated with the COVID-19 pandemic; and
- higher fee waivers and reversals as part of our actions to support customers during the COVID-19 pandemic;

partially offset by:
- higher treasury management fees on commercial accounts driven by a lower earnings credit rate due to the lower interest rate environment.

Card fees decreased reflecting:
- lower interchange fees, net of rewards costs, driven by decreased purchase volume due to the impact of the COVID-19 pandemic; and
- higher fee waivers as part of our actions to support customers during the COVID-19 pandemic.

Servicing income, net increased reflecting:
- higher mortgage servicing right (MSR) valuation gains, net of hedge results, driven by favorable hedge results, changes in expected servicing costs reflecting economic improvements in third quarter 2020 compared with second quarter 2020 and negative valuation model adjustments made in third quarter 2019 reflecting higher prepayment estimates;

partially offset by:
- lower servicing fees due to a lower balance of loans serviced for others.

For additional information on servicing income, see Note 11 (Mortgage Banking Activities) to Financial Statements in this Report.

Net gains on mortgage loan origination/sales activities increased driven by:
- higher residential real estate held for sale (HFS) origination volumes; and
- an increase in production margin in both our retail and correspondent production channels, as well as a shift to more retail origination volume, which has a higher margin.

The production margin provides a measure of the profitability of our residential held for sale mortgage loan originations. Table 2a presents the information used in determining the production margin.

Table 2a Selected Mortgage Production Data

		Quarter ended Sep 30,		Nine months ended Sep 30,	
		2020	2019	**2020**	2019
Net gains on mortgage loan origination/sales activities (in millions):					
Residential	(A)	**$1,039**	461	**$2,265**	1,015
Commercial		**45**	106	**151**	236
Residential pipeline and unsold/repurchased loan management (1)		**165**	41	**(53)**	182
Total		**$1,249**	608	**$2,363**	1,433
Residential real estate originations (in billions):					
Held for sale	(B)	**$ 48**	38	**$ 124**	93
Held for investment		**14**	20	**45**	51
Total		**$ 62**	58	**$ 169**	144
Production margin on residential held for sale mortgage loan originations	(A)/(B)	**2.16 %**	1.21	**1.83 %**	1.09

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

Net gains from trading activities increased reflecting higher volumes and customer activity in equities trading due to volatility in the equity markets.

Net gains on debt securities increased due to higher gains from the sales of agency MBS as a result of portfolio re-balancing and actions taken to manage under the asset cap.

Net gains from equity securities decreased reflecting:

- lower realized gains on nonmarketable equity securities;

partially offset by:

- $224 million of net unrealized gains related to a change in the accounting measurement model for certain nonmarketable equity securities from our affiliated venture capital partnerships.

Other income decreased due to:

- a $1.1 billion gain in third quarter 2019 from the sale of our Institutional Retirement and Trust (IRT) business and $302 million of gains from the sales of purchased credit-impaired (PCI) loans in third quarter 2019; and
- a decline in commercial real estate brokerage commissions as a result of the sale of Eastdil Secured (Eastdil) in fourth quarter 2019;

partially offset by:

- $228 million of higher equity method investment income related to a change in the accounting measurement model for certain nonmarketable equity securities from our affiliated venture capital partnerships.

First nine months of 2020 vs. first nine months of 2019

Deposit-related fees decreased driven by:

- lower customer transaction volumes and higher average consumer deposit account balances due to the economic slowdown associated with the COVID-19 pandemic; and
- higher fee waivers and reversals as part of our actions to support customers during the COVID-19 pandemic;

partially offset by:

- higher treasury management fees on commercial accounts driven by a lower earnings credit rate due to the lower interest rate environment.

Brokerage advisory, commissions and other fees increased reflecting higher asset-based fees, partially offset by lower transactional revenue. Asset-based fees include fees from advisory accounts that are based on a percentage of the market value of the assets as of the beginning of the quarter.

Trust and investment management fees decreased driven by lower trust fees due to the sale of our IRT business in third quarter 2019.

Our assets under management (AUM) totaled $797.9 billion at September 30, 2020, compared with $691.9 billion at September 30, 2019. Substantially all of our AUM is managed by our Wealth and Investment Management (WIM) operating segment. Our assets under administration (AUA) totaled $1.6 trillion at September 30, 2020 and $1.8 trillion at September 30, 2019. Management believes that AUM and AUA are useful metrics because they allow investors and others to assess how changes in asset amounts may impact the generation of certain asset-based fees.

Our AUM and AUA included IRT client assets of $22 billion and $708 billion, respectively, at September 30, 2020, which we continue to administer at the direction of the buyer pursuant to a transition services agreement that will terminate no later than July 2021.

Card fees decreased reflecting:

- lower interchange fees, net of rewards costs, driven by decreased purchase volume due to the impact of the COVID-19 pandemic; and
- higher fee waivers as part of our actions to support customers during the COVID-19 pandemic.

Lending-related fees decreased driven by an increase in fee waivers and reversals as part of our actions to support customers during the COVID-19 pandemic.

Servicing income, net decreased reflecting:

- higher MSR valuation losses, net of hedge results, as gains from favorable hedge results were more than offset by valuation adjustments for higher expected servicing costs and prepayment estimates due to changes in economic conditions; and
- lower servicing fees due to a lower balance of loans serviced for others and the impacts of customer accommodations instituted in response to the COVID-19 pandemic.

For additional information on servicing income, see Note 11 (Mortgage Banking Activities) to Financial Statements in this Report.

Net gains on mortgage loan origination/sales activities increased driven by:

- higher residential real estate HFS origination volumes; and
- an increase in production margin due to higher margins in both our retail and correspondent production channels, as well as a shift to more retail origination volume, which has a higher margin. For additional information on the production margin on residential held for sale mortgage loan originations, see Table 2a.

Net gains from trading activities increased reflecting:

- higher income driven by demand for interest rate products due to lower interest rates;
- higher volumes and customer activity for equities trading due to volatility in the equity markets; and

- higher volumes for credit trading due to additional market liquidity from government actions in response to the COVID-19 pandemic;

partially offset by:

- losses due to higher prepayment speeds on agency MBS pools, net of hedge gains, and wider credit spreads for non-agency and certain asset-backed securities.

Net gains on debt securities increased due to higher gains from the sales of agency MBS as a result of portfolio re-balancing and actions taken to manage under the asset cap.

Net gains from equity securities decreased driven by:

- changes in the value of deferred compensation plan investments (largely offset in personnel expense). Refer to Table 3a for the results for our deferred compensation plan and related investments;
- lower realized gains on nonmarketable equity securities; and
- impairment on equity securities of $1.6 billion, including $434 million related to a change in the accounting measurement model for certain nonmarketable equity securities from our affiliated venture capital partnerships;

partially offset by:

- higher unrealized gains, including $658 million related to a change in the accounting measurement model for certain nonmarketable equity securities from our affiliated venture capital partnerships.

Other income decreased due to:

- a $1.1 billion gain in third quarter 2019 from the sale of our IRT business and $1.6 billion of gains from the sales of PCI loans in the first nine months of 2019;
- a decline in commercial real estate brokerage commissions as a result of the sale of Eastdil in fourth quarter 2019; and
- lower equity method investments income;

partially offset by:

- gains on the sales of loans reclassified to held for sale in 2019 and sold in the second quarter of 2020; and
- transition services fees associated with the sale of our IRT business.

Noninterest Expense

Table 3: Noninterest Expense

	Quarter ended Sep 30,				Nine months ended Sep 30,			
(in millions)	**2020**	2019	$ Change	% Change	**2020**	2019	$ Change	% Change
Personnel	$ **8,624**	8,604	20	—%	$ **25,863**	26,309	(446)	(2)%
Technology, telecommunications and equipment (1)	**791**	821	(30)	(4)	**2,261**	2,340	(79)	(3)
Occupancy (2)	**851**	760	91	12	**2,437**	2,196	241	11
Operating losses	**1,219**	1,920	(701)	(37)	**2,902**	2,405	497	21
Professional and outside services (1)	**1,760**	1,737	23	1	**5,042**	4,956	86	2
Leases (3)	**291**	272	19	7	**795**	869	(74)	(9)
Advertising and promotion	**144**	266	(122)	(46)	**462**	832	(370)	(44)
Restructuring charges	**718**	—	718	NM	**718**	—	718	NM
Other (1)	**831**	819	12	1	**2,348**	2,657	(309)	(12)
Total	$ **15,229**	15,199	30	—	$ **42,828**	42,564	264	1

NM - Not meaningful

(1) In third quarter 2020, expenses for outside professional services, contract services, and outside data processing were combined into a single line item for professional and outside services expense; expenses for technology and equipment and telecommunications were combined into a single line item for technology, telecommunications and equipment expense; and certain other expenses were reclassified to other noninterest expense. Prior period balances have been revised to conform with the current period presentation.

(2) Represents expenses for both leased and owned properties.

(3) Represents expenses for assets we lease to customers.

Third quarter 2020 vs. third quarter 2019

Personnel expense remained relatively flat, reflecting:

- higher salaries expense driven by the impact of annual salary increases and higher staffing levels;

partially offset by:

- lower incentive compensation expense.

Occupancy expense increased due to additional cleaning fees, supplies, and equipment expenses related to the COVID-19 pandemic.

Operating losses decreased driven by:

- lower litigation accruals, as third quarter 2019 included a $1.6 billion discrete litigation accrual related to retail sales practices matters;

partially offset by:

- increased customer remediation accruals reflecting expansions of the population of affected customers, remediation payments, and/or remediation time frames for a variety of matters.

Advertising and promotion expense decreased driven by decreases in marketing and brand campaign volumes due to the impact of the COVID-19 pandemic.

Restructuring charges increased driven predominantly by severance costs, as well as facility closure costs, related to our efficiency initiatives that commenced in third quarter 2020. For additional information on restructuring charges, see Note 2 *(*Restructuring Charges) to Financial Statements in this Report.

First nine months of 2020 vs. first nine months of 2019

Personnel expense decreased driven by:

- lower deferred compensation expense (offset in net gains from equity securities);

partially offset by:

- higher salaries expense driven by annual salary increases and higher staffing levels; and
- increases in employee benefits and incentive compensation expense related to the COVID-19 pandemic, including

additional payments for certain customer-facing and support employees and back-up childcare services.

Table 3a presents results for our deferred compensation plan and related hedges. Historically, we used equity securities as economic hedges of our deferred compensation plan liabilities. Changes in the fair value of the equity securities used as economic hedges were recorded in net gains (losses) from equity securities within noninterest income. In second quarter 2020, we entered into arrangements to transition our economic hedges from equity securities to derivative instruments. Changes in fair value of derivatives used as economic hedges are presented within the same financial statement line as the related business activity being hedged. As a result of this transition, we presented the net gains (losses) on derivatives from economic hedges on the deferred compensation plan liabilities in personnel expense. For additional information on the derivatives used in the economic hedges, see Note 15 (Derivatives) to Financial Statements in this Report.

Table 3a: Deferred Compensation and Related Hedges

	Quarter ended Sep 30,		Nine months ended Sep 30,	
(in millions)	**2020**	2019	**2020**	2019
Net interest income	**$ —**	13	**$ 15**	44
Net gains (losses) from equity securities	**1**	(4)	**(274)**	428
Total revenue (losses) from deferred compensation plan investments	**1**	9	**(259)**	472
Change in deferred compensation plan liabilities	**220**	5	**112**	476
Net derivative (gains) losses from economic hedges of deferred compensation	**(215)**	—	**(356)**	—
Personnel expense	**5**	5	**(244)**	476
Income (loss) before income tax expense	**$ (4)**	4	**$ (15)**	(4)

Technology, telecommunications and equipment expense decreased due to:
- a software impairment in third quarter 2019; and
- a software licensing liability accrual reversal in second quarter 2020;

partially offset by:
- higher cloud computing expenses; and
- higher telecommunications expense related to the COVID-19 pandemic.

Occupancy expense increased due to additional cleaning fees, supplies, and equipment expenses related to the COVID-19 pandemic.

Operating losses increased driven by:
- higher customer remediation accruals reflecting expansions of the population of affected customers, remediation payments, and/or remediation time frames for a variety of matters;

partially offset by:
- lower litigation accruals as third quarter 2019 included a $1.6 billion discrete litigation accrual related to retail sales practices matters.

Advertising and promotion expense decreased driven by reduced marketing and brand campaign volumes due to the impact of the COVID-19 pandemic.

Restructuring charges increased driven predominantly by severance costs, as well as facility closure costs, related to our efficiency initiatives that commenced in third quarter 2020. For additional information on restructuring charges, see Note 2 *(*Restructuring Charges) to Financial Statements in this Report.

Other expenses decreased driven by:
- a reduction in business travel and company events due to ongoing expense management initiatives, as well as the impact of the COVID-19 pandemic; and
- lower foreclosed assets expense due to the suspension of certain mortgage foreclosure activities in response to the COVID-19 pandemic;

partially offset by:
- higher pension plan settlement expenses; and
- higher Federal Deposit Insurance Corporation (FDIC) deposit assessment expense driven by a higher assessment rate and higher deposit balances.

Income Tax Expense

Income tax expense was $645 million in third quarter 2020, compared with $1.3 billion in the same period a year ago, driven by lower pre-tax income. The effective income tax rate was 24.1% for third quarter 2020, compared with 22.1% for the same period a year ago. The effective income tax rate for third quarter 2020 reflected lower pre-tax income and included net discrete income tax benefits primarily related to the resolution and reevaluation of prior period matters with U.S federal and state tax authorities. The effective income tax rate for third quarter 2019 reflected a net discrete income tax expense related to the non-tax deductible treatment of a $1.6 billion discrete litigation accrual.

Income tax benefit was $3.1 billion in the first nine months of 2020, compared with income tax expense of $3.5 billion in the same period a year ago, driven by lower pre-tax income. The effective income tax rate was 111.0% for the first nine months of 2020, compared with 17.3% for the same period a year ago. The effective income tax rate for the first nine months of 2020 reflected lower pre-tax income and included net discrete income tax benefits primarily related to the resolution and reevaluation of prior period matters with U.S federal and state tax authorities. The effective income tax rate for the first nine months of 2019 reflected a net discrete income tax expense related to the non-tax deductible treatment of a $1.6 billion discrete litigation accrual, partially offset by net discrete income tax benefits related to the results of U.S. federal and state income tax examinations.

Operating Segment Results

Our operating segments are defined by product type and customer segment, and their results are based on our management reporting process. The management reporting process is based on U.S. GAAP with specific adjustments, such as for funds transfer pricing for asset/liability management, for shared revenues and expenses, and tax-equivalent adjustments to consistently reflect income from taxable and tax-exempt sources. On February 11, 2020, we announced a new organizational structure. We continue to refine the composition of our operating segments and allocation methodologies. Additionally, we are still in the process of transitioning key leadership positions. We now expect to update our operating segment disclosures, including comparative financial results, in fourth quarter 2020. These changes will not impact previously reported consolidated financial results of the Company. Table 4 and the following discussion present our results by current operating segment. For additional description of our operating segments, including additional financial information and the underlying management reporting process, see Note 22 (Operating Segments) to Financial Statements in this Report.

We perform a goodwill impairment assessment annually in the fourth quarter. Since our last annual assessment, we have observed a significant decline in market capitalization given deteriorated macroeconomic conditions from the impact of the COVID-19 pandemic. In first and second quarter 2020, we performed interim, quantitative impairment assessments of our goodwill with no evidence of goodwill impairment. Given the uncertainty of the severity or length of the current economic downturn, we continue to monitor our performance against our internal forecasts as well as market conditions for circumstances that could have a further negative effect on the estimated fair values of our reporting units. In third quarter 2020, we performed a qualitative assessment of goodwill impairment and concluded that it was more likely than not that the fair value of our reporting units were greater than their carrying amounts as of September 30, 2020.

The aggregate fair value of our reporting units calculated during our latest interim quantitative assessment exceeded our market capitalization as of September 30, 2020. Individual reporting unit fair values cannot be directly correlated to the Company's market capitalization. However, we consider several factors in the comparison of aggregate fair value to market capitalization, including (i) control premiums adjusted for the current market environment, which include synergies that may not be reflected in current market pricing, (ii) degree of complexity and execution risk at the reporting unit level compared with the enterprise level, and (iii) issues or risks related to the Company level that may not be included in the fair value of the individual reporting units.

In connection with the planned change to our operating segment disclosures, we will realign our goodwill to the reporting units that underlie our operating segments, which could impact the results of our goodwill impairment assessment. We will reassess goodwill for impairment at the time of the realignment. In addition, we may divest or otherwise wind down certain businesses or portfolios of assets in connection with the realignment of our operating segments, which may result in the impairment of goodwill or other long-lived assets related to these businesses or portfolios.

For additional information about goodwill, see Note 1 (Summary of Significant Accounting Policies) in our 2019 Form 10-K.

Table 4: Operating Segment Results – Highlights

(income/expense in millions,	Community Banking		Wholesale Banking		Wealth and Investment Management		Other (1)		Consolidated Company	
balance sheet data in billions)	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Quarter ended September 30,										
Total revenue	**$ 10,722**	11,239	**5,594**	6,942	**3,794**	5,141	**(1,248)**	(1,312)	**18,862**	22,010
Provision (reversal of provision) for credit losses	**556**	608	**219**	92	**(9)**	3	**3**	(8)	**769**	695
Net income (loss)	**336**	999	**1,488**	2,644	**463**	1,280	**(252)**	(313)	**2,035**	4,610
Average loans	**$ 457.6**	459.0	**455.1**	474.3	**79.8**	75.9	**(60.8)**	(59.4)	**931.7**	949.8
Average deposits	**881.7**	789.7	**418.8**	422.0	**175.3**	142.4	**(76.8)**	(62.7)	**1,399.0**	1,291.4
Goodwill	**16.7**	16.7	**8.4**	8.4	**1.3**	1.3	**—**	—	**26.4**	26.4
Nine months ended September 30,										
Total revenue	**$ 28,984**	34,794	**17,974**	21,118	**11,169**	13,270	**(3,712)**	(3,979)	**54,415**	65,203
Provision (reversal of provision) for credit losses	**5,652**	1,797	**8,535**	254	**256**	6	**(135)**	(14)	**14,308**	2,043
Net income (loss)	**160**	6,969	**(344)**	8,203	**1,106**	2,459	**(613)**	(955)	**309**	16,676
Average loans	**$ 456.5**	458.3	**481.2**	474.9	**79.0**	75.1	**(60.8)**	(59.2)	**955.9**	949.1
Average deposits	**843.0**	777.7	**438.8**	414.1	**166.2**	146.3	**(73.4)**	(63.9)	**1,374.6**	1,274.2
Goodwill	**16.7**	16.7	**8.4**	8.4	**1.3**	1.3	**—**	—	**26.4**	26.4

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

Community Banking offers a complete line of diversified financial products and services for consumers and small businesses with annual sales generally up to $5 million in which the owner generally is the financial decision maker. These financial products and services include checking and savings accounts, credit and debit cards, automobile, student, mortgage, home equity and small business lending, as well as referrals to Wholesale Banking and WIM business partners. The Community Banking segment also includes the results of our Corporate Treasury activities net of allocations (including funds transfer pricing, capital, liquidity and certain corporate expenses) in support of other segments and results of investments in our affiliated venture capital and private equity partnerships. Table 4a provides additional financial information for Community Banking.

Table 4a: Community Banking

	Quarter ended Sep 30,				Nine months ended Sep 30,			
(in millions, except average balances which are in billions)	**2020**	2019	$ Change	% Change	**2020**	2019	$ Change	% Change
Net interest income	**$ 5,587**	6,769	(1,182)	(17)%	**$ 18,073**	21,083	(3,010)	(14)%
Noninterest income (1)								
Deposit-related fees	**723**	952	(229)	(24)	**2,207**	2,675	(468)	(17)
Trust and investment fees:								
Brokerage advisory, commissions and other fees (2)	**489**	504	(15)	(3)	**1,440**	1,433	7	—
Trust and investment management (2)	**188**	203	(15)	(7)	**556**	612	(56)	(9)
Investment banking (3)	**—**	(26)	26	100	**(166)**	(64)	(102)	NM
Total trust and investment fees	**677**	681	(4)	(1)	**1,830**	1,981	(151)	(8)
Card fees	**856**	936	(80)	(9)	**2,397**	2,723	(326)	(12)
Lending-related fees	**42**	60	(18)	(30)	**128**	191	(63)	(33)
Mortgage banking	**1,542**	339	1,203	355	**2,135**	1,635	500	31
Net gains (losses) from trading activities	**(11)**	19	(30)	NM	**24**	13	11	85
Net gains (losses) on debt securities	**240**	(1)	241	NM	**557**	51	506	992
Net gains (losses) from equity securities (4)	**587**	822	(235)	(29)	**(53)**	1,894	(1,947)	NM
Other	**479**	662	(183)	(28)	**1,686**	2,548	(862)	(34)
Total noninterest income	**5,135**	4,470	665	15	**10,911**	13,711	(2,800)	(20)
Total revenue	**10,722**	11,239	(517)	(5)	**28,984**	34,794	(5,810)	(17)
Provision for credit losses	**556**	608	(52)	(9)	**5,652**	1,797	3,855	215
Noninterest expense (5)								
Personnel	**5,688**	5,533	155	3	**17,146**	16,941	205	1
Technology, telecommunications and equipment	**775**	691	84	12	**2,305**	2,150	155	7
Occupancy	**649**	584	65	11	**1,863**	1,668	195	12
Operating losses	**1,209**	1,806	(597)	(33)	**2,700**	2,222	478	22
Professional and outside services	**1,284**	1,212	72	6	**3,590**	3,445	145	4
Advertising and promotion	**139**	252	(113)	(45)	**442**	791	(349)	(44)
Restructuring charges	**718**	—	718	NM	**718**	—	718	NM
Other	**(1,515)**	(1,312)	(203)	(15)	**(4,355)**	(3,550)	(805)	(23)
Total noninterest expense	**8,947**	8,766	181	2	**24,409**	23,667	742	3
Income (loss) before income tax expense (benefit) and noncontrolling interests	**1,219**	1,865	(646)	(35)	**(1,077)**	9,330	(10,407)	NM
Income tax expense (benefit)	**703**	667	36	5	**(1,319)**	1,929	(3,248)	NM
Less: Net income from noncontrolling interests (6)	**180**	199	(19)	(10)	**82**	432	(350)	(81)
Net income	**$ 336**	999	(663)	(66)	**$ 160**	6,969	(6,809)	(98)
Average loans	**$ 457.6**	459.0	(1.4)	—	**$ 456.5**	458.3	(1.8)	—
Average deposits	**881.7**	789.7	92.0	12	**843.0**	777.7	65.3	8

NM – Not meaningful

(1) In third quarter 2020, service charges on deposit accounts, cash network fees, wire transfer and other remittance fees, and certain other fees were combined into a single line item for deposit-related fees; certain fees associated with lending activities were combined into a single line item for lending-related fees; and certain other fees were reclassified to other noninterest income. Prior period balances have been revised to conform with the current period presentation.

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

(3) Includes underwriting fees paid to Wells Fargo Securities for services related to the issuance of our corporate securities which are offset in our Wholesale Banking segment and eliminated in consolidation.

(4) Primarily represents gains (losses) resulting from venture capital investments.

(5) In third quarter 2020, expenses for outside professional services, contract services, and outside data processing were combined into a single line item for professional and outside services expense; expenses for technology and equipment and telecommunications were combined into a single line item for technology, telecommunications and equipment expense; and certain other expenses were reclassified to other noninterest expense. Prior period balances have been revised to conform with the current period presentation.

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

Third quarter 2020 vs. third quarter 2019

Revenue decreased driven by:

- lower net interest income reflecting the lower interest rate environment and changes in the mix of earning assets and funding sources;
- lower deposit-related fees driven by lower customer transaction volumes and higher average consumer deposit account balances due to the economic slowdown associated with the COVID-19 pandemic, as well as fee waivers and reversals as part of our actions to support customers during the COVID-19 pandemic;
- lower net gains from equity securities due to impairments; and
- lower other income driven by higher gains in third quarter 2019 related to sales of PCI loans;

partially offset by:

- higher mortgage banking revenue due to an increase in real estate HFS origination volumes and higher MSR valuation gains, net of hedge results, driven by favorable hedge results.

Noninterest expense increased due to:

- higher restructuring charges driven predominantly by severance costs, as well as facility closure costs, related to our efficiency initiatives that commenced in third quarter 2020. All restructuring charges were included in the Community Banking segment. For additional information on

restructuring charges, see Note 2 *(*Restructuring Charges) to Financial Statements in this Report;
- higher personnel expense, and technology, telecommunications and equipment expense;
- higher charitable contributions expense within other expense; and
- higher FDIC deposit assessment expense within other expense driven by a higher assessment rate and higher deposit balances;

partially offset by:
- lower operating losses, as third quarter 2019 included a $1.6 billion discrete litigation accrual related to retail sales practices matters; and
- lower advertising and promotion expense.

Average deposits increased driven by government stimulus programs and lower consumer spending due to the COVID-19 pandemic.

First nine months of 2020 vs. first nine months of 2019

Revenue decreased driven by:
- lower net interest income reflecting the lower interest rate environment;
- a decrease in deposit-related fees and card fees driven by lower customer transaction volumes and higher average consumer deposit account balances due to the economic slowdown associated with the COVID-19 pandemic, as well as fee waivers and reversals as part of our actions to support customers during the COVID-19 pandemic;
- net losses from equity securities due to impairments and changes in the value of deferred compensation plan investments (largely offset in personnel expense); and
- lower other income driven by higher gains in third quarter 2019 related to sales of PCI loans;

partially offset by:
- higher mortgage banking revenue as a result of an increase in real estate HFS origination volumes; and
- higher gains on debt securities.

Provision for credit losses increased driven by a decline in economic conditions due to the impact of the COVID-19 pandemic.

Noninterest expense increased due to:
- higher restructuring charges driven predominantly by severance costs, as well as facility closure costs, related to our efficiency initiatives that commenced in third quarter 2020. All restructuring charges were included in the Community Banking segment. For additional information on restructuring charges, see Note 2 *(*Restructuring Charges) to Financial Statements in this Report; and
- higher operating losses, personnel expense, occupancy expense, FDIC deposit assessment expense within other expense, and charitable donations within other expense;

partially offset by:
- lower advertising and promotion expense and travel and entertainment expense within other expense; and
- lower stock-based compensation expense within personnel expense and lower deferred compensation plan expense within personnel expense (largely offset by net losses from equity securities).

Average deposits increased driven by government stimulus programs and lower consumer spending due to the COVID-19 pandemic.

Wholesale Banking provides financial solutions to businesses with annual sales generally in excess of $5 million and to financial institutions globally. Products and businesses include Commercial Banking, Commercial Real Estate, Corporate and Investment Banking, Credit Investment Portfolio, Treasury Management, and Commercial Capital. Table 4b provides additional financial information for Wholesale Banking.

Table 4b: Wholesale Banking

		Quarter ended Sep 30,					Nine months ended Sep 30,			
(in millions, except average balances which are in billions)		**2020**	2019	$ Change	% Change		**2020**	2019	$ Change	% Change
Net interest income	$	**3,481**	4,382	(901)	(21)%	$	**11,508**	13,451	(1,943)	(14)%
Noninterest income (1)										
Deposit-related fees		**574**	527	47	9		**1,676**	1,610	66	4
Trust and investment fees:										
Brokerage advisory, commissions and other fees		**70**	62	8	13		**239**	214	25	12
Trust and investment management		**140**	121	19	16		**401**	352	49	14
Investment banking		**440**	510	(70)	(14)		**1,544**	1,397	147	11
Total trust and investment fees		**650**	693	(43)	(6)		**2,184**	1,963	221	11
Card fees		**55**	90	(35)	(39)		**203**	271	(68)	(25)
Lending-related fees		**310**	314	(4)	(1)		**897**	925	(28)	(3)
Mortgage banking		**49**	128	(79)	(62)		**154**	300	(146)	(49)
Net gains from trading activities		**363**	247	116	47		**1,198**	806	392	49
Net gains on debt securities		**24**	4	20	500		**156**	97	59	61
Net gains (losses) from equity securities		**59**	135	(76)	(56)		**(52)**	328	(380)	NM
Other		**29**	422	(393)	(93)		**50**	1,367	(1,317)	(96)
Total noninterest income		**2,113**	2,560	(447)	(17)		**6,466**	7,667	(1,201)	(16)
Total revenue		**5,594**	6,942	(1,348)	(19)		**17,974**	21,118	(3,144)	(15)
Provision for credit losses		**219**	92	127	138		**8,535**	254	8,281	NM
Noninterest expense (2)										
Personnel		**1,414**	1,455	(41)	(3)		**4,109**	4,382	(273)	(6)
Technology, telecommunications and equipment		**10**	16	(6)	(38)		**34**	48	(14)	(29)
Occupancy		**116**	95	21	22		**326**	286	40	14
Operating losses		**9**	16	(7)	(44)		**186**	27	159	589
Professional and outside services		**222**	263	(41)	(16)		**651**	760	(109)	(14)
Advertising and promotion		**2**	8	(6)	(75)		**8**	23	(15)	(65)
Other		**2,240**	2,036	204	10		**6,425**	6,083	342	6
Total noninterest expense		**4,013**	3,889	124	3		**11,739**	11,609	130	1
Income (loss) before income tax expense (benefit) and noncontrolling interests		**1,362**	2,961	(1,599)	(54)		**(2,300)**	9,255	(11,555)	NM
Income tax expense (benefit) (3)		**(127)**	315	(442)	NM		**(1,959)**	1,049	(3,008)	NM
Less: Net income from noncontrolling interests		**1**	2	(1)	(50)		**3**	3	—	—
Net income (loss)	$	**1,488**	2,644	(1,156)	(44)	$	**(344)**	8,203	(8,547)	NM
Average loans	$	**455.1**	474.3	(19.2)	(4)	$	**481.2**	474.9	6.3	1
Average deposits		**418.8**	422.0	(3.2)	(1)		**438.8**	414.1	24.7	6

NM – Not meaningful

(1) In third quarter 2020, service charges on deposit accounts, cash network fees, wire transfer and other remittance fees, and certain other fees were combined into a single line item for deposit-related fees; certain fees associated with lending activities were combined into a single line item for lending-related fees; and certain other fees were reclassified to other noninterest income. Prior period balances have been revised to conform with the current period presentation.

(2) In third quarter 2020, expenses for outside professional services, contract services, and outside data processing were combined into a single line item for professional and outside services expense; expenses for technology and equipment and telecommunications were combined into a single line item for technology, telecommunications and equipment expense; and certain other expenses were reclassified to other noninterest expense. Prior period balances have been revised to conform with the current period presentation.

(3) Income tax expense for our Wholesale Banking operating segment included income tax credits related to low income housing and renewable energy investments of $469 million and $1.4 billion for the third quarter and first nine months of 2020, respectively, and $422 million and $1.3 billion for the third quarter and first nine months of 2019, respectively.

Third quarter 2020 vs. third quarter 2019

Revenue decreased driven by:

- lower net interest income reflecting the lower interest rate environment, as well as lower average loan balances and lower funds transfer pricing credit earned from lower deposit balances;
- lower other noninterest income due to lower commercial real estate brokerage fees related to our sale of Eastdil in fourth quarter 2019, lower community lending investments, lower strategic capital and renewable energy equity method income, and lower lease income; and
- lower investment banking fees, mortgage banking fees, and gains from equity securities;

partially offset by:

- higher gains from trading activities and gains on debt securities, as well as higher deposit-related fees.

Provision for credit losses increased reflecting economic uncertainty due to the impact of the COVID-19 pandemic on our commercial loan portfolios, including the oil and gas portfolio.

Noninterest expense increased driven by:

- higher other expense, including increased risk management expense;

partially offset by:

- lower personnel expense, travel expense within other expense, and project-related expense within professional and outside services expense.

Average loans decreased driven by lower loan demand and higher paydowns reflecting continued liquidity and strength in the capital markets.

Average deposits decreased reflecting continued actions taken to manage under the asset cap.

First nine months of 2020 vs. first nine months of 2019

Revenue decreased driven by:
- lower net interest income reflecting the lower interest rate environment, partially offset by higher investment asset spread and higher average loan balances and higher funds transfer pricing credit earned from higher deposit balances; and
- lower noninterest income driven by lower other income from community lending investments, lower strategic capital and renewable energy equity method income, and lower commercial real estate brokerage fees related to our sale of Eastdil in fourth quarter 2019, as well as lower mortgage banking fees and net losses from equity securities;

partially offset by:
- higher investment banking fees, gains from trading activities, gains on debt securities, and deposit-related fees.

Provision for credit losses increased due to:
- increases in the ACL reflecting current and forecasted economic conditions due to the impact of the COVID-19 pandemic; and
- higher charge-offs in the oil and gas, commercial real estate, and commercial capital portfolios.

Noninterest expense increased due to:
- higher other expense, including increased risk management expense and charitable donations; and
- higher operating losses;

partially offset by:
- lower personnel expense, and lower lease and travel expenses within other expense, as well as the impact of the sale of Eastdil in fourth quarter 2019.

Average loans increased reflecting broad-based growth across the lines of business driven by draws of revolving lines due to the economic slowdown associated with the COVID-19 pandemic.

Average deposits increased reflecting customers’ preferences for liquidity due to the COVID-19 pandemic.

Wealth and Investment Management provides a full range of personalized wealth management, investment and retirement products and services to clients across U.S.-based businesses including Wells Fargo Advisors, The Private Bank, Abbot Downing, and Wells Fargo Asset Management. We deliver financial planning, private banking, credit, investment management and fiduciary services to high-net worth and ultra-high-net worth individuals and families. We also serve clients' brokerage needs and provide investment management capabilities delivered to global institutional clients through separate accounts and the Wells Fargo Funds. The sale of our IRT business closed on July 1, 2019. For additional information on the sale of our IRT business, including its impact on our AUM and AUA, see the "Earnings Performance – Noninterest Income" section in this Report. Table 4c provides additional financial information for WIM.

Table 4c: Wealth and Investment Management

	Quarter ended Sep 30,				Nine months ended Sep 30,			
(in millions, except average balances which are in billions)	**2020**	2019	$ Change	% Change	**2020**	2019	$ Change	% Change
Net interest income	**$ 771**	989	(218)	(22)%	**$ 2,374**	3,127	(753)	(24)%
Noninterest income (1)								
Deposit-related fees	**7**	6	1	17	**20**	18	2	11
Trust and investment fees:								
Brokerage advisory, commissions and other fees	**2,265**	2,272	(7)	—	**6,701**	6,644	57	1
Trust and investment management	**610**	615	(5)	(1)	**1,760**	1,978	(218)	(11)
Investment banking	**4**	—	4	NM	**6**	4	2	50
Total trust and investment fees	**2,879**	2,887	(8)	—	**8,467**	8,626	(159)	(2)
Card fees	**1**	2	(1)	(50)	**3**	5	(2)	(40)
Lending-related fees	**2**	2	—	—	**6**	6	—	—
Mortgage banking	**(3)**	(3)	—	—	**(9)**	(9)	—	—
Net gains from trading activities	**9**	10	(1)	(10)	**8**	42	(34)	(81)
Net gains (losses) from equity securities	**3**	(1)	4	400	**(114)**	170	(284)	NM
Other	**125**	1,249	(1,124)	(90)	**414**	1,285	(871)	(68)
Total noninterest income	**3,023**	4,152	(1,129)	(27)	**8,795**	10,143	(1,348)	(13)
Total revenue	**3,794**	5,141	(1,347)	(26)	**11,169**	13,270	(2,101)	(16)
Provision (reversal of provision) for credit losses	**(9)**	3	(12)	NM	**256**	6	250	NM
Noninterest expense (2)								
Personnel	**1,937**	2,060	(123)	(6)	**5,911**	6,369	(458)	(7)
Technology, telecommunications and equipment	**6**	115	(109)	(95)	**(77)**	145	(222)	NM
Occupancy	**123**	113	10	9	**347**	337	10	3
Operating losses	**3**	101	(98)	(97)	**27**	165	(138)	(84)
Professional and outside services	**262**	271	(9)	(3)	**825**	775	50	6
Advertising and promotion	**3**	7	(4)	(57)	**13**	21	(8)	(38)
Other	**850**	764	86	11	**2,394**	2,168	226	10
Total noninterest expense	**3,184**	3,431	(247)	(7)	**9,440**	9,980	(540)	(5)
Income before income tax expense and noncontrolling interests	**619**	1,707	(1,088)	(64)	**1,473**	3,284	(1,811)	(55)
Income tax expense	**153**	426	(273)	(64)	**369**	819	(450)	(55)
Less: Net income (loss) from noncontrolling interests	**3**	1	2	200	**(2)**	6	(8)	NM
Net income	**$ 463**	1,280	(817)	(64)	**$ 1,106**	2,459	(1,353)	(55)
Average loans	**$ 79.8**	75.9	3.9	5	**$ 79.0**	75.1	3.9	5
Average deposits	**175.3**	142.4	32.9	23	**166.2**	146.3	19.9	14

NM – Not meaningful

(1) In third quarter 2020, service charges on deposit accounts, cash network fees, wire transfer and other remittance fees, and certain other fees were combined into a single line item for deposit-related fees; certain fees associated with lending activities were combined into a single line item for lending-related fees; and certain other fees were reclassified to other noninterest income. Prior period balances have been revised to conform with the current period presentation.

(2) In third quarter 2020, expenses for outside professional services, contract services, and outside data processing were combined into a single line item for professional and outside services expense; expenses for technology and equipment and telecommunications were combined into a single line item for technology, telecommunications and equipment expense; and certain other expenses were reclassified to other noninterest expense. Prior period balances have been revised to conform with the current period presentation.

Third quarter 2020 vs. third quarter 2019

Revenue decreased driven by:
- lower net interest income reflecting the lower interest rate environment, partially offset by higher funds transfer pricing credit earned from higher average deposit balances; and
- lower noninterest income predominantly related to a $1.1 billion gain from the sale of our IRT business in third quarter 2019 (in other income).

Noninterest expense decreased driven by:
- lower personnel expense from lower incentive compensation;
- lower technology, telecommunications and equipment expense driven by a $103 million impairment of capitalized software reflecting a reevaluation of software under development in third quarter 2019; and
- lower operating losses;

partially offset by:
- higher project spending on regulatory and compliance related initiatives included within other expense.

Average loans increased driven by growth in real estate 1-4 first mortgage loans.

Average deposits increased primarily due to growth in brokerage clients' cash balances.

First nine months of 2020 vs. first nine months of 2019

Revenue decreased driven by:
- lower net interest income reflecting the lower interest rate environment, partially offset by higher funds transfer pricing credit earned from higher average deposit balances; and
- lower noninterest income largely related to a $1.1 billion gain from the sale of our IRT business in third quarter 2019 (in other income), as well as net losses from equity securities driven by a decline in deferred compensation plan investment results (largely offset by lower personnel expense), and lower trust and investment management income;

partially offset by:
- higher retail brokerage advisory fees (priced at the beginning of the quarter).

Provision for credit losses increased due to current and forecasted economic conditions due to the impact of the COVID-19 pandemic.

Noninterest expense decreased due to:
- lower personnel expense driven by lower deferred compensation plan expense (largely offset by net losses from equity securities) and lower incentive compensation;
- lower technology, telecommunications and equipment expense driven by a $103 million impairment of capitalized software reflecting a reevaluation of software under development in third quarter 2019, and the reversal of an accrual for software costs in second quarter 2020; and
- lower operating losses;

partially offset by:
- higher project spending on regulatory and compliance related initiatives included within other expense.

Average loans increased driven by growth in real estate 1-4 first mortgage loans.

Average deposits increased primarily due to growth in brokerage clients' cash balances.

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

Retail Brokerage Client Assets Brokerage advisory, commissions and other fees are received for providing full-service and discount brokerage services to retail brokerage clients. A majority of our retail brokerage client assets are in accounts that earn brokerage commissions generally based on the number and size of transactions executed at the client's direction. In addition to these types of accounts, we also offer advisory account relationships as an important component of our broader strategy of meeting brokerage clients' financial needs. Fees from advisory accounts are based on a percentage of the market value of the assets as of the beginning of the quarter, which vary across the account types based on the distinct services provided, and are affected by investment performance as well as asset inflows and outflows. A majority of our brokerage advisory, commissions and other fee income is earned from advisory accounts. Table 4d shows advisory account client assets as a percentage of total retail brokerage client assets at September 30, 2020 and 2019.

Table 4d: Retail Brokerage Client Assets

	September 30,	
($ in billions)	**2020**	2019
Retail brokerage client assets	**$ 1,625.8**	1,629.4
Advisory account client assets	**601.7**	569.4
Advisory account client assets as a percentage of total client assets	**37 %**	35

Advisory accounts include assets that are financial advisor-directed and separately managed by third-party managers, as well as certain client-directed brokerage assets where we earn a fee for advisory and other services, but do not have investment discretion. For third quarter 2020 and 2019, the average fee rate by account type ranged from 80 to 120 basis points. Table 4e presents advisory account client assets activity by account type for the third quarter and first nine months of 2020 and 2019.

Table 4e: Retail Brokerage Advisory Account Client Assets

	Quarter ended					Nine months ended				
(in billions)	Balance, beginning of period	Inflows (1)	Outflows (2)	Market impact (3)	Balance, end of period	Balance, beginning of period	Inflows (1)	Outflows (2)	Market impact (3)	Balance, end of period
September 30, 2020										
Client directed (4)	**$ 162.2**	**8.8**	**(10.2)**	**9.5**	**170.3**	**$ 169.4**	**26.2**	**(27.6)**	**2.3**	**170.3**
Financial advisor directed (5)	**176.8**	**9.9**	**(9.0)**	**11.6**	**189.3**	**176.3**	**29.0**	**(24.2)**	**8.2**	**189.3**
Separate accounts (6)	**151.5**	**5.9**	**(6.0)**	**8.0**	**159.4**	**160.1**	**17.7**	**(20.3)**	**1.9**	**159.4**
Mutual fund advisory (7)	**78.9**	**2.9**	**(3.3)**	**4.2**	**82.7**	**83.7**	**8.3**	**(10.5)**	**1.2**	**82.7**
Total advisory client assets	**$ 569.4**	**27.5**	**(28.5)**	**33.3**	**601.7**	**$ 589.5**	**81.2**	**(82.6)**	**13.6**	**601.7**
September 30, 2019										
Client directed (4)	$ 166.2	8.3	(8.3)	0.7	166.9	$ 151.5	24.8	(27.3)	17.9	166.9
Financial advisor directed (5)	163.2	8.8	(7.0)	3.1	168.1	141.9	24.9	(23.4)	24.7	168.1
Separate accounts (6)	151.9	6.2	(6.4)	2.3	154.0	136.4	18.0	(21.3)	20.9	154.0
Mutual fund advisory (7)	80.0	2.9	(3.0)	0.5	80.4	71.3	8.6	(9.7)	10.2	80.4
Total advisory client assets	$ 561.3	26.2	(24.7)	6.6	569.4	$ 501.1	76.3	(81.7)	73.7	569.4

(1) Inflows include new advisory account assets, contributions, dividends and interest.
(2) Outflows include closed advisory account assets, withdrawals, and client management fees.
(3) Market impact reflects gains and losses on portfolio investments.
(4) Investment advice and other services are provided to client, but decisions are made by the client and the fees earned are based on a percentage of the advisory account assets, not the number and size of transactions executed by the client.
(5) Professionally managed portfolios with fees earned based on respective strategies and as a percentage of certain client assets.
(6) Professional advisory portfolios managed by Wells Fargo Asset Management or third-party asset managers. Fees are earned based on a percentage of certain client assets.
(7) Program with portfolios constructed of load-waived, no-load and institutional share class mutual funds. Fees are earned based on a percentage of certain client assets.

Trust and Investment Client Assets Under Management We earn trust and investment management fees from managing and administering assets, including mutual funds, separate accounts, and personal trust assets, through our asset management and wealth businesses. Prior to the sale of our IRT business, which closed on July 1, 2019, we also earned fees from managing employee benefit trusts through the retirement business. Our asset management business is conducted by Wells Fargo Asset Management (WFAM), which offers Wells Fargo proprietary mutual funds and manages institutional separate accounts, and our wealth business, which manages assets for high net worth clients. Generally, our trust and investment management fee income is earned from AUM where we have discretionary management authority over the investments and generate fees as a percentage of the market value of the AUM. For additional information on the sale of our IRT business, including its impact on our AUM and AUA, see the "Earnings Performance – Noninterest Income" section in this Report. Table 4f presents AUM activity for the third quarter and first nine months of 2020 and 2019.

Table 4f: WIM Trust and Investment – Assets Under Management

	Quarter ended					Nine months ended				
(in billions)	Balance, beginning of period	Inflows (1)	Outflows (2)	Market impact (3)	Balance, end of period	Balance, beginning of period	Inflows (1)	Outflows (2)	Market impact (3)	Balance, end of period
September 30, 2020										
Assets managed by WFAM (4):										
Money market funds (5)	**$ 201.9**	**19.2**	**—**	**—**	**221.1**	**$ 130.6**	**90.5**	**—**	**—**	**221.1**
Other assets managed	**376.4**	**23.2**	**(24.1)**	**10.3**	**385.8**	**378.2**	**76.3**	**(79.2)**	**10.5**	**385.8**
Assets managed by Wealth and IRT (6)	**176.5**	**7.2**	**(10.6)**	**7.6**	**180.7**	**187.4**	**23.5**	**(31.8)**	**1.6**	**180.7**
Total assets under management	**$ 754.8**	**49.6**	**(34.7)**	**17.9**	**787.6**	**$ 696.2**	**190.3**	**(111.0)**	**12.1**	**787.6**
September 30, 2019										
Assets managed by WFAM (4):										
Money market funds (5)	$ 119.8	9.6	—	—	129.4	$ 112.4	17.0	—	—	129.4
Other assets managed	375.3	16.4	(20.7)	3.0	374.0	353.5	57.9	(65.6)	28.2	374.0
Assets managed by Wealth and IRT (6)	181.9	7.9	(9.1)	1.1	181.8	170.7	25.3	(30.7)	16.5	181.8
Total assets under management	$ 677.0	33.9	(29.8)	4.1	685.2	$ 636.6	100.2	(96.3)	44.7	685.2

(1) Inflows include new managed account assets, contributions, dividends and interest.
(2) Outflows include closed managed account assets, withdrawals and client management fees.
(3) Market impact reflects gains and losses on portfolio investments.
(4) Assets managed by WFAM consist of equity, alternative, balanced, fixed income, money market, and stable value, and include client assets that are managed or sub-advised on behalf of other Wells Fargo lines of business.
(5) Money Market funds activity is presented on a net inflow or net outflow basis, because the gross flows are not meaningful nor used by management as an indicator of performance.
(6) Includes $4.8 billion and $5.4 billion as of September 30, 2020 and 2019, respectively, of client assets invested in proprietary funds managed by WFAM.

Balance Sheet Analysis

At September 30, 2020, our assets totaled $1.92 trillion, down $5.3 billion from December 31, 2019. The decline in assets reflected:

- a decrease in debt securities of $20.7 billion;
- a decrease in loans of $42.2 billion;
- a decrease in federal funds sold and securities purchased under resale agreements of $32.8 billion; and
- a decrease in equity securities of $17.1 billion;

partially offset by:

- an increase in cash, cash equivalents and restricted cash of $105.5 billion.

The following discussion provides additional information about the major components of our balance sheet. Information regarding our capital and changes in our asset mix is included in the “Earnings Performance – Net Interest Income” and “Capital Management” sections and Note 23 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

Available-for-Sale and Held-to-Maturity Debt Securities

Table 5: Available-for-Sale and Held-to-Maturity Debt Securities

	September 30, 2020				December 31, 2019			
(in millions)	**Amortized cost, net (1)**	**Net unrealized gain (loss)**	**Fair value**	**Weighted average expected maturity (yrs)**	Amortized cost	Net unrealized gain (loss)	Fair value	Weighted average expected maturity (yrs)
Available-for-sale (2)	**216,311**	**4,262**	**220,573**	**4.5**	260,060	3,399	263,459	4.7
Held-to-maturity (3)	**182,595**	**6,839**	**189,434**	**4.5**	153,933	2,927	156,860	4.9
Total	**$ 398,906**	**11,101**	**410,007**	**n/a**	413,993	6,326	420,319	n/a

(1) Represents amortized cost of the securities, net of the allowance for credit losses, of $79 million related to available-for-sale debt securities and $26 million related to held-to-maturity debt securities at September 30, 2020. The allowance for credit losses related to available-for-sale and held-to-maturity debt securities was $0 at December 31, 2019, due to our adoption of CECL on January 1, 2020. For additional information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.
(2) Available-for-sale debt securities are carried on the balance sheet at fair value, which includes the allowance for credit losses, subsequent to the adoption of CECL on January 1, 2020.
(3) Held-to-maturity debt securities are carried on the balance sheet at amortized cost, net of allowance for credit losses, subsequent to the adoption of CECL on January 1, 2020.

Table 5 presents a summary of our portfolio of investments in available-for-sale (AFS) and held-to-maturity (HTM) debt securities, which decreased in balance sheet carrying value from December 31, 2019, as purchases were more than offset by runoff and sales. While the overall portfolio decreased from December 31, 2019, HTM debt securities increased due to actions taken to reposition the overall portfolio for capital management purposes. See Note 5 (Available-for-Sale and Held-to-Maturity Debt Securities) to Financial Statements in this Report for additional information on AFS and HTM debt securities, including a summary of debt securities by security type.

The total net unrealized gains on AFS debt securities increased from December 31, 2019, driven by lower interest rates, partially offset by wider credit spreads. For a discussion of our investment management objectives and practices, see the “Balance Sheet Analysis” section in our 2019 Form 10-K. Also, see the “Risk Management – Asset/Liability Management” section in this Report for information on our use of investments to manage liquidity and interest rate risk.

Loan Portfolios

Table 6 provides a summary of total outstanding loans by portfolio segment. Commercial loans decreased from December 31, 2019, driven by:

- lower demand for originations of new loans and lower utilization on existing revolving loans in commercial and industrial loans; and
- loan paydowns on continued customer liquidity from strength in capital markets.

Consumer loans decreased from December 31, 2019, due to:

- paydowns exceeding originations in first and junior lien mortgage loans; and
- lower consumer spending and originations in credit cards;

partially offset by:

- the repurchase of $26.9 billion of first lien mortgage loans from GNMA loan securitization pools, including $21.9 billion in third quarter 2020.

Table 6: Loan Portfolios

(in millions)	**September 30, 2020**	December 31, 2019
Commercial	**$ 482,289**	515,719
Consumer	**437,793**	446,546
Total loans	**$ 920,082**	962,265
Change from prior year-end	**$ (42,183)**	9,155

Average loan balances and a comparative detail of average loan balances is included in Table 1 under “Earnings Performance – Net Interest Income” earlier in this Report. Additional information on total loans outstanding by portfolio segment and class of financing receivable is included in the “Risk Management – Credit Risk Management” section in this Report. Period-end balances and other loan related information are in Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

See the “Balance Sheet Analysis – Loan Portfolios” section in our 2019 Form 10-K for information regarding contractual loan maturities and the distribution of loans to changes in interest rates.

Deposits

Deposits increased from December 31, 2019, reflecting:

- consumer and wealth customers’ preferences for liquidity given the economic uncertainty associated with the COVID-19 pandemic, loan payment deferrals, government stimulus programs, and lower customer spending;

partially offset by:

- actions taken to manage under the asset cap resulting in declines in interest-bearing checking, other time deposits, such as brokered certificates of deposit (CDs), and deposits in non-U.S. offices.

Table 7 provides additional information regarding deposits. Information regarding the impact of deposits on net interest income and a comparison of average deposit balances is provided in the “Earnings Performance – Net Interest Income” section and Table 1 earlier in this Report.

Table 7: Deposits

($ in millions)	**Sep 30, 2020**	**% of total deposits**	Dec 31, 2019	% of total deposits	% Change
Noninterest-bearing	**$ 447,011**	**32%**	$ 344,496	26%	30
Interest-bearing checking	**48,660**	**4**	62,814	5	(23)
Market rate and other savings	**790,117**	**57**	751,080	57	5
Savings certificates	**23,187**	**2**	31,715	2	(27)
Other time deposits	**41,843**	**3**	78,609	6	(47)
Deposits in non-U.S. offices (1)	**32,397**	**2**	53,912	4	(40)
Total deposits	**$ 1,383,215**	**100%**	$ 1,322,626	100%	5

(1) Includes Eurodollar sweep balances of $19.8 billion and $34.2 billion at September 30, 2020, and December 31, 2019, respectively.

Equity

Total equity was $182.0 billion at September 30, 2020, compared with $188.0 billion at December 31, 2019. The decrease was driven by:

- common stock repurchases of $3.4 billion (substantially all of which occurred in first quarter 2020); and
- dividends of $5.6 billion;

partially offset by:

- issuances of common stock of $2.4 billion predominantly related to employee stock ownership plans.

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in financial transactions that are not recorded on the balance sheet, or may be recorded on the balance sheet in amounts that are different from the full contract or notional amount of the transaction. Our off-balance sheet arrangements include commitments to lend and purchase debt and equity securities, transactions with unconsolidated entities, guarantees, derivatives, and other commitments. These transactions are designed to (1) meet the financial needs of customers, (2) manage our credit, market or liquidity risks, and/or (3) diversify our funding sources. For additional information on our contractual obligations that may require future cash payments, see the “Off-Balance Sheet Arrangements – Contractual Cash Obligations” section in our 2019 Form 10-K.

Commitments to Lend

We enter into commitments to lend to customers, which are usually at a stated interest rate, if funded, and for specific purposes and time periods. When we enter into commitments, we are exposed to credit risk. The maximum credit risk for these commitments will generally be lower than the contractual amount because a significant portion of these commitments are not funded. For additional information, see Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

Commitments to Purchase Debt and Equity Securities

We enter into commitments to purchase securities under resale agreements. We also may enter into commitments to purchase debt and equity securities to provide capital for customers’ funding, liquidity or other future needs. For additional information, see Note 13 (Guarantees, Pledged Assets and Collateral, and Other Commitments) to Financial Statements in this Report.

Transactions with Unconsolidated Entities

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

Guarantees and Other Arrangements

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, direct pay letters of credit, written options, recourse obligations, exchange and clearing house guarantees, indemnifications, and other types of similar arrangements. For additional information, see Note 13 (Guarantees, Pledged Assets and Collateral, and Other Commitments) to Financial Statements in this Report.

Derivatives

We use derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. Derivatives are recorded on the balance sheet at fair value, and volume can be measured in terms of the notional amount, which is generally not exchanged, but is used only as the basis on which interest and other payments are determined. The notional amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. For additional information, see Note 15 (Derivatives) to Financial Statements in this Report.

Wells Fargo manages a variety of risks that can significantly affect our financial performance and our ability to meet the expectations of our customers, shareholders, regulators and other stakeholders. For additional information about how we manage risk, see the "Risk Management" section in our 2019 Form 10-K. The discussion that follows supplements our discussion of the management of certain risks contained in the "Risk Management" section in our 2019 Form 10-K.

Credit Risk Management

We define credit risk as the risk of loss associated with a borrower or counterparty default (failure to meet obligations in accordance with agreed upon terms). Credit risk exists with many of our assets and exposures such as debt security holdings, certain derivatives, and loans.

The Board's Credit Committee has primary oversight responsibility for credit risk. At the management level, Credit Risk, which is part of the Company's Independent Risk Management (IRM) organization, has primary oversight responsibility for credit risk. Credit Risk reports to the Chief Risk Officer (CRO) and also provides periodic reports related to credit risk to the Board's Credit Committee.

Loan Portfolios

The following discussion focuses on our loan portfolios, which represent the largest component of assets on our balance sheet for which we have credit risk. Table 8 presents our total loans outstanding by portfolio segment and class of financing receivable.

Table 8: Total Loans Outstanding by Portfolio Segment and Class of Financing Receivable

(in millions)	Sep 30, 2020	Dec 31, 2019
Commercial:		
Commercial and industrial	$ **320,913**	354,125
Real estate mortgage	**121,910**	121,824
Real estate construction	**22,519**	19,939
Lease financing	**16,947**	19,831
Total commercial	**482,289**	515,719
Consumer:		
Real estate 1-4 family first mortgage	**294,990**	293,847
Real estate 1-4 family junior lien mortgage	**25,162**	29,509
Credit card	**36,021**	41,013
Automobile	**48,450**	47,873
Other revolving credit and installment	**33,170**	34,304
Total consumer	**437,793**	446,546
Total loans	$ **920,082**	962,265

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

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

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

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

Credit Quality Overview Credit quality in third quarter 2020 continued to be affected by the economic impact that the COVID-19 pandemic had on our customer base. Third quarter 2020 results reflected:

- Nonaccrual loans were $8.0 billion at September 30, 2020, up from $5.3 billion at December 31, 2019. Commercial nonaccrual loans increased to $4.4 billion at September 30, 2020, compared with $2.3 billion at December 31, 2019, and consumer nonaccrual loans increased to $3.6 billion at September 30, 2020, compared with $3.1 billion at December 31, 2019. Nonaccrual loans represented 0.87% of total loans at September 30, 2020, compared with 0.56% at December 31, 2019.
- Net loan charge-offs (annualized) as a percentage of our average commercial and consumer loan portfolios were 0.29% and 0.30% in the third quarter and 0.33% and 0.44% in the first nine months of 2020, respectively, compared with 0.11% and 0.46% in the third quarter and 0.12% and 0.47% in the first nine months of 2019.
- Loans that are not government insured/guaranteed and 90 days or more past due and still accruing were $108 million and $549 million in our commercial and consumer portfolios, respectively, at September 30, 2020, compared with $78 million and $855 million at December 31, 2019.
- Provision for credit losses for loans was $751 million and $14.1 billion in the third quarter and first nine months of 2020, respectively, compared with $695 million and $2.0 billion for the same periods a year ago.
- The ACL for loans totaled $20.5 billion, or 2.22% of total loans, at September 30, 2020, up from $10.5 billion, or 1.09%, at December 31, 2019.

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

TROUBLED DEBT RESTRUCTURING RELIEF The CARES Act provides banks optional, temporary relief from accounting for certain loan modifications as troubled debt restructurings (TDRs). The modifications must be related to the adverse effects of COVID-19, and certain other criteria are required to be met in order to apply the relief. In first quarter 2020, we elected to apply the TDR relief provided by the CARES Act, which expires no later than December 31, 2020.

On April 7, 2020, federal banking regulators issued the *Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the*

Coronavirus (Revised) (the Interagency Statement). The Interagency Statement provides additional TDR relief as it clarifies that it is not necessary to consider the impact of COVID-19 on the financial condition of a borrower in connection with short-term (e.g., six months or less) loan modifications related to COVID-19 provided the borrower is current at the date the modification program is implemented. For additional information regarding the TDR relief provided by the CARES Act and the clarifying TDR accounting guidance from the Interagency Statement, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

The TDR relief provided under the CARES Act, as well as from the Interagency Statement, does not change our processes for monitoring the credit quality of our loan portfolios or for updating our measurement of the allowance for credit losses for loans based on expected losses.

Additionally, our election to apply the TDR relief provided by the CARES Act and the Interagency Statement impacts our regulatory capital ratios as these loan modifications related to COVID-19 are not adjusted to a higher risk-weighting normally required with TDR classification.

COVID-Related Lending Accommodations

During the first nine months of 2020, we provided accommodations to customers in response to the COVID-19 pandemic, including fee reversals for consumer and small business banking customers, and payment deferrals, fee waivers, covenant waivers, and other expanded assistance for mortgage, credit card, automobile, small business, personal and commercial lending customers. Certain foreclosure, collection and credit bureau reporting activities were also suspended. Additionally, we deferred rental payments on certain leased assets for which we are the lessor.

Table 9 and Table 9a summarize the unpaid principal balance (UPB) of commercial and consumer loans that received accommodations under loan modification programs established to assist customers with the economic impact of the COVID-19 pandemic (COVID-related modifications) and that remained in a deferral period as of September 30, 2020. These amounts included accommodations made for customers with loans reported on our consolidated balance sheet and excluded accommodations made for customers with loans that we service for others. COVID-related modifications primarily included payment deferrals of principal, interest or both as well as interest and fee waivers.

Customer payment deferral activities instituted in response to the COVID-19 pandemic could delay the recognition of net charge-offs, delinquencies, and nonaccrual status for those customers who would have otherwise moved into past due or nonaccrual status. Customers requiring assistance after receiving payment deferrals under the programs described in Tables 9 and 9a may be eligible to receive modifications consistent with those offered prior to the COVID-19 pandemic, such as interest rate reductions, term extensions, or principal forgiveness.

Of the total modifications granted during the first nine months of 2020, $222 million and $6.1 billion of unpaid principal balance of commercial and consumer loans, respectively, were classified as TDRs as of September 30, 2020, including $201 million and $4.0 billion, respectively, that were already classified as a TDR when the COVID-related modification was granted.

For information related to loans that are classified as TDRs, see Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 9: Commercial Loan Modifications Related to COVID-19

($ in millions)		Unpaid principal balance of modified loans still in deferral period at Sep 30, 2020 (1)	% of loan class (2)	General program description
Commercial:				
Commercial and industrial	$	1,102	*	Initial deferral of scheduled principal and/or interest up to 90 days, extensions available on a case-by-case basis, generally in increments of 90 days.
Real estate mortgage and construction		2,504	2	Initial deferral of scheduled principal and/or interest up to 90 days, extensions available on a case-by-case basis, generally in increments of 90 days.
Lease financing		111	1	Initial deferral of lease payments up to 90 days, with available extensions up to 90 days.
Total commercial	$	3,717	1%	

* Less than 1%.
(1) COVID-related modifications are at the loan facility level.
(2) Based on total loans outstanding at September 30, 2020.

Table 9a: Consumer Loan Modifications Related to COVID-19

($ in millions)		Unpaid principal balance of modified loans still in deferral period at Jun 30, 2020	% of loan class (1)		Unpaid principal balance of modified loans still in deferral period at Sep 30, 2020	% of loan class (2)	% current after exit from deferral period (3)	General program description
Consumer:								
Real estate 1-4 family first mortgage	$	25,194	9%	$	16,994	6%	96	Initial deferral up to 90 days of scheduled principal and interest, with available extensions up to a total of 12 months.
Real estate 1-4 family junior lien mortgage		2,812	10		1,848	7	94	Initial deferral up to 90 days of scheduled principal and interest, with available extensions up to a total of 12 months.
Credit card		2,616	7		783	2	92	Initial 90 day deferral of minimum payment and waiver of interest and fees until June 2020, then initial or subsequent 60 day deferral of minimum payment and waiver of certain fees. Deferrals limited to an initial period and one subsequent deferral.
Automobile		4,880	10		2,796	6	96	Initial 90 day deferral of scheduled principal and interest, with available extensions of 90 days.
Other revolving credit and installment		1,673	5		1,057	3	95	Revolving lines: Initial 90 day deferral of minimum payment and waiver of interest and fees, with available extensions of 60 days. Installment loans: Initial 90 day deferral of scheduled principal and interest, with available extensions of 90 days.
Subtotal	$	37,175	9	$	23,478	5		
Real estate 1-4 family first mortgage (government insured/guaranteed) (4)		7,059	3		19,111	6		
Total consumer	$	44,234	10%	$	42,589	10%		

(1) Based on total loans outstanding at June 30, 2020.
(2) Based on total loans outstanding at September 30, 2020.
(3) Represents the UPB of loans that exited the deferral period and had a balance that was less than 30 days past due as of September 30, 2020.
(4) Represents real estate 1-4 family first mortgage loans insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA) that were primarily repurchased from GNMA loan securitization pools. For additional information on GNMA loan securitization pools, see the "Risk Management – Credit Risk Management – Risks Relating to Servicing Activities" section in this Report. FHA/VA loans are entitled to payment deferrals of scheduled principal and interest up to a total of 12 months.

Significant Loan Portfolio Reviews Measuring and monitoring our credit risk is an ongoing process that tracks delinquencies, collateral values, Fair Isaac Corporation (FICO) scores, economic trends by geographic areas, loan-level risk grading for certain portfolios (typically commercial) and other indications of credit risk. Our credit risk monitoring process is designed to enable early identification of developing risk and to support our determination of an appropriate allowance for credit losses. The following discussion provides additional characteristics and analysis of our significant loan portfolios. See Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report for more analysis and credit metric information for each of the following portfolios.

COMMERCIAL AND INDUSTRIAL LOANS AND LEASE FINANCING For purposes of portfolio risk management, we aggregate commercial and industrial loans and lease financing according to market segmentation and standard industry codes. We generally subject commercial and industrial loans and lease financing to individual risk assessment using our internal borrower and collateral quality ratings. Our ratings are aligned to federal banking regulators' definitions of pass and criticized categories with the criticized category including special mention, substandard, doubtful, and loss categories.

The commercial and industrial loans and lease financing portfolio totaled $337.9 billion, or 37% of total loans, at September 30, 2020. The net charge-off rate (annualized) of average loans for this portfolio was 0.34% and 0.42% in the third quarter and first nine months of 2020, respectively, compared with 0.17% for both the third quarter and first nine months of 2019. At September 30, 2020, 0.89% of this portfolio was nonaccruing, compared with 0.44% at December 31, 2019. Nonaccrual loans in this portfolio increased $1.4 billion from December 31, 2019, a significant portion of which was in the oil, gas and pipelines category due to the economic impact of the COVID-19 pandemic. Also, $24.6 billion of the commercial and industrial loan and lease financing portfolio was internally classified as criticized in accordance with regulatory guidance at September 30, 2020, compared with $16.6 billion at December 31, 2019, reflecting increases primarily in the oil, gas and pipelines, real estate and construction, entertainment and recreation, and retail categories due to the economic impact of the COVID-19 pandemic.

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

Table 10 provides our commercial and industrial loans and lease financing by industry, and includes non-U.S. loans of $62.8 billion and $71.7 billion at September 30, 2020, and December 31, 2019, respectively. Significant industry concentrations of non-U.S. loans included $33.0 billion and $31.2 billion in the financials except banks category, and $13.0 billion and $19.9 billion in the banks category, at September 30, 2020, and December 31, 2019, respectively. The oil, gas and pipelines category included $1.5 billion of non-U.S. loans at both September 30, 2020, and December 31, 2019. The industry categories are based on the North American Industry Classification System.

Loans to financials except banks, our largest industry concentration, is comprised of loans to investment firms, financial vehicles, and non-bank creditors, including those that invest in financial assets backed predominantly by commercial or residential real estate or consumer loan assets. We had $72.8 billion and $75.9 billion of loans originated by our Asset Backed Finance (ABF) and Financial Institution Group (FIG) lines of business at September 30, 2020, and December 31, 2019, respectively. These ABF and FIG loans are limited to a percentage of the value of the underlying financial assets considering underlying credit risk, asset duration, and ongoing performance. These ABF and FIG loans may also have other features to manage credit risk such as cross-collateralization, credit enhancements, and contractual re-margining of collateral supporting the loans. Loans to financials except banks included collateralized loan obligations (CLOs) in loan form of $7.7 billion and $7.0 billion at September 30, 2020, and December 31, 2019, respectively.

Oil, gas and pipelines loans included $8.1 billion and $9.2 billion of senior secured loans outstanding at September 30, 2020 and December 31, 2019, respectively. Oil, gas and pipelines nonaccrual loans increased at September 30, 2020, compared with December 31, 2019, due to new downgrades to nonaccrual status in 2020.

In addition to the oil, gas and pipelines category, industries with escalated credit monitoring include real estate and construction, retail (including restaurants), and hotels/motels.

Table 10: Commercial and Industrial Loans and Lease Financing by Industry

	September 30, 2020				December 31, 2019			
($ in millions)	**Nonaccrual loans**	**Loans outstanding**	**% of total loans**	**Total commitments (1)**	Nonaccrual loans	Loans outstanding	% of total loans	Total commitments (1)
Financials except banks	**$ 204**	**108,597**	**12%**	**$ 193,838**	$ 112	117,312	12%	$ 200,848
Equipment, machinery and parts manufacturing	**95**	**19,586**	**2**	**40,649**	36	23,457	2	42,040
Technology, telecom and media	**100**	**24,517**	**3**	**56,417**	28	22,447	2	53,343
Real estate and construction	**287**	**24,959**	**3**	**52,995**	47	22,011	2	48,217
Banks	**—**	**12,975**	**1**	**13,982**	—	20,070	2	20,728
Retail	**149**	**19,243**	**2**	**42,250**	105	19,923	2	41,938
Materials and commodities	**48**	**13,188**	**1**	**35,885**	33	16,375	2	39,369
Automobile related	**24**	**12,031**	**1**	**25,240**	24	15,996	2	26,310
Food and beverage manufacturing	**30**	**12,051**	**1**	**28,597**	9	14,991	2	29,172
Health care and pharmaceuticals	**163**	**16,074**	**2**	**32,304**	28	14,920	2	30,168
Oil, gas and pipelines	**1,188**	**11,138**	**1**	**31,344**	615	13,562	1	35,445
Entertainment and recreation	**85**	**9,643**	**1**	**16,849**	44	13,462	1	19,854
Transportation services	**390**	**10,216**	**1**	**16,642**	224	10,957	1	17,660
Commercial services	**145**	**10,618**	**1**	**24,467**	50	10,455	1	22,713
Agribusiness	**40**	**6,829**	*****	**12,419**	35	7,539	*	12,901
Utilities	**9**	**5,922**	*****	**19,315**	224	5,995	*	19,390
Insurance and fiduciaries	**2**	**3,463**	*****	**14,814**	1	5,525	*	15,596
Government and education	**10**	**5,413**	*****	**11,691**	6	5,363	*	12,267
Other (2)	**52**	**11,397**	**2**	**27,989**	19	13,596	*	32,988
Total	**$ 3,021**	**337,860**	**37%**	**$ 697,687**	$ 1,640	373,956	39%	$ 720,947

* Less than 1%.
(1) Total commitments consist of loans outstanding plus unfunded credit commitments, excluding issued letters of credit.
(2) No other single industry had total loans in excess of $5.0 billion and $4.7 billion at September 30, 2020, and December 31, 2019, respectively.

COMMERCIAL REAL ESTATE (CRE) We generally subject CRE loans to individual risk assessment using our internal borrower and collateral quality ratings. Our ratings are aligned to federal banking regulators' definitions of pass and criticized categories with criticized segmented among special mention, substandard, doubtful and loss categories. The CRE portfolio, which included $8.1 billion of non-U.S. CRE loans, totaled $144.4 billion, or 16% of total loans, at September 30, 2020, and consisted of $121.9 billion of mortgage loans and $22.5 billion of construction loans.

Table 11 summarizes CRE loans by state and property type with the related nonaccrual totals at September 30, 2020. The portfolio is diversified both geographically and by property type. The largest geographic concentrations of CRE loans are in California, New York, Florida, and Texas, which combined represented 48% of the total CRE portfolio. By property type, the largest concentrations are office buildings at 26% and apartments at 19% of the portfolio. CRE nonaccrual loans totaled 0.95% of the CRE outstanding balance at September 30, 2020, compared with 0.43% at December 31, 2019. The increase in CRE nonaccrual loans was predominantly driven by the hotel/motel, shopping center, and office buildings property types and reflected the economic impact of the COVID-19 pandemic. At September 30, 2020, we had $11.2 billion of criticized CRE mortgage loans, compared with $3.8 billion at December 31, 2019, and $1.5 billion of criticized CRE construction loans, compared with $187 million at December 31, 2019. The increase in criticized CRE mortgage and CRE construction loans was driven by the hotel/motel, shopping center, and retail (excluding shopping center) property types and reflected the economic impact of the COVID-19 pandemic.

Table 11: CRE Loans by State and Property Type

							September 30, 2020
	Real estate mortgage		Real estate construction		Total		
($ in millions)	Nonaccrual loans	Total portfolio	Nonaccrual loans	Total portfolio	Nonaccrual loans	Total portfolio	% of total loans
By state:							
California	$ 172	31,615	2	4,515	174	36,130	4%
New York	97	12,973	2	2,022	99	14,995	2
Florida	24	8,104	1	1,542	25	9,646	1
Texas	325	7,855	—	1,221	325	9,076	*
Washington	13	3,935	—	837	13	4,772	*
North Carolina	14	3,666	—	743	14	4,409	*
Georgia	12	3,919	—	446	12	4,365	*
Arizona	35	3,672	—	334	35	4,006	*
New Jersey	51	3,049	—	915	51	3,964	*
Colorado	82	3,275	—	615	82	3,890	*
Other (1)	518	39,847	29	9,329	547	49,176	5
Total	$ 1,343	121,910	34	22,519	1,377	144,429	16%
By property:							
Office buildings	$ 279	34,133	1	3,214	280	37,347	4%
Apartments	30	19,162	—	8,273	30	27,435	3
Industrial/warehouse	76	15,949	1	1,781	77	17,730	2
Retail (excluding shopping center)	170	13,886	2	167	172	14,053	2
Hotel/motel	159	10,594	—	1,694	159	12,288	1
Shopping center	408	10,703	—	1,029	408	11,732	1
Mixed use properties	91	5,516	—	701	91	6,217	*
Institutional	75	3,871	20	2,344	95	6,215	*
Collateral pool	—	2,659	—	191	—	2,850	*
Storage facilities	1	1,577	—	226	1	1,803	*
Other	54	3,860	10	2,899	64	6,759	*
Total	$ 1,343	121,910	34	22,519	1,377	144,429	16%

* Less than 1%.
(1) Consists of 40 states, none of which had loans in excess of $3.8 billion.

NON-U.S LOANS Our classification of non-U.S. loans is based on whether the borrower's primary address is outside of the United States. At September 30, 2020, non-U.S. loans totaled $71.2 billion, representing approximately 8% of our total consolidated loans outstanding, compared with $80.5 billion, or approximately 8% of total consolidated loans outstanding, at December 31, 2019. Non-U.S. loans were approximately 4% of our consolidated total assets at both September 30, 2020, and December 31, 2019.

COUNTRY RISK EXPOSURE Our country risk monitoring process incorporates centralized monitoring of economic, political, social, legal, and transfer risks in countries where we do or plan to do business, along with frequent dialogue with our customers, counterparties and regulatory agencies. We establish exposure limits for each country through a centralized oversight process based on customer needs, and through consideration of the relevant and distinct risk of each country. We monitor exposures closely and adjust our country limits in response to changing conditions. We evaluate our individual country risk exposure based on our assessment of the borrower's ability to repay, which gives consideration for allowable transfers of risk such as guarantees and collateral and may be different from the reporting based on the borrower's primary address.

Our largest single country exposure outside the U.S. based on our assessment of risk at September 30, 2020, was the United Kingdom, which totaled $38.1 billion, or approximately 2% of our total assets, and included $12.2 billion of sovereign claims. Our United Kingdom sovereign claims arise predominantly from deposits we have placed with the Bank of England pursuant to regulatory requirements in support of our London branch. The United Kingdom withdrew from the European Union (Brexit) on January 31, 2020, and is currently subject to a transition period during which the terms and conditions of its exit are being negotiated. For additional information on our plans to address Brexit, see the "Risk Management – Credit Risk Management – Country Risk Exposure" section in our 2019 Form 10-K. For additional information on risks associated with Brexit, see the "Risk Factors" section in our 2019 Form 10-K.

Table 12 provides information regarding our top 20 exposures by country (excluding the U.S.), based on our assessment of risk, which gives consideration to the country of any guarantors and/or underlying collateral. With respect to Table 12:

- Lending and deposits exposure includes outstanding loans, unfunded credit commitments, and deposits with non-U.S. banks. These balances are presented prior to the deduction of allowance for credit losses or collateral received under the terms of the credit agreements, if any.
- Securities exposure represents debt and equity securities of non-U.S. issuers. Long and short positions are netted, and net short positions are reflected as negative exposure.
- Derivatives and other exposure represents foreign exchange contracts, derivative contracts, securities resale agreements, and securities lending agreements.

Table 12: Select Country Exposures

									September 30, 2020
	Lending and deposits		Securities		Derivatives and other		Total exposure		
(in millions)	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign (1)	Total
Top 20 country exposures:									
United Kingdom	$ 12,150	23,010	—	1,075	3	1,868	12,153	25,953	38,106
Canada	3	14,712	—	(60)	—	410	3	15,062	15,065
Japan	20	913	8,848	229	—	20	8,868	1,162	10,030
Cayman Islands	—	6,380	—	—	—	186	—	6,566	6,566
Ireland (EU)	1,375	4,802	—	81	—	84	1,375	4,967	6,342
Luxembourg (EU)	—	3,772	—	99	—	90	—	3,961	3,961
Guernsey	—	3,537	—	2	—	7	—	3,546	3,546
Germany (EU)	—	2,834	—	197	6	120	6	3,151	3,157
Bermuda	—	2,885	—	6	—	92	—	2,983	2,983
China	—	2,540	(12)	294	39	47	27	2,881	2,908
Netherlands (EU)	—	2,340	—	304	1	226	1	2,870	2,871
South Korea	—	2,229	2	60	1	12	3	2,301	2,304
Switzerland	—	1,843	—	(84)	—	118	—	1,877	1,877
France (EU)	—	1,761	—	23	52	2	52	1,786	1,838
Brazil	—	1,501	—	3	5	15	5	1,519	1,524
Australia	—	1,366	—	33	—	22	—	1,421	1,421
India	—	1,008	—	67	—	—	—	1,075	1,075
Chile	—	966	—	49	—	1	—	1,016	1,016
United Arab Emirates	—	1,004	—	1	—	4	—	1,009	1,009
Singapore	—	821	—	145	—	37	—	1,003	1,003
Total top 20 country exposures	$ 13,548	80,224	8,838	2,524	107	3,361	22,493	86,109	108,602

(1) Total non-sovereign exposure comprised $45.6 billion of exposure to financial institutions and $40.5 billion to non-financial corporations at September 30, 2020.

REAL ESTATE 1-4 FAMILY MORTGAGE LOANS Our real estate 1-4 family mortgage loan portfolio is comprised of both first and junior lien mortgage loans, which are presented in Table 13.

Table 13: Real Estate 1-4 Family Mortgage Loans

	September 30, 2020		December 31, 2019	
($ in millions)	**Balance**	**% of portfolio**	Balance	% of portfolio
Real estate 1-4 family first mortgage	**$ 294,990**	**92%**	$ 293,847	91%
Real estate 1-4 family junior lien mortgage	**25,162**	**8**	29,509	9
Total real estate 1-4 family mortgage loans	**$ 320,152**	**100%**	$ 323,356	100%

The real estate 1-4 family mortgage loan portfolio includes some loans with an interest-only feature as part of the loan terms and some with adjustable-rate features. Interest-only loans were approximately 3% of total loans at both September 30, 2020, and December 31, 2019. We believe we have manageable adjustable-rate mortgage (ARM) reset risk across our mortgage loan portfolios, including ARM loans that have negative amortizing features that were acquired in prior business combinations. We do not offer option ARM products, nor do we offer variable-rate mortgage products with fixed payment amounts, commonly referred to within the financial services industry as negative amortizing mortgage loans. In connection with our adoption of CECL on January 1, 2020, our real estate 1-4 family mortgage purchased credit-impaired (PCI) loans, which had a carrying value of $568 million, were reclassified as purchased credit-deteriorated (PCD) loans. PCD loans are generally accounted for in the same manner as non-PCD loans. For additional information on PCD loans, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

We continue to modify real estate 1-4 family mortgage loans to assist homeowners and other borrowers experiencing financial difficulties. For additional information on our modification programs, see the "Risk Management – Credit Risk Management – Real Estate 1-4 Family Mortgage Loans" section in our 2019 Form 10-K. For additional information on customer accommodations, including loan modifications, in response to the COVID-19 pandemic, see the "Risk Management – Credit Risk Management – COVID-Related Lending Accommodations" section in this Report.

Part of our credit monitoring includes tracking delinquency, current FICO scores and loan/combined loan to collateral values (LTV/CLTV) on the entire real estate 1-4 family mortgage loan portfolio. These credit risk indicators on the mortgage portfolio exclude government insured/guaranteed loans. Loans 30 days or more delinquent at September 30, 2020, totaled $3.1 billion, or 1% of total mortgages, compared with $3.0 billion, or 1%, at December 31, 2019. Loans with FICO scores lower than 640 totaled $6.1 billion, or 2% of total mortgages at September 30, 2020, compared with $7.6 billion, or 2%, at December 31, 2019. Mortgages with a LTV/CLTV greater than 100% totaled $2.0 billion at September 30, 2020, or 1% of total mortgages, compared with $2.5 billion, or 1%, at December 31, 2019. Information regarding credit quality indicators can be found in Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

Real estate 1-4 mortgage loans by state are presented in Table 14. Our real estate 1-4 family mortgage loans to borrowers in California represented 13% of total loans at September 30, 2020, located predominantly within the larger metropolitan areas, with no single California metropolitan area consisting of more than 5% of total loans. We monitor changes in real estate values and underlying economic or market conditions for all geographic areas of our real estate 1-4 family mortgage portfolios as part of our credit risk management process. Our underwriting and periodic review of loans and lines secured by residential real estate collateral includes original appraisals adjusted for the change in Home Price Index (HPI) or estimates from automated valuation models (AVMs) to support property values. Additional information about appraisals and AVMs and our policy for their use can be found in Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report and the "Risk Management – Credit Risk Management – Real Estate 1-4 Family Mortgage Loans" section in our 2019 Form 10-K.

Table 14: Real Estate 1-4 Family Mortgage Loans by State

	September 30, 2020			
($ in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total real estate 1-4 family mortgage	% of total loans
Real estate 1-4 family mortgage loans:				
California	$ 110,292	6,795	117,087	13%
New York	31,652	1,347	32,999	4
New Jersey	13,020	2,406	15,426	2
Florida	11,063	2,254	13,317	1
Washington	9,935	558	10,493	1
Virginia	7,622	1,459	9,081	1
Texas	8,275	508	8,783	1
North Carolina	5,307	1,185	6,492	1
Colorado	5,771	542	6,313	1
Other (1)	59,116	8,108	67,224	7
Government insured/guaranteed loans (2)	32,937	—	32,937	3
Total	$ 294,990	25,162	320,152	35%

(1) Consists of 41 states, none of which had loans in excess of $6.3 billion.
(2) Represents loans whose repayments are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA).

First Lien Mortgage Portfolio Our total real estate 1-4 family first lien mortgage portfolio (first mortgage) increased $1.1 billion from December 31, 2019, driven by our repurchase of $26.9 billion of loans from GNMA loan securitization pools, including $21.9 billion in third quarter 2020, and mortgage loan originations of $44.1 billion that were more than offset by paydowns. We also reclassified $9.0 billion of loans that were designated as mortgage loans held for sale (MLHFS) in second quarter 2020 to held for investment in third quarter 2020.

Net loan charge-offs (annualized) as a percentage of average first mortgage loans were 0.00% in both the third quarter and first nine months of 2020, compared with a net recovery of 0.01% and 0.02%, respectively, for the same periods a year ago.

Nonaccrual loans were $2.6 billion at September 30, 2020, up $491 million from December 31, 2019. The increase in nonaccrual loans from December 31, 2019 was driven by COVID-related loan payment deferrals that did not qualify for legislative or regulatory relief, as well as the implementation of CECL, which required PCI loans to be classified as nonaccruing based on performance. For additional information, see the "Risk Management – Credit Risk Management – Nonperforming Assets (Nonaccrual Loans and Foreclosed Assets)" section in this Report.

Table 15 shows certain delinquency and loss information for the first mortgage portfolio and lists the top five states by outstanding balance.

Table 15: First Mortgage Portfolio Performance

	Outstanding balance		% of loans 30 days or more past due		Loss (recovery) rate (annualized) quarter ended				
($ in millions)	**Sep 30, 2020**	Dec 31, 2019	**Sep 30, 2020**	Dec 31, 2019	**Sep 30, 2020**	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
California	**$ 110,292**	118,256	**0.69%**	0.48	**(0.01)**	(0.01)	(0.01)	(0.02)	(0.01)
New York	**31,652**	31,336	**0.97**	0.83	**0.02**	0.02	(0.01)	0.02	0.01
New Jersey	**13,020**	14,113	**1.41**	1.40	**(0.01)**	0.03	—	0.02	0.02
Florida	**11,063**	11,804	**2.07**	1.81	**0.03**	(0.01)	(0.03)	(0.06)	(0.07)
Washington	**9,935**	10,863	**0.55**	0.29	**0.01**	(0.01)	(0.02)	(0.02)	—
Other	**86,091**	95,750	**1.28**	1.20	**(0.01)**	0.01	0.01	(0.02)	—
Total	**262,053**	282,122	**1.00**	0.86	**—**	—	—	(0.02)	(0.01)
Government insured/guaranteed loans	**32,937**	11,170							
PCI (1)	**N/A**	555							
Total first lien mortgages	**$ 294,990**	293,847							

(1) In connection with our adoption of CECL on January 1, 2020, PCI loans were reclassified as PCD loans and are therefore included with other non-PCD loans in this table. For additional information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

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

We continuously monitor the credit performance of our junior lien mortgage portfolio for trends and factors that influence the frequency and severity of losses, such as junior lien mortgage performance when the first mortgage loan is delinquent. Table 16 shows certain delinquency and loss information for the junior lien mortgage portfolio and lists the top five states by outstanding balance. The decrease in outstanding balances since December 31, 2019, predominantly reflected loan paydowns. Beginning in second quarter 2020, we suspended the origination of junior lien mortgages. As of September 30, 2020, 4% of the outstanding balance of the junior lien mortgage portfolio was associated with loans that had a combined loan to value (CLTV) ratio in excess of 100%. Of those junior lien mortgages with a CLTV ratio in excess of 100%, 3% were 30 days or more past due. CLTV means the ratio of the total loan balance of first mortgages and junior lien mortgages (including unused line amounts for credit line products) to property collateral value. The unsecured portion (the outstanding amount that was in excess of the most recent property collateral value) of the outstanding balances of these loans totaled 1% of the junior lien mortgage portfolio at September 30, 2020. For additional information on consumer loans by LTV/CLTV, see Table 6.12 in Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

Table 16: Junior Lien Mortgage Portfolio Performance

	Outstanding balance		% of loans 30 days or more past due		Loss (recovery) rate (annualized) quarter ended				
($ in millions)	**Sep 30, 2020**	Dec 31, 2019	**Sep 30, 2020**	Dec 31, 2019	**Sep 30, 2020**	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
California	$ **6,795**	8,054	**1.78%**	1.62	**(0.34)**	(0.26)	(0.36)	(0.44)	(0.51)
New Jersey	**2,406**	2,744	**2.52**	2.74	**(0.02)**	(0.12)	0.13	0.07	0.11
Florida	**2,254**	2,600	**2.74**	2.93	**(0.22)**	(0.01)	—	(0.09)	(0.11)
Virginia	**1,459**	1,712	**2.06**	1.97	**(0.34)**	(0.05)	0.09	(0.02)	(0.23)
Pennsylvania	**1,464**	1,674	**1.96**	2.16	**(0.19)**	0.05	0.11	(0.10)	(0.05)
Other	**10,784**	12,712	**2.01**	2.05	**(0.17)**	(0.21)	0.01	(0.18)	(0.29)
Total	**25,162**	29,496	**2.06**	2.07	**(0.22)**	(0.17)	(0.07)	(0.21)	(0.28)
PCI (1)	**N/A**	13							
Total junior lien mortgages	$ **25,162**	29,509							

(1) In connection with our adoption of CECL on January 1, 2020, PCI loans were reclassified as PCD loans and are therefore included with other non-PCD loans in this table. For additional information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Our junior lien, as well as first lien, lines of credit portfolios generally have draw periods of 10, 15 or 20 years with variable interest rate and payment options available during the draw period of (1) interest only or (2) 1.5% of outstanding principal balance plus accrued interest. As of September 30, 2020, lines of credit in a draw period primarily used the interest-only option. During the draw period, the borrower has the option of converting all or a portion of the line from a variable interest rate to a fixed rate with terms including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment schedule with repayment terms of up to 30 years based on the balance at time of conversion. Certain lines and loans have been structured with a balloon payment, which requires full repayment of the outstanding balance at the end of the term period. The conversion of lines or loans to fully amortizing or balloon payoff may result in a significant payment increase, which can affect some borrowers' ability to repay the outstanding balance.

On a monthly basis, we monitor the payment characteristics of borrowers in our first and junior lien lines of credit portfolios. In September 2020, excluding borrowers with COVID-related loan modification payment deferrals, approximately 43% of borrowers paid the minimum amount due and approximately 52% paid more than the minimum amount due. The rest were either delinquent or paid less than the minimum amount due. For the borrowers with an interest-only payment feature, approximately 28% paid the minimum amount due and approximately 67% paid more than the minimum amount due.

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

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

Table 17 reflects the outstanding balance of our portfolio of junior lien mortgages, including lines and loans, and first lien lines segregated into scheduled end-of-draw or end-of-term periods and products that are currently amortizing, or in balloon repayment status. At September 30, 2020, $383 million, or 2%, of lines in their draw period were 30 days or more past due, compared with $377 million, or 5%, of amortizing lines of credit. Included in the amortizing amounts in Table 17 is $64 million of end-of-term balloon payments which were past due. The unfunded credit commitments for junior and first lien lines totaled $55.7 billion at September 30, 2020.

Table 17: Junior Lien Mortgage Line and Loan and First Lien Mortgage Line Portfolios Payment Schedule

		Scheduled end of draw / term						
($ in millions)	**Outstanding balance September 30, 2020**	Remainder of 2020	2021	2022	2023	2024	2025 and thereafter (1)	Amortizing
Junior lien lines and loans	**$ 25,162**	61	682	2,822	1,930	1,545	10,441	7,681
First lien lines	**9,393**	24	345	1,433	1,076	847	4,103	1,565
Total	**$ 34,555**	85	1,027	4,255	3,006	2,392	14,544	9,246
% of portfolios	**100%**	—	3	12	9	7	42	27

(1) Substantially all lines and loans are scheduled to convert to amortizing loans by the end of 2029, with annual scheduled amounts through 2029 ranging from $1.5 billion to $4.1 billion and averaging $2.7 billion per year.

CREDIT CARDS Our credit card portfolio totaled $36.0 billion at September 30, 2020, which represented 4% of our total outstanding loans. The net charge-off rate (annualized) for our credit card portfolio was 2.71% for third quarter 2020, compared with 3.22% for third quarter 2019, and 3.39% and 3.54% for the first nine months of 2020 and 2019, respectively. The decrease in the net charge-off rate in the third quarter and first nine months of 2020, compared with the same periods a year ago, was driven by payment deferral activities in response to the COVID-19 pandemic and the effects of government stimulus programs.

AUTOMOBILE Our automobile portfolio totaled $48.5 billion at September 30, 2020. The net charge-off rate (annualized) for our automobile portfolio was 0.25% for third quarter 2020, compared with 0.65% for third quarter 2019, and 0.60% and 0.64% for the first nine months of 2020 and 2019, respectively. The decrease in the net charge-off rate in the third quarter and first nine months of 2020, compared with the same periods in 2019, was driven by payment deferral activities in response to the COVID-19 pandemic and stronger recoveries from higher used car values.

OTHER REVOLVING CREDIT AND INSTALLMENT Other revolving credit and installment loans totaled $33.2 billion at September 30, 2020, and predominantly included student and securities-based loans. Our private student loan portfolio totaled $10.0 billion at September 30, 2020. On September 22, 2020, we notified customers of our exit from the student lending business. New applications from current customers will be accepted for the 2020-2021 academic year until January 28, 2021, with final disbursement of funds to colleges by June 30, 2021. The net charge-off rate (annualized) for other revolving credit and installment loans was 0.80% for third quarter 2020, compared with 1.60% for third quarter 2019, and 1.16% and 1.54% for the first nine months of 2020 and 2019, respectively. The decrease in the net charge-off rate in the third quarter and first nine months of 2020, compared with the same periods a year ago, was driven by payment deferral activities in response to the COVID-19 pandemic.

NONPERFORMING ASSETS (NONACCRUAL LOANS AND FORECLOSED ASSETS) Table 18 summarizes nonperforming assets (NPAs) for each of the last four quarters. Total NPAs increased $378 million from second quarter 2020 to $8.2 billion. Nonaccrual loans of $8.0 billion increased $417 million from second quarter 2020. The increase in nonaccrual loans was due to the economic impact of the COVID-19 pandemic, including real estate 1-4 family mortgage loans in COVID-related payment deferral programs that were classified as nonaccrual because they did not qualify for legislative or regulatory relief. Customer payment deferral activities instituted in response to the COVID-19 pandemic may delay recognition of delinquencies for customers who otherwise would have moved into nonaccrual status. Prior to January 1, 2020, PCI loans were excluded from nonaccrual loans because they continued to earn interest income from accretable yield, independent of performance in accordance with their contractual terms. However, as a result of our adoption of CECL on January 1, 2020, $275 million of real estate 1-4 family mortgage loans were reclassified from PCI to PCD loans, and as a result, were also classified as nonaccrual loans given their contractual delinquency. For additional information on PCD loans, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

For information about when we generally place loans on nonaccrual status, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2019 Form 10-K. For additional information on customer accommodations, including loan modifications, in response to the COVID-19 pandemic, see the "Risk Management – Credit Risk Management – COVID-Related Lending Accommodations" section in this Report.

Foreclosed assets of $156 million were down $39 million from second quarter 2020.

Table 18: Nonperforming Assets (Nonaccrual Loans and Foreclosed Assets)

	September 30, 2020		June 30, 2020		March 31, 2020		December 31, 2019	
($ in millions)	**Balance**	**% of total loans**	Balance	% of total loans	Balance	% of total loans	Balance	% of total loans
Nonaccrual loans:								
Commercial:								
Commercial and industrial	**$ 2,834**	**0.88%**	$ 2,896	0.83%	$ 1,779	0.44%	$ 1,545	0.44%
Real estate mortgage	**1,343**	**1.10**	1,217	0.98	944	0.77	573	0.47
Real estate construction	**34**	**0.15**	34	0.16	21	0.10	41	0.21
Lease financing	**187**	**1.10**	138	0.79	131	0.68	95	0.48
Total commercial	**4,398**	**0.91**	4,285	0.83	2,875	0.51	2,254	0.44
Consumer:								
Real estate 1-4 family first mortgage (1)	**2,641**	**0.90**	2,393	0.86	2,372	0.81	2,150	0.73
Real estate 1-4 family junior lien mortgage (1)	**767**	**3.05**	753	2.81	769	2.70	796	2.70
Automobile	**176**	**0.36**	129	0.26	99	0.20	106	0.22
Other revolving credit and installment	**40**	**0.12**	45	0.14	41	0.12	40	0.12
Total consumer	**3,624**	**0.83**	3,320	0.79	3,281	0.74	3,092	0.69
Total nonaccrual loans	**8,022**	**0.87**	7,605	0.81	6,156	0.61	5,346	0.56
Foreclosed assets:								
Government insured/guaranteed (2)	**22**		31		43		50	
Non-government insured/guaranteed	**134**		164		209		253	
Total foreclosed assets	**156**		195		252		303	
Total nonperforming assets	**$ 8,178**	**0.89%**	$ 7,800	0.83%	$ 6,408	0.63%	$ 5,649	0.59%
Change in NPAs from prior quarter	**$ 378**		1,392		759		(333)	

(1) Real estate 1-4 family mortgage loans predominantly insured by the FHA or guaranteed by the VA are not placed on nonaccrual status because they are insured or guaranteed.
(2) Consistent with regulatory reporting requirements, foreclosed real estate resulting from government insured/guaranteed loans are classified as nonperforming. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA. Receivables related to the foreclosure of certain government guaranteed residential real estate mortgage loans are excluded from this table and included in Accounts Receivable in Other Assets. For additional information on foreclosed assets, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2019 Form 10-K.

Table 19 provides an analysis of the changes in nonaccrual loans.

Table 19: Analysis of Changes in Nonaccrual Loans

	Quarter ended				
(in millions)	**Sep 30, 2020**	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Commercial nonaccrual loans					
Balance, beginning of period	**$ 4,285**	2,875	2,254	2,312	2,470
Inflows	**1,316**	2,741	1,479	652	710
Outflows:					
Returned to accruing	**(166)**	(64)	(56)	(124)	(52)
Foreclosures	**—**	—	—	—	(78)
Charge-offs	**(382)**	(560)	(360)	(201)	(194)
Payments, sales and other	**(655)**	(707)	(442)	(385)	(544)
Total outflows	**(1,203)**	(1,331)	(858)	(710)	(868)
Balance, end of period	**4,398**	4,285	2,875	2,254	2,312
Consumer nonaccrual loans					
Balance, beginning of period	**3,320**	3,281	3,092	3,233	3,452
Inflows (1)	**696**	379	749	473	448
Outflows:					
Returned to accruing	**(160)**	(135)	(254)	(227)	(274)
Foreclosures	**(4)**	(6)	(21)	(29)	(32)
Charge-offs	**(36)**	(39)	(48)	(45)	(44)
Payments, sales and other	**(192)**	(160)	(237)	(313)	(317)
Total outflows	**(392)**	(340)	(560)	(614)	(667)
Balance, end of period	**3,624**	3,320	3,281	3,092	3,233
Total nonaccrual loans	**$ 8,022**	7,605	6,156	5,346	5,545

(1) In connection with our adoption of CECL on January 1, 2020, we classified $275 million of PCD loans as nonaccruing based on performance.

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

We believe exposure to loss on nonaccrual loans is mitigated by the following factors at September 30, 2020:

- 92% of total commercial nonaccrual loans and 99% of total consumer nonaccrual loans are secured. Of the consumer nonaccrual loans, 94% are secured by real estate and 90% have a combined LTV (CLTV) ratio of 80% or less.
- losses of $701 million and $1.0 billion have already been recognized on 18% of commercial nonaccrual loans and 32% of consumer nonaccrual loans, respectively, in accordance with our charge-off policies. Once we write down loans to the net realizable value (fair value of collateral less estimated costs to sell), we re-evaluate each loan regularly and record additional write-downs if needed.
- 74% of commercial nonaccrual loans were current on interest and 70% of commercial nonaccrual loans were current on both principal and interest, but were on nonaccrual status because the full or timely collection of interest or principal had become uncertain.
- of the $1.3 billion of consumer loans in bankruptcy or discharged in bankruptcy, and classified as nonaccrual, $848 million were current.
- the remaining risk of loss of all nonaccrual loans has been considered in developing our allowance for loan losses.

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

Table 20 provides a summary of foreclosed assets and an analysis of changes in foreclosed assets.

Table 20: Foreclosed Assets

(in millions)		Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Summary by loan segment						
Government insured/guaranteed	$	**22**	31	43	50	59
Commercial		**39**	45	49	62	180
Consumer		**95**	119	160	191	198
Total foreclosed assets	$	**156**	195	252	303	437
Analysis of changes in foreclosed assets						
Balance, beginning of period	$	**195**	252	303	437	377
Net change in government insured/guaranteed (1)		**(9)**	(12)	(7)	(9)	(9)
Additions to foreclosed assets (2)		**60**	51	107	126	235
Reductions:						
Sales		**(88)**	(98)	(154)	(250)	(155)
Write-downs and gains (losses) on sales		**(2)**	2	3	(1)	(11)
Total reductions		**(90)**	(96)	(151)	(251)	(166)
Balance, end of period	$	**156**	195	252	303	437

(1) Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as servicer, until reimbursement is received from FHA or VA.
(2) Includes loans moved into foreclosed assets from nonaccrual status and repossessed automobiles.

Foreclosed assets at September 30, 2020, included $104 million of foreclosed residential real estate, of which 21% is predominantly FHA insured or VA guaranteed and expected to have minimal or no loss content. The remaining amount of foreclosed assets has been written down to estimated net realizable value. Of the $156 million in foreclosed assets at September 30, 2020, 52% have been in the foreclosed assets portfolio one year or less.

As part of our actions to support customers during the COVID-19 pandemic, we have temporarily suspended certain mortgage foreclosure activities, which may affect the amount of our foreclosed assets for the remainder of the year. For additional information on loans in process of foreclosure, see Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

TROUBLED DEBT RESTRUCTURINGS

Table 21: TDR Balances

(in millions)		Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Commercial:						
Commercial and industrial	$	**2,082**	1,882	1,302	1,183	1,162
Real estate mortgage		**805**	717	697	669	598
Real estate construction		**21**	20	33	36	40
Lease financing		**9**	10	10	13	16
Total commercial TDRs		**2,917**	2,629	2,042	1,901	1,816
Consumer:						
Real estate 1-4 family first mortgage		**9,420**	7,176	7,284	7,589	7,905
Real estate 1-4 family junior lien mortgage		**1,298**	1,309	1,356	1,407	1,457
Credit Card		**494**	510	527	520	504
Automobile		**156**	108	76	81	82
Other revolving credit and installment		**190**	173	172	170	167
Trial modifications		**91**	91	108	115	123
Total consumer TDRs		**11,649**	9,367	9,523	9,882	10,238
Total TDRs	$	**14,566**	11,996	11,565	11,783	12,054
TDRs on nonaccrual status	$	**4,163**	3,475	2,846	2,833	2,775
TDRs on accrual status:						
Government insured/guaranteed		**3,467**	1,277	1,157	1,190	1,199
Non-government insured/guaranteed		**6,936**	7,244	7,562	7,760	8,080
Total TDRs	$	**14,566**	11,996	11,565	11,783	12,054

Table 21 provides information regarding the recorded investment of loans modified in TDRs. The allowance for loan losses for TDRs was $732 million and $1.0 billion at September 30, 2020, and December 31, 2019, respectively. See Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report for additional information regarding TDRs. In those situations where principal is forgiven, the entire amount of such forgiveness is immediately charged off. When we delay the timing on the repayment of a portion of principal (principal forbearance), we charge off the amount of forbearance if that amount is not considered fully collectible. As part of our actions to support customers during the COVID-19 pandemic, we have provided borrowers relief in the form of loan modifications. Under the CARES Act and the Interagency Statement, loan modifications related to the COVID-19 pandemic will not be classified as TDRs if they meet certain eligibility criteria. For additional information on the CARES Act and the Interagency Statement, see the "Risk Management – Credit Risk Management – Credit Quality Overview – Troubled Debt Restructuring Relief" section in this Report.

For additional information on our nonaccrual policies when a restructuring is involved, see the "Risk Management – Credit Risk Management – Troubled Debt Restructurings (TDRs)" section in our 2019 Form 10-K.

Table 22 provides an analysis of the changes in TDRs. Loans modified more than once are reported as TDR inflows only in the period they are first modified. Other than resolutions such as foreclosures, sales and transfers to held for sale, we may remove loans held for investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as new loans.

Table 22: Analysis of Changes in TDRs

					Quarter ended
(in millions)	**Sep 30, 2020**	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Commercial TDRs					
Balance, beginning of quarter	**$ 2,629**	2,042	1,901	1,816	1,988
Inflows (1)	**866**	971	452	476	293
Outflows					
Charge-offs	**(77)**	(60)	(56)	(48)	(66)
Foreclosures	**—**	—	—	(1)	—
Payments, sales and other (2)	**(501)**	(324)	(255)	(342)	(399)
Balance, end of quarter	**2,917**	2,629	2,042	1,901	1,816
Consumer TDRs					
Balance, beginning of quarter	**9,367**	9,523	9,882	10,238	10,625
Inflows (1)	**2,805**	425	312	350	360
Outflows					
Charge-offs	**(58)**	(46)	(63)	(57)	(56)
Foreclosures	**(7)**	(8)	(57)	(61)	(70)
Payments, sales and other (2)	**(458)**	(510)	(544)	(580)	(617)
Net change in trial modifications (3)	**—**	(17)	(7)	(8)	(4)
Balance, end of quarter	**11,649**	9,367	9,523	9,882	10,238
Total TDRs	**$ 14,566**	11,996	11,565	11,783	12,054

(1) Inflows include loans that modify, even if they resolve within the period, as well as gross advances on term loans that modified in a prior period and net advances on revolving TDRs that modified in a prior period.
(2) Other outflows consist of normal amortization/accretion of loan basis adjustments and loans transferred to held for sale. Occasionally, loans that have been refinanced or restructured at market terms qualify as new loans, which are also included as other outflows.
(3) Net change in trial modifications includes inflows of new TDRs entering the trial payment period, net of outflows for modifications that either (i) successfully perform and enter into a permanent modification, or (ii) did not successfully perform according to the terms of the trial period plan and are subsequently charged-off, foreclosed upon or otherwise resolved.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING Loans 90 days or more past due are still accruing if they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. Prior to January 1, 2020, PCI loans were excluded from loans 90 days or more past due and still accruing because they continued to earn interest income from accretable yield, independent of performance in accordance with their contractual terms. In connection with our adoption of CECL, PCI loans were reclassified as PCD loans and classified as accruing or nonaccruing based on performance.

Loans 90 days or more past due and still accruing, excluding insured/guaranteed loans, at September 30, 2020, were down $276 million, or 30%, from December 31, 2019 due to lower delinquencies in consumer loans as payment deferral activities instituted in response to the COVID-19 pandemic delayed recognition of delinquencies for customers who would have otherwise moved into past due status.

Loans 90 days or more past due and still accruing whose repayments are largely insured by the FHA or guaranteed by the VA for mortgages at September 30, 2020, were up from December 31, 2019, driven by our repurchases of loans more than 90 days past due from GNMA loan securitization pools.

Table 23 reflects loans 90 days or more past due and still accruing by class for loans not government insured/guaranteed. For additional information on delinquencies by loan class, see Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

Table 23: Loans 90 Days or More Past Due and Still Accruing

(in millions)		**Sep 30, 2020**	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Total:	$	**11,698**	9,739	7,023	7,285	7,130
Less: FHA insured/VA guaranteed (1)		**11,041**	8,922	6,142	6,352	6,308
Total, not government insured/guaranteed	$	**657**	817	881	933	822
By segment and class, not government insured/guaranteed:						
Commercial:						
Commercial and industrial	$	**61**	101	24	47	6
Real estate mortgage		**47**	44	28	31	28
Real estate construction		**—**	—	1	—	—
Total commercial		**108**	145	53	78	34
Consumer:						
Real estate 1-4 family first mortgage		**97**	93	128	112	100
Real estate 1-4 family junior lien mortgage		**28**	19	25	32	35
Credit card		**297**	418	528	546	491
Automobile		**50**	54	69	78	75
Other revolving credit and installment		**77**	88	78	87	87
Total consumer		**549**	672	828	855	788
Total, not government insured/guaranteed	$	**657**	817	881	933	822

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

NET LOAN CHARGE-OFFS

Table 24: Net Loan Charge-offs

	Quarter ended									
	Sep 30, 2020		Jun 30, 2020		Mar 31, 2020		Dec 31, 2019		Sep 30, 2019	
($ in millions)	**Net loan charge-offs**	**% of avg. loans (1)**	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)
Commercial:										
Commercial and industrial	**$ 274**	**0.33%**	$ 521	0.55%	$ 333	0.37%	$ 168	0.19%	$ 147	0.17%
Real estate mortgage	**56**	**0.18**	67	0.22	(2)	(0.01)	4	0.01	(8)	(0.02)
Real estate construction	**(2)**	**(0.03)**	(1)	(0.02)	(16)	(0.32)	—	—	(8)	(0.14)
Lease financing	**28**	**0.66**	15	0.33	9	0.19	31	0.63	8	0.17
Total commercial	**356**	**0.29**	602	0.44	324	0.25	203	0.16	139	0.11
Consumer:										
Real estate 1-4 family first mortgage	**(1)**	**—**	2	—	(3)	—	(3)	—	(5)	(0.01)
Real estate 1-4 family junior lien mortgage	**(14)**	**(0.22)**	(12)	(0.17)	(5)	(0.07)	(16)	(0.20)	(22)	(0.28)
Credit card	**245**	**2.71**	327	3.60	377	3.81	350	3.48	319	3.22
Automobile	**31**	**0.25**	106	0.88	82	0.68	87	0.73	76	0.65
Other revolving credit and installment	**66**	**0.80**	88	1.09	134	1.59	148	1.71	138	1.60
Total consumer	**327**	**0.30**	511	0.48	585	0.53	566	0.51	506	0.46
Total	**$ 683**	**0.29%**	$ 1,113	0.46%	$ 909	0.38%	$ 769	0.32%	$ 645	0.27%

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

Table 24 presents net loan charge-offs for third quarter 2020 and the previous four quarters.

The decrease in commercial net loan charge-offs in third quarter 2020 from the prior quarter was driven by lower commercial and industrial losses predominantly in our oil and gas portfolio, as well as lower commercial real estate mortgage losses. The decrease in consumer net loan charge-offs in third quarter 2020 from the prior quarter was driven by lower losses in our credit card and automobile portfolios.

The COVID-19 pandemic may continue to impact the credit quality of our loan portfolio. Although the potential impacts were considered in our allowance for credit losses for loans, payment deferral activities instituted in response to the COVID-19 pandemic could delay the recognition of net loan charge-offs. For additional information on customer accommodations in response to the COVID-19 pandemic, see the "Risk Management – Credit Risk Management – COVID-Related Lending Accommodations" section in this Report.

ALLOWANCE FOR CREDIT LOSSES We maintain an allowance for credit losses (ACL) for loans, which is management's estimate of the expected credit losses in the loan portfolio and unfunded credit commitments, at the balance sheet date, excluding loans and unfunded credit commitments carried at fair value or held for sale. Additionally, we maintain an ACL for debt securities classified as either available-for-sale or held-to-maturity, other financial assets measured at amortized cost, net investments in leases, and other off-balance sheet credit exposures.

We apply a disciplined process and methodology to establish our ACL each quarter. The process for establishing the ACL for loans takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific characteristics. The process involves subjective and complex judgments. In addition, we review a variety of credit metrics and trends. These credit metrics and trends, however, do not solely determine the amount of the allowance as we use several analytical tools. For additional information on our ACL, see the "Critical Accounting Policies – Allowance for Credit Losses" section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report. For additional information on our ACL for loans, see Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report, and for additional information on our allowance for credit losses for debt securities, see the "Balance Sheet Analysis – Available-For-Sale and Held-To-Maturity Debt Securities" section and Note 5 (Available-for-Sale and Held-to-Maturity Debt Securities) to Financial Statements in this Report.

Table 25 presents the allocation of the ACL for loans by loan segment and class for the most recent quarter end and last four year ends. The detail of the changes in the ACL for loans by portfolio segment (including charge-offs and recoveries by loan class) is included in Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

Table 25: Allocation of the ACL for Loans (1)

	Sep 30, 2020		Dec 31, 2019		Dec 31, 2018		Dec 31, 2017		Dec 31, 2016	
($ in millions)	**ACL**	**Loans as % of total loans**	ACL	Loans as % of total loans	ACL	Loans as % of total loans	ACL	Loans as % of total loans	ACL	Loans as % of total loans
Commercial:										
Commercial and industrial	**$ 7,845**	**35%**	$ 3,600	37%	$ 3,628	37%	$ 3,752	35%	$ 4,560	34%
Real estate mortgage	**2,517**	**13**	1,236	13	1,282	13	1,374	13	1,320	14
Real estate construction	**521**	**2**	1,079	2	1,200	2	1,238	3	1,294	2
Lease financing	**659**	**2**	330	2	307	2	268	2	220	2
Total commercial	**11,542**	**52**	6,245	54	6,417	54	6,632	53	7,394	52
Consumer:										
Real estate 1-4 family first mortgage	**1,519**	**32**	692	30	750	30	1,085	30	1,270	29
Real estate 1-4 family junior lien mortgage	**710**	**3**	247	3	431	3	608	4	815	5
Credit card	**4,082**	**4**	2,252	4	2,064	4	1,944	4	1,605	4
Automobile	**1,225**	**5**	459	5	475	5	1,039	5	817	6
Other revolving credit and installment	**1,393**	**4**	561	4	570	4	652	4	639	4
Total consumer	**8,929**	**48**	4,211	46	4,290	46	5,328	47	5,146	48
Total	**$ 20,471**	**100%**	$ 10,456	100%	$ 10,707	100%	$ 11,960	100%	$ 12,540	100%

	Sep 30, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Components:					
Allowance for loan losses	**$ 19,463**	9,551	9,775	11,004	11,419
Allowance for unfunded credit commitments	**1,008**	905	932	956	1,121
Allowance for credit losses for loans	**$ 20,471**	10,456	10,707	11,960	12,540
Allowance for loan losses as a percentage of total loans	**2.12%**	0.99	1.03	1.15	1.18
Allowance for loan losses as a percentage of total net loan charge-offs (2)	**716**	346	356	376	324
Allowance for credit losses for loans as a percentage of total loans	**2.22**	1.09	1.12	1.25	1.30
Allowance for credit losses for loans as a percentage of total nonaccrual loans	**255**	196	165	156	126

(1) Disclosure is not comparative due to our adoption of CECL on January 1, 2020. For additional information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.
(2) Total net loan charge-offs are annualized for the quarter ended September 30, 2020.

The ratios for the allowance for loan losses and the ACL for loans presented in Table 25 may fluctuate from period to period due to such factors as the mix of loan types in the portfolio, borrower credit strength, and the value and marketability of collateral.

The ACL for loans increased $10.0 billion, or 96%, from December 31, 2019, driven by a $11.3 billion increase in the ACL for loans in the first nine months of 2020 reflecting current and forecasted economic conditions due to the COVID-19 pandemic, partially offset by a $1.3 billion decrease as a result of adopting CECL. Total provision for credit losses for loans was $751 million in third quarter 2020, compared with $695 million in third quarter 2019. The increase in the provision for credit losses for loans in third quarter 2020, compared with the same period a year ago, reflected an increase in the ACL for loans due to the economic impact of the COVID-19 pandemic.

We consider multiple economic scenarios to develop our estimate of the ACL for loans. The scenarios include a base case considered to be the most likely economic forecast, along with an optimistic (upside) and a pessimistic (downside) economic forecast. Our estimate of the ACL for loans at September 30, 2020, was based on a weighting of the base case and downside economic scenarios of 80% and 20%, respectively, with no weighting applied to the upside scenario. The base case economic forecast assumed near-term economic stress recovering into late 2021. The downside scenario assumed more sustained adverse economic impacts resulting from the COVID-19 pandemic compared with the base case. The downside scenario assumed U.S. real GDP increasing slowly and not fully recovering during the remainder of 2020 and 2021, and a sustained elevation in the U.S. unemployment rate until mid-2022. We considered expectations for the impact of government economic stimulus programs in effect on September 30, 2020; however, we did not consider the impact of future government economic stimulus programs. In addition, we considered expectations for the impact of customer accommodation activity, as well as the estimated impact on certain industries that we consider to be directly and most adversely affected by the COVID-19 pandemic.

In addition to quantitative estimates, we consider qualitative factors that represent risks inherent in our processes and assumptions such as economic environmental factors, modeling assumptions and performance, and other subjective factors, including industry trends and emerging risk assessments. The forecasted key economic variables used in our estimate of the

ACL for loans generally reflected improvement from our prior expectations resulting in lower loss expectations in the quantitative component of our ACL for loans at September 30, 2020. However, we significantly increased the qualitative component of our ACL for loans at September 30, 2020, to consider the significant uncertainty related to the duration and severity of the economic impacts from the COVID-19 pandemic and the incremental risks to our loan portfolio, including specifically impacted industries in our commercial loan portfolio.

The forecasted key economic variables used in our estimate of the ACL for loans at June 30 and September 30, 2020, are presented in Table 26.

Table 26: Forecasted Key Economic Variables

	4Q 2020	2Q 2021	4Q 2021
Blend of economic scenarios (1):			
U.S. unemployment rate (2)			
Jun 30, 2020	11.0	9.2	7.5
Sep 30, 2020	8.8	7.3	6.0
U.S. real GDP (3)			
Jun 30, 2020	4.3	6.3	3.5
Sep 30, 2020	1.7	3.9	2.8
Home price index (4)			
Jun 30, 2020	0.7	(3.0)	(0.9)
Sep 30, 2020	2.0	(2.0)	(1.8)
Commercial real estate asset prices (4)			
Jun 30, 2020	(2.5)	(7.6)	(5.1)
Sep 30, 2020	(5.4)	(10.9)	(5.5)

(1) Represents a weighted average of the forecasted economic variable inputs.
(2) Quarterly average.
(3) Percent change from the preceding period, seasonally adjusted annualized rate.
(4) Percent change year over year of national average; outlook differs by geography and property type.

Future amounts of the ACL for loans will be based on a variety of factors, including loan balance changes, portfolio credit quality and mix changes, and changes in general economic conditions and expectations (including for unemployment and GDP), among other factors. Based on economic conditions at the end of third quarter 2020, it was difficult to estimate the length and severity of the economic downturn that may result from the COVID-19 pandemic and the impact of other factors that may influence the level of eventual losses and corresponding requirements for future amounts of the ACL, including the impact of economic stimulus programs and customer accommodation activity. The COVID-19 pandemic could continue to result in the recognition of credit losses in our loan portfolios and increases in our allowance for credit losses, particularly if the impact on the economy worsens.

We believe the ACL for loans of $20.5 billion at September 30, 2020, was appropriate to cover expected credit losses, including unfunded credit commitments, at that date. The entire allowance is available to absorb expected credit losses from the total loan portfolio. The ACL for loans is subject to change and reflects existing factors as of the date of determination, including economic or market conditions and ongoing internal and external examination processes. Due to the sensitivity of the ACL for loans to changes in the economic and business environment, it is possible that we will incur incremental credit losses not anticipated as of the balance sheet date.

LIABILITY FOR MORTGAGE LOAN REPURCHASE LOSSES For information on our repurchase liability, see the "Risk Management – Credit Risk Management – Liability For Mortgage Loan Repurchase Losses" section in our 2019 Form 10-K.

RISKS RELATING TO SERVICING ACTIVITIES In addition to servicing loans in our portfolio, we act as servicer and/or master servicer of residential mortgage loans included in government-sponsored entity (GSE)-guaranteed mortgage securitizations, GNMA-guaranteed mortgage securitizations of FHA-insured/VA-guaranteed mortgages and private label mortgage securitizations, as well as for unsecuritized loans owned by institutional investors. In connection with our servicing activities, we could become subject to consent orders and settlement agreements with federal and state regulators for alleged servicing issues and practices. In general, these can require us to provide customers with loan modification relief, refinancing relief, and foreclosure prevention and assistance, and can result in the imposition of certain monetary penalties.

As a servicer, we are required to advance certain delinquent payments of principal and interest on mortgage loans we service. The amount and timing of reimbursement of these advances vary by investor and the applicable servicing agreements. Due to continued customer requests for payment deferrals as a result of the COVID-19 pandemic, the amount of our servicing advances of principal and interest remained elevated in third quarter 2020. The amount of these advances may continue to increase if additional payment deferrals are provided. Payment deferrals also delay the collection of contractually specified servicing fees, resulting in lower net servicing income.

In accordance with applicable servicing guidelines, delinquency status continues to advance for loans with COVID-related payment deferrals, which has resulted in an increase in delinquent loans serviced for others and a corresponding increase in loans eligible for repurchase from GNMA loan securitization pools. Our option to repurchase loans from GNMA loan securitization pools becomes exercisable when three scheduled loan payments remain unpaid by the borrower. We generally repurchase these loans for cash and as a result, our total consolidated assets do not change. In third quarter 2020, we repurchased $21.9 billion of these delinquent loans, substantially all of which had COVID-related payment deferrals.

Loans that regain current status or are otherwise modified in accordance with applicable servicing guidelines may be included in future GNMA loan securitization pools. However, in accordance with guidance issued by GNMA, loans repurchased after June 30, 2020 with COVID-related payment deferrals are ineligible for inclusion in future GNMA loan securitization pools until the borrower has timely made six consecutive payments. This requirement may delay our ability to resell loans into the securitization market. At September 30, 2020, the amount of repurchased GNMA loans with COVID-related payment deferrals that were ineligible for inclusion in future GNMA loan securitization pools due to this requirement was $21.0 billion.

For additional information about the risks related to our servicing activities, see the "Risk Management – Credit Risk Management – Risks Relating to Servicing Activities" section in our 2019 Form 10-K. For additional information on mortgage banking activities, see Note 11 (Mortgage Banking Activities) to Financial Statements in this Report.

Asset/Liability Management

Asset/liability management involves evaluating, monitoring and managing interest rate risk, market risk, liquidity and funding. Primary oversight of interest rate risk and market risk resides with the Finance Committee of our Board, which oversees the administration and effectiveness of financial risk management policies and processes used to assess and manage these risks. Primary oversight of liquidity and funding resides with the Risk Committee of the Board. At the management level we utilize a Corporate Asset/Liability Committee (Corporate ALCO), which consists of management from finance, risk and business groups, to oversee these risks and provide periodic reports to the Board's Finance Committee and Risk Committee as appropriate. As discussed in more detail for market risk activities below, we employ separate management level oversight specific to market risk.

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

- assets and liabilities may mature or reprice at different times (for example, if assets reprice faster than liabilities and interest rates are generally rising, earnings will initially increase);
- assets and liabilities may reprice at the same time but by different amounts (for example, when the general level of interest rates is rising, we may increase rates paid on checking and savings deposit accounts by an amount that is less than the general rise in market interest rates);
- short-term and long-term market interest rates may change by different amounts (for example, the shape of the yield curve may affect new loan yields and funding costs differently);
- the remaining maturity of various assets or liabilities may shorten or lengthen as interest rates change (for example, if long-term mortgage interest rates increase sharply, MBS held in the debt securities portfolio may pay down slower than anticipated, which could impact portfolio income); or
- interest rates may also have a direct or indirect effect on loan demand, collateral values, credit losses, mortgage origination volume, the fair value of MSRs and other financial instruments, the value of the pension liability and other items affecting earnings.

We assess interest rate risk by comparing outcomes under various net interest income simulations using many interest rate scenarios that differ in the direction of interest rate changes, the degree of change over time, the speed of change and the projected shape of the yield curve. These simulations require assumptions regarding drivers of earnings and balance sheet composition such as loan originations, prepayment speeds on loans and debt securities, deposit flows and mix, as well as pricing strategies.

Currently, our profile is such that we project net interest income will benefit from higher interest rates as our assets would reprice faster and to a greater degree than our liabilities, while in the case of lower interest rates, our assets would reprice downward and to a greater degree than our liabilities.

Our most recent simulations estimate net interest income sensitivity over the next two years under a range of both lower and higher interest rates. Measured impacts from standardized ramps (gradual changes) and shocks (instantaneous changes) are summarized in Table 27, indicating net interest income sensitivity relative to the Company's base net interest income plan. Ramp scenarios assume interest rates move gradually in parallel across the yield curve relative to the base scenario in year one, and the full amount of the ramp is held as a constant differential to the base scenario in year two. The following describes the simulation assumptions for the scenarios presented in Table 27:

- Simulations are dynamic and reflect anticipated growth across assets and liabilities.
- Other macroeconomic variables that could be correlated with the changes in interest rates are held constant.
- Mortgage prepayment and origination assumptions vary across scenarios and reflect only the impact of the higher or lower interest rates.
- Our base scenario deposit forecast incorporates mix changes consistent with the base interest rate trajectory. Deposit mix is modeled to be the same as in the base scenario across the alternative scenarios. In higher interest rate scenarios, customer activity that shifts balances into higher-yielding products could reduce expected net interest income.
- We hold the size of the projected debt and equity securities portfolios constant across scenarios.

Table 27: Net Interest Income Sensitivity Over Next Two-Year Horizon Relative to Base Expectation

		Lower Rates (1)	Higher Rates	
($ in billions)	Base	100 bps Ramp Parallel Decrease	100 bps Instantaneous Parallel Increase	200 bps Ramp Parallel Increase
First Year of Forecasting Horizon				
Net Interest Income Sensitivity to Base Scenario		$ (1.7) - (1.2)	5.9 - 6.4	5.3 - 5.8
Key Rates at Horizon End				
Fed Funds Target	0.25 %	0.00	1.25	2.25
10-year CMT (2)	0.84	0.00	1.84	2.84
Second Year of Forecasting Horizon				
Net Interest Income Sensitivity to Base Scenario		$ (3.5) - (3.0)	8.6 - 9.1	13.2 - 13.7
Key Rates at Horizon End				
Fed Funds Target	0.25 %	0.00	1.25	2.25
10-year CMT (2)	0.99	0.00	1.99	2.99

(1) U.S. interest rates are floored at zero where applicable in this scenario analysis
(2) U.S. Constant Maturity Treasury Rate

The sensitivity results above do not capture interest rate sensitive noninterest income and expense impacts. Our interest rate sensitive noninterest income and expense are predominantly driven by mortgage banking activities, and may move in the opposite direction of our net interest income. Mortgage originations generally decline in response to higher interest rates and generally increase, particularly refinancing activity, in response to lower interest rates. Mortgage results are also impacted by the valuation of MSRs and related hedge positions. See the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section in this Report for additional information.

Interest rate sensitive noninterest income also results from changes in earnings credit for noninterest-bearing deposits that reduce treasury management deposit service fees. Additionally, for the trading portfolio, our trading assets are (before the effects of certain economic hedges) generally less sensitive to changes in interest rates than the related funding liabilities. As a result, net interest income from the trading portfolio contracts and expands as interest rates rise and fall, respectively. The impact to net interest income does not include the fair value changes of trading securities and loans, which, along with the effects of related economic hedges, are recorded in noninterest income.

We use the debt securities portfolio and exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. See the "Balance Sheet Analysis – Available-for-Sale and Held-to-Maturity Debt Securities" section in this Report for additional information on the use of the available-for-sale and held-to-maturity securities portfolios. The notional or contractual amount, credit risk amount and fair value of the derivatives used to hedge our interest rate risk exposures as of September 30, 2020, and December 31, 2019, are presented in Note 15 (Derivatives) to Financial Statements in this Report. We use derivatives for asset/liability management in two main ways:

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

MORTGAGE BANKING INTEREST RATE AND MARKET RISK We originate, fund and service mortgage loans, which subjects us to various risks, including credit, liquidity and interest rate risks. For additional information on mortgage banking interest rate and market risk, see the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section in our 2019 Form 10-K.

While our hedging activities are designed to balance our mortgage banking interest rate risks, the financial instruments we use may not perfectly correlate with the values and income being hedged. For example, the change in the value of ARM production held for sale from changes in mortgage interest rates may or may not be fully offset by index-based financial instruments used as economic hedges for such ARMs. Hedge results may also be impacted as the overall level of hedges changes as interest rates change, or as there are other changes in the market for mortgage forwards that may affect the implied carry on the MSRs.

The total carrying value of our residential and commercial MSRs was $7.7 billion at September 30, 2020, and $12.9 billion at December 31, 2019. The weighted average note rate on our portfolio of loans serviced for others was 4.13% at September 30, 2020, and 4.25% at December 31, 2019. The carrying value of our total MSRs represented 0.52% and 0.79% of mortgage loans serviced for others at September 30, 2020 and December 31, 2019, respectively.

MARKET RISK Market risk is the risk of possible economic loss from adverse changes in market risk factors such as interest rates, credit spreads, foreign exchange rates, equity and commodity prices, and the risk of possible loss due to counterparty exposure. This applies to implied volatility risk, basis risk, and market liquidity risk. It also includes price risk in the trading book, mortgage servicing rights and the hedge effectiveness risk associated with the mortgage book, and impairment on private equity investments.

The Board's Finance Committee has primary oversight responsibility for market risk and oversees the Company's market risk exposure and market risk management strategies. In addition, the Board's Risk Committee has certain oversight responsibilities with respect to market risk, including adjusting the Company's market risk appetite with input from the Finance Committee. The Finance Committee also reports key market risk matters to the Risk Committee.

At the management level, the Market and Counterparty Risk Management function, which is part of IRM, has primary oversight responsibility for market risk. The Market and Counterparty Risk Management function reports into the CRO and also provides periodic reports related to market risk to the Board's Finance Committee.

MARKET RISK – TRADING ACTIVITIES We engage in trading activities to accommodate the investment and risk management activities of our customers and to execute economic hedging to manage certain balance sheet risks. These trading activities predominantly occur within our Wholesale Banking businesses and to a lesser extent other divisions of the Company. Debt securities held for trading, equity securities held for trading, trading loans and trading derivatives are financial instruments used in our trading activities, and all are carried at fair value. Income earned on the financial instruments used in our trading activities include net interest income, changes in fair value and realized gains and losses. Net interest income earned from our trading activities is reflected in the interest income and interest expense components of our income statement. Changes in fair value of the financial instruments used in our trading activities are reflected in net gains on trading activities, a component of noninterest income in our income statement. For additional information on the financial instruments used in our trading activities and the income from these trading activities, see Note 4 (Trading Activities) to Financial Statements in this Report.

Value-at-risk (VaR) is a statistical risk measure used to estimate the potential loss from adverse moves in the financial markets. The Company uses VaR metrics complemented with sensitivity analysis and stress testing in measuring and monitoring market risk. For additional information, including information regarding our monitoring activities, sensitivity analysis and stress testing, see the "Risk Management – Asset/Liability Management – Market Risk – Trading Activities" section in our 2019 Form 10-K.

Trading VaR is the measure used to provide insight into the market risk exhibited by the Company's trading positions. The Company calculates Trading VaR for risk management purposes to establish line of business and Company-wide risk limits. Trading VaR is calculated based on all trading positions on our balance sheet.

Table 28 shows the Company's Trading General VaR by risk category. As presented in Table 28, average Company Trading General VaR was $153 million for the quarter ended September 30, 2020, compared with $155 million for the quarter ended June 30, 2020, and $24 million for the quarter ended September 30, 2019. The increase in average as well as period end Company Trading General VaR for the quarter ended September 30, 2020, compared with the quarter ended September 30, 2019, was driven by market volatility due to the COVID-19 pandemic, in particular changes in interest rate curves and a significant widening of credit spreads entering the 12-month historical lookback window used to calculate VaR.

Table 28: Trading 1-Day 99% General VaR by Risk Category

												Quarter ended
	September 30, 2020				June 30, 2020				September 30, 2019			
(in millions)	**Period end**	**Average**	**Low**	**High**	Period end	Average	Low	High	Period end	Average	Low	High
Company Trading General VaR Risk Categories												
Credit	**$ 98**	**85**	**59**	**104**	86	82	61	99	27	20	12	30
Interest rate	**145**	**155**	**114**	**201**	155	106	42	161	15	18	13	26
Equity	**21**	**17**	**9**	**24**	14	10	6	17	6	5	4	11
Commodity	**5**	**5**	**2**	**8**	4	4	2	7	2	2	1	3
Foreign exchange	**1**	**1**	**1**	**2**	1	2	1	3	1	1	1	1
Diversification benefit (1)	**(121)**	**(110)**			(51)	(49)			(16)	(22)		
Company Trading General VaR	**$ 149**	**153**			209	155			35	24		

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

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

In conjunction with the March 2008 initial public offering (IPO) of Visa, Inc. (Visa), we received approximately 20.7 million shares of Visa Class B common stock, the class which was apportioned to member banks of Visa at the time of the IPO. To manage our exposure to Visa and realize the value of the appreciated Visa shares, we incrementally sold these shares through a series of sales, thereby eliminating this position as of September 30, 2015. As part of these sales, we agreed to compensate the buyer for any additional contributions to a litigation settlement fund for the litigation matters associated with the Class B shares we sold. Our exposure to this retained litigation risk has been updated quarterly and is reflected on our balance sheet. For additional information about the associated litigation matters, see the "Interchange Litigation" section in Note 14 (Legal Actions) to Financial Statements in this Report.

As part of our business to support our customers, we trade public equities, listed/OTC equity derivatives and convertible bonds. We have parameters that govern these activities. We also have marketable equity securities that include investments relating to our venture capital activities. We manage these marketable equity securities within capital risk limits approved by management and the Board and monitored by Corporate ALCO and the Market Risk Committee. The fair value changes in these marketable equity securities are recognized in net income. For additional information, see Note 8 (Equity Securities) to Financial Statements in this Report.

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

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

Liquidity Standards We are subject to a rule, issued by the FRB, OCC and Federal Deposit Insurance Corporation (FDIC), that includes a quantitative liquidity requirement consistent with the liquidity coverage ratio (LCR) established by the Basel Committee on Banking Supervision (BCBS). The rule requires banking institutions, such as Wells Fargo, to hold high-quality liquid assets (HQLA), predominantly consisting of central bank deposits, government debt securities, and mortgage-backed securities of federal agencies that can be converted easily and quickly into cash, in an amount equal to or greater than its projected net cash outflows during a 30-day stress period. The rule is applicable to the Company on a consolidated basis and to our insured depository institutions (IDIs) with total assets greater than $10 billion. In addition, rules issued by the FRB impose enhanced liquidity management standards on large BHCs such as Wells Fargo.

The FRB, OCC and FDIC have issued a rule implementing a stable funding requirement, known as the net stable funding ratio (NSFR), which will require large banking organizations, including Wells Fargo, to maintain a sufficient amount of available stable funding, such as common equity, long-term subordinated debt and most types of deposits, in relation to their assets, derivative exposures and commitments over a one-year horizon period. The rule will become effective on July 1, 2021.

Liquidity Coverage Ratio As of September 30, 2020, the consolidated Company, Wells Fargo Bank, N.A. and Wells Fargo National Bank West were above the minimum LCR requirement of 100%, which is calculated as HQLA divided by projected net cash outflows, as each is defined under the LCR rule. Table 29 presents the Company's quarterly average values for the daily-calculated LCR and its components calculated pursuant to the LCR rule requirements.

Table 29: Liquidity Coverage Ratio

	Average for Quarter ended		
(in millions, except ratio)	**Sep 30, 2020**	Jun 30, 2020	Sep 30, 2019
HQLA (1)(2)	**$ 424,073**	409,467	359,364
Projected net cash outflows	**317,064**	316,268	302,214
LCR	**134%**	129	119

(1) Excludes excess HQLA at certain subsidiaries that is not transferable to other Wells Fargo entities.
(2) Net of applicable haircuts required under the LCR rule.

Liquidity Sources We maintain liquidity in the form of cash, cash equivalents and unencumbered high-quality, liquid debt securities. These assets make up our primary sources of liquidity which are presented in Table 30. Our primary sources of liquidity are substantially the same in composition as HQLA under the LCR rule; however, our primary sources of liquidity will generally exceed HQLA calculated under the LCR rule due to the applicable haircuts to HQLA and the exclusion of excess HQLA at our subsidiary IDIs required under the LCR rule.

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

Table 30: Primary Sources of Liquidity

	September 30, 2020			December 31, 2019		
(in millions)	**Total**	**Encumbered**	**Unencumbered**	Total	Encumbered	Unencumbered
Interest-earning deposits with banks	**$ 221,235**	**—**	**221,235**	119,493	—	119,493
Debt securities of U.S. Treasury and federal agencies	**56,262**	**4,907**	**51,355**	61,099	3,107	57,992
Mortgage-backed securities of federal agencies	**258,554**	**36,935**	**221,619**	258,589	41,135	217,454
Total	**$ 536,051**	**41,842**	**494,209**	439,181	44,242	394,939

In addition to our primary sources of liquidity shown in Table 30, liquidity is also available through the sale or financing of other debt securities including trading and/or available-for-sale debt securities, as well as through the sale, securitization or financing of loans, to the extent such debt securities and loans are not encumbered. As of September 30, 2020, we also maintained approximately $262.7 billion of available borrowing capacity at various Federal Home Loan Banks and the Federal Reserve Discount Window.

Deposits have historically provided a sizable source of relatively low-cost funds. Deposits were 150% of total loans at September 30, 2020, and 137% at December 31, 2019.

Additional funding is provided by long-term debt and short-term borrowings. Table 31 shows selected information for short-term borrowings, which generally mature in less than 30 days.

Table 31: Short-Term Borrowings

					Quarter ended
(in millions)	**Sep 30, 2020**	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Balance, period end					
Federal funds purchased and securities sold under agreements to repurchase	**$ 44,055**	49,659	79,036	92,403	110,399
Other short-term borrowings	**11,169**	10,826	13,253	12,109	13,509
Total	**$ 55,224**	60,485	92,289	104,512	123,908
Average daily balance for period					
Federal funds purchased and securities sold under agreements to repurchase	**$ 46,504**	52,868	90,722	103,614	109,499
Other short-term borrowings	**10,788**	10,667	12,255	12,335	12,343
Total	**$ 57,292**	63,535	102,977	115,949	121,842
Maximum month-end balance for period					
Federal funds purchased and securities sold under agreements to repurchase (1)	**$ 49,148**	50,397	91,121	111,727	110,399
Other short-term borrowings (2)	**11,169**	11,220	13,253	12,708	13,509

(1) Highest month-end balance in each of the last five quarters was in July, April and February 2020, and October and September 2019.
(2) Highest month-end balance in each of the last five quarters was in September, April and March 2020, and October and September 2019.

Long-Term Debt We access domestic and international capital markets for long-term funding (generally greater than one year) through issuances of registered debt securities, private placements and asset-backed secured funding. We issue long-term debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. Proceeds from securities issued were used for general corporate purposes, and, unless otherwise specified in the applicable prospectus or prospectus supplement, we expect the proceeds from securities issued in the future will be used for the same purposes. Long-term debt of $215.7 billion at September 30, 2020, decreased $12.5 billion from December 31, 2019. We issued $237.1 million and $37.9 billion of long-term debt in the third quarter and first nine months of 2020, respectively. Depending on market conditions, we may purchase our outstanding debt securities from time to time in privately negotiated or open market transactions, by tender offer, or otherwise. Table 32 provides the aggregate carrying value of long-term debt maturities (based on contractual payment dates) for the remainder of 2020 and the following years thereafter, as of September 30, 2020.

Table 32: Maturity of Long-Term Debt

							September 30, 2020
(in millions)	Remaining 2020	2021	2022	2023	2024	Thereafter	Total
Wells Fargo & Company (Parent Only)							
Senior notes	$ 2,713	18,126	18,748	11,472	12,373	88,839	152,271
Subordinated notes	—	—	—	3,770	768	26,251	30,789
Junior subordinated notes	—	—	—	—	—	1,820	1,820
Total long-term debt – Parent	$ 2,713	18,126	18,748	15,242	13,141	116,910	184,880
Wells Fargo Bank, N.A. and other bank entities (Bank)							
Senior notes	$ 257	6,872	4,887	2,924	6	420	15,366
Subordinated notes	—	—	—	1,048	—	4,834	5,882
Junior subordinated notes	—	—	—	—	—	372	372
Securitizations and other bank debt	1,254	1,353	1,057	339	156	1,383	5,542
Total long-term debt – Bank	$ 1,511	8,225	5,944	4,311	162	7,009	27,162
Other consolidated subsidiaries							
Senior notes	$ 91	1,861	205	517	124	839	3,637
Securitizations and other bank debt	—	—	—	—	—	32	32
Total long-term debt – Other consolidated subsidiaries	$ 91	1,861	205	517	124	871	3,669
Total long-term debt	$ 4,315	28,212	24,897	20,070	13,427	124,790	215,711

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

On July 22, 2020, Standard & Poor's (S&P) Global Ratings lowered the long-term rating of the Company to BBB+ from A- and revised the rating outlook to stable from negative. On September 2, 2020, Moody's Investors Service affirmed the Company's ratings and revised the ratings outlook to negative from stable.

See the "Risk Factors" section in our 2019 Form 10-K for additional information regarding our credit ratings and the potential impact a credit rating downgrade would have on our liquidity and operations, as well as Note 15 (Derivatives) to Financial Statements in this Report for information regarding additional collateral and funding obligations required for certain derivative instruments in the event our credit ratings were to fall below investment grade.

The credit ratings of the Company and Wells Fargo Bank, N.A. as of September 30, 2020, are presented in Table 33.

Table 33: Credit Ratings as of September 30, 2020

	Wells Fargo & Company		Wells Fargo Bank, N.A.	
	Senior debt	Short-term borrowings	Long-term deposits	Short-term borrowings
Moody's	A2	P-1	Aa1	P-1
S&P Global Ratings	BBB+	A-2	A+	A-1
Fitch Ratings, Inc.	A+	F1	AA	F1+
DBRS Morningstar	AA (low)	R-1 (middle)	AA	R-1 (high)

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

Capital Management

We have an active program for managing capital through a comprehensive process for assessing the Company's overall capital adequacy. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. We primarily fund our working capital needs through the retention of earnings net of both dividends and share repurchases, as well as through the issuance of preferred stock and long and short-term debt. Retained earnings at September 30, 2020, decreased $5.8 billion from December 31, 2019, predominantly as a result of common and preferred stock dividends of $5.6 billion. During third quarter 2020, we issued $325 million of common stock, excluding conversions of preferred shares. On September 30, 2020, the Board of Governors of the Federal Reserve System (FRB) announced that it was extending through fourth quarter 2020 measures it announced on June 25, 2020, prohibiting large bank holding companies (BHCs) subject to the FRB's capital plan rule, including Wells Fargo, from making capital distributions, subject to certain limited exceptions. For additional information about capital planning, including the FRB's recent prohibition on capital distributions, see the "Capital Planning and Stress Testing" and "Securities Repurchases" sections below.

In January 2020, we issued $2.0 billion of our Preferred Stock, Series Z. In March 2020, we redeemed the remaining $1.8 billion of our Preferred Stock, Series K, and redeemed $669 million of our Preferred Stock, Series T. In October 2020, we issued $1.2 billion of our Preferred Stock, Series AA. For additional information, see Note 17 (Preferred Stock) to Financial Statements in this Report.

Regulatory Capital Guidelines

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

RISK-BASED CAPITAL AND RISK-WEIGHTED ASSETS The Company is subject to rules issued by federal banking regulators to implement Basel III capital requirements for U.S. banking organizations. The federal banking regulators' capital rules, among other things, required on a fully phased-in basis as of September 30, 2020:

- a minimum Common Equity Tier 1 (CET1) ratio of 9.00%, comprised of a 4.50% minimum requirement plus a capital conservation buffer of 2.50% and for us, as a global systemically important bank (G-SIB), a capital surcharge of 2.00%;
- a minimum tier 1 capital ratio of 10.50%, comprised of a 6.00% minimum requirement plus the capital conservation buffer of 2.50% and the G-SIB capital surcharge of 2.00%;
- a minimum total capital ratio of 12.50%, comprised of a 8.00% minimum requirement plus the capital conservation buffer of 2.50% and the G-SIB capital surcharge of 2.00%;
- a potential countercyclical buffer of up to 2.50% to be added to the minimum risk-based capital ratios, which could be imposed by regulators at their discretion if it is determined that a period of excessive credit growth is contributing to an increase in systemic risk; and
- a minimum tier 1 leverage ratio of 4.00%.

The Basel III capital requirements for calculating CET1 and tier 1 capital, along with risk-weighted assets (RWAs), are fully phased-in. However, the requirements for determining tier 2 and total capital are still in accordance with Transition Requirements and are scheduled to be fully phased-in by the end of 2021. The Basel III capital rules contain two frameworks for calculating capital requirements, a Standardized Approach and an Advanced Approach applicable to certain institutions, including Wells Fargo. Our capital adequacy is assessed based on the lower of our risk-based capital ratios calculated under the Standardized Approach and under the Advanced Approach. The difference between RWAs under the Standardized and Advanced Approach has narrowed in recent quarters due to economic conditions from the COVID-19 pandemic impacting our calculation of Advanced Approach RWAs. In particular, changes in internal credit ratings in our loan portfolio contributed to an increase in our Advanced Approach RWAs at September 30, 2020. We expect this trend to continue if the economic impact of the COVID-19 pandemic continues to affect our customer base.

Effective October 1, 2020, a stress capital buffer replaced the 2.50% capital conservation buffer under the Standardized Approach. The stress capital buffer is calculated based on the decrease in a BHC's risk-based capital ratios under the severely adverse scenario in the FRB's annual supervisory stress test and related Comprehensive Capital Analysis and Review (CCAR), plus four quarters of planned common stock dividends. On August 10, 2020, the FRB announced that the Company's stress capital buffer for the period October 1, 2020, through September 30, 2021, is 2.50%. Because the stress capital buffer is calculated annually as part of the FRB's supervisory stress test and related CCAR and will be based on data that can differ over time, our stress capital buffer, and thus the regulatory minimums for our risk-based capital ratios, are subject to change in future years.

As a G-SIB, we are also subject to the FRB's rule implementing the additional capital surcharge of between 1.00-4.50% on the minimum capital requirements of G-SIBs. Under the rule, we must annually calculate our surcharge under two methods and use the higher of the two surcharges. The first method (method one) considers our size, interconnectedness, cross-jurisdictional activity, substitutability, and complexity, consistent with the methodology developed by the BCBS and the Financial Stability Board (FSB). The second method (method two) uses similar inputs, but replaces substitutability with use of short-term wholesale funding and will generally result in higher surcharges than the BCBS methodology. Because the G-SIB capital surcharge is calculated annually based on data that can differ over time, the amount of the surcharge is subject to change in future years.

The tables that follow provide information about our risk-based capital and related ratios as calculated under Basel III capital guidelines. Although we report certain capital amounts and ratios in accordance with Transition Requirements for banking industry regulatory reporting purposes, we manage our capital based on a fully phased-in basis. For information about our capital requirements calculated in accordance with Transition Requirements, see Note 23 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

Table 34 summarizes our CET1, tier 1 capital, total capital, RWAs and capital ratios on a fully phased-in basis at September 30, 2020, and December 31, 2019.

Table 34: Capital Components and Ratios (Fully Phased-In) (1)

			September 30, 2020				December 31, 2019			
(in millions, except ratios)		**Required Minimum Capital Ratios**	**Advanced Approach**		**Standardized Approach**		Advanced Approach		Standardized Approach	
Common Equity Tier 1	(A)		**$ 134,901**		**134,901**		138,760		138,760	
Tier 1 Capital	(B)		**154,743**		**154,743**		158,949		158,949	
Total Capital (2)	(C)		**184,040**		**193,667**		187,813		195,703	
Risk-Weighted Assets (3)	(D)		**1,171,956**		**1,185,610**		1,165,079		1,245,853	
Common Equity Tier 1 Capital Ratio (3)	(A)/(D)	**9.00%**	**11.51%**		**11.38**	*	11.91		11.14	*
Tier 1 Capital Ratio (3)	(B)/(D)	**10.50**	**13.20**		**13.05**	*	13.64		12.76	*
Total Capital Ratio (2)(3)	(C)/(D)	**12.50**	**15.70**	*	**16.33**		16.12		15.71	*

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

(1) See Table 35 for information regarding the calculation and components of CET1, tier 1 capital, total capital and RWAs.

(2) Fully phased-in total capital amounts and ratios are considered non-GAAP financial measures that are used by management, bank regulatory agencies, investors and analysts to assess and monitor the Company's capital position. See Table 35 for information regarding the calculation and components of our fully phased-in total capital amounts, including a corresponding reconciliation to GAAP financial measures.

(3) RWAs and capital ratios for December 31, 2019, have been revised as a result of a decrease in RWAs under the Advanced Approach due to the correction of duplicated operational loss amounts.

Table 35 provides information regarding the calculation and composition of our risk-based capital under the Advanced and Standardized Approaches at September 30, 2020, and December 31, 2019.

Table 35: Risk-Based Capital Calculation and Components

(in millions)			September 30, 2020 Advanced Approach	September 30, 2020 Standardized Approach	December 31, 2019 Advanced Approach	December 31, 2019 Standardized Approach
Total equity		$	**182,032**	**182,032**	187,984	187,984
Adjustments:						
Preferred stock			**(21,098)**	**(21,098)**	(21,549)	(21,549)
Additional paid-in capital on preferred stock			**159**	**159**	(71)	(71)
Unearned ESOP shares			**875**	**875**	1,143	1,143
Noncontrolling interests			**(859)**	**(859)**	(838)	(838)
Total common stockholders' equity			**161,109**	**161,109**	166,669	166,669
Adjustments:						
Goodwill			**(26,387)**	**(26,387)**	(26,390)	(26,390)
Certain identifiable intangible assets (other than MSRs)			**(366)**	**(366)**	(437)	(437)
Goodwill and other intangibles on nonmarketable equity securities (included in other assets)			**(2,019)**	**(2,019)**	(2,146)	(2,146)
Applicable deferred taxes related to goodwill and other intangible assets (1)			**842**	**842**	810	810
CECL transition provision (2)			**1,877**	**1,877**	—	—
Other			**(155)**	**(155)**	254	254
Common Equity Tier 1			**134,901**	**134,901**	138,760	138,760
Common Equity Tier 1		$	**134,901**	**134,901**	138,760	138,760
Preferred stock			**21,098**	**21,098**	21,549	21,549
Additional paid-in capital on preferred stock			**(159)**	**(159)**	71	71
Unearned ESOP shares			**(875)**	**(875)**	(1,143)	(1,143)
Other			**(222)**	**(222)**	(288)	(288)
Total Tier 1 capital	(A)		**154,743**	**154,743**	158,949	158,949
Long-term debt and other instruments qualifying as Tier 2			**24,953**	**24,953**	26,515	26,515
Qualifying allowance for credit losses (3)			**4,504**	**14,131**	2,566	10,456
Other			**(160)**	**(160)**	(217)	(217)
Total Tier 2 capital (Fully Phased-In)	(B)		**29,297**	**38,924**	28,864	36,754
Effect of Basel III Transition Requirements			**132**	**132**	520	520
Total Tier 2 capital (Basel III Transition Requirements)		$	**29,429**	**39,056**	29,384	37,274
Total qualifying capital (Fully Phased-In)	(A)+(B)	$	**184,040**	**193,667**	187,813	195,703
Total Effect of Basel IIII Transition Requirements			**132**	**132**	520	520
Total qualifying capital (Basel III Transition Requirements)		$	**184,172**	**193,799**	188,333	196,223
Risk-Weighted Assets (RWAs) (4)(5):						
Credit risk (6)		$	**772,206**	**1,125,098**	790,784	1,210,209
Market risk			**60,512**	**60,512**	35,644	35,644
Operational risk (7)			**339,238**	**—**	338,651	—
Total RWAs (7)		$	**1,171,956**	**1,185,610**	1,165,079	1,245,853

(1) Determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period end.
(2) In second quarter 2020, the Company elected to apply a modified transition provision issued by federal banking regulators related to the impact of CECL on regulatory capital. The rule permits certain banking organizations to exclude from regulatory capital the initial adoption impact of CECL, plus 25% of the cumulative changes in the ACL under CECL for each period until December 31, 2021, followed by a three-year phase-out of the benefits. The impact of the CECL transition provision on our regulatory capital at September 30, 2020, was an increase in capital of $1.9 billion, reflecting a $991 million (post-tax) increase in capital recognized upon our initial adoption of CECL, offset by 25% of the $11.5 billion increase in our ACL under CECL from January 1, 2020, through September 30, 2020.
(3) Under the Advanced Approach the allowance for credit losses that exceeds expected credit losses is eligible for inclusion in Tier 2 Capital, to the extent the excess allowance does not exceed 0.60% of Advanced credit RWAs, and under the Standardized Approach, the allowance for credit losses is includable in Tier 2 Capital up to 1.25% of Standardized credit RWAs, in each case with any excess allowance for credit losses being deducted from the respective total RWAs.
(4) RWAs calculated under the Advanced Approach utilize a risk-sensitive methodology, which relies upon the use of internal credit models based upon our experience with internal rating grades. Advanced Approach also includes an operational risk component, which reflects the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
(5) Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total RWAs.
(6) Includes an increase of $1.5 billion under the Standardized Approach and a decrease of $1.3 billion under the Advanced Approach related to the impact of the CECL transition provision on our excess allowance for credit losses as of September 30, 2020. See footnote (3) to this table.
(7) Amounts for December 31, 2019, have been revised as a result of a decrease in RWAs under the Advanced Approach due to the correction of duplicated operational loss amounts.

Table 36 presents the changes in Common Equity Tier 1 under the Advanced Approach for the nine months ended September 30, 2020.

Table 36: Analysis of Changes in Common Equity Tier 1 (Advanced Approach)

(in millions)		
Common Equity Tier 1 at December 31, 2019	$	138,760
Net income applicable to common stock		(932)
Common stock dividends		(4,602)
Common stock issued, repurchased, and stock compensation-related items		(1,759)
Changes in cumulative other comprehensive income		561
Cumulative effect from change in accounting policies (1)		991
Goodwill		3
Certain identifiable intangible assets (other than MSRs)		71
Goodwill and other intangibles on nonmarketable equity securities (included in other assets)		127
Applicable deferred taxes related to goodwill and other intangible assets (2)		32
CECL transition provision (3)		1,877
Other		(228)
Change in Common Equity Tier 1		(3,859)
Common Equity Tier 1 at September 30, 2020	**$**	**134,901**

(1) Effective January 1, 2020, we adopted CECL. For additional information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.
(2) Determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period end.
(3) In second quarter 2020, the Company elected to apply a modified transition provision issued by federal banking regulators related to the impact of CECL on regulatory capital. The rule permits certain banking organizations to exclude from regulatory capital the initial adoption impact of CECL, plus 25% of the cumulative changes in the ACL under CECL for each period until December 31, 2021, followed by a three-year phase-out of the benefits. The impact of the CECL transition provision on our regulatory capital at September 30, 2020, was an increase in capital of $1.9 billion, reflecting a $991 million (post-tax) increase in capital recognized upon our initial adoption of CECL, offset by 25% of the $11.5 billion increase in our ACL under CECL from January 1, 2020, through September 30, 2020.

Table 37 presents net changes in the components of RWAs under the Advanced and Standardized Approaches for the nine months ended September 30, 2020.

Table 37: Analysis of Changes in RWAs

(in millions)		Advanced Approach	Standardized Approach
RWAs at December 31, 2019 (1)	$	1,165,079	1,245,853
Net change in credit risk RWAs (2)		(18,578)	(85,111)
Net change in market risk RWAs		24,868	24,868
Net change in operational risk RWAs		587	—
Total change in RWAs		6,877	(60,243)
RWAs at September 30, 2020	**$**	**1,171,956**	**1,185,610**

(1) Amount for December 31, 2019, has been revised as a result of a decrease in RWAs under the Advanced Approach due to the correction of duplicated operational loss amounts.
(2) Includes an increase of $1.5 billion under the Standardized Approach and a decrease of $1.3 billion under the Advanced Approach related to the impact of the CECL transition provision on our excess allowance for credit losses. See Table 35 for additional information.

TANGIBLE COMMON EQUITY We also evaluate our business based on certain ratios that utilize tangible common equity. Tangible common equity is a non-GAAP financial measure and represents total equity less preferred equity, noncontrolling interests, goodwill, certain identifiable intangible assets (other than MSRs) and goodwill and other intangibles on nonmarketable equity securities, net of applicable deferred taxes. These tangible common equity ratios are as follows:

- Tangible book value per common share, which represents tangible common equity divided by common shares outstanding; and
- Return on average tangible common equity (ROTCE), which represents our annualized earnings contribution as a percentage of tangible common equity.

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

Table 38 provides a reconciliation of these non-GAAP financial measures to GAAP financial measures.

Table 38: Tangible Common Equity

		Balance at period end			Average balance				
		Quarter ended			Quarter ended			Nine months ended	
(in millions, except ratios)		**Sep 30, 2020**	June 30, 2020	Sep 30, 2019	**Sep 30, 2020**	June 30, 2020	Sep 30, 2019	**Sep 30, 2020**	Sep 30, 2019
Total equity		**$ 182,032**	180,122	194,416	**182,850**	184,108	200,095	**185,035**	199,383
Adjustments:									
Preferred stock		**(21,098)**	(21,098)	(21,549)	**(21,098)**	(21,344)	(22,325)	**(21,411)**	(22,851)
Additional paid-in capital on preferred stock		**159**	159	(71)	**158**	140	(78)	**145**	(84)
Unearned ESOP shares		**875**	875	1,143	**875**	1,140	1,290	**1,052**	1,361
Noncontrolling interests		**(859)**	(736)	(1,112)	**(761)**	(643)	(1,065)	**(730)**	(968)
Total common stockholders' equity	(A)	**161,109**	159,322	172,827	**162,024**	163,401	177,917	**164,091**	176,841
Adjustments:									
Goodwill		**(26,387)**	(26,385)	(26,388)	**(26,388)**	(26,384)	(26,413)	**(26,386)**	(26,416)
Certain identifiable intangible assets (other than MSRs)		**(366)**	(389)	(465)	**(378)**	(402)	(477)	**(401)**	(508)
Goodwill and other intangibles on nonmarketable equity securities (included in other assets)		**(2,019)**	(2,050)	(2,295)	**(2,045)**	(1,922)	(2,159)	**(2,040)**	(2,158)
Applicable deferred taxes related to goodwill and other intangible assets (1)		**842**	831	802	**838**	828	797	**828**	787
Tangible common equity	(B)	**$ 133,179**	131,329	144,481	**134,051**	135,521	149,665	**136,092**	148,546
Common shares outstanding	(C)	**4,132.5**	4,119.6	4,269.1	**N/A**	N/A	N/A	**N/A**	N/A
Net income applicable to common stock	(D)	**N/A**	N/A	N/A	**1,720**	$ (2,694)	4,037	**(932)**	15,392
Book value per common share	(A)/(C)	**$ 38.99**	38.67	40.48	**N/A**	N/A	N/A	**N/A**	N/A
Tangible book value per common share	(B)/(C)	**32.23**	31.88	33.84	**N/A**	N/A	N/A	**N/A**	N/A
Return on average common stockholders' equity (ROE) (annualized)	(D)/(A)	**N/A**	N/A	N/A	**4.22%**	(6.63)	9.00	**(0.76)**	11.64
Return on average tangible common equity (ROTCE) (annualized)	(D)/(B)	**N/A**	N/A	N/A	**5.10**	(8.00)	10.70	**(0.91)**	13.85

(1) Determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period end.

SUPPLEMENTARY LEVERAGE RATIO As a BHC, we are required to maintain a supplementary leverage ratio (SLR) of at least 5.00% (comprised of a 3.00% minimum requirement plus a supplementary leverage buffer of 2.00%) to avoid restrictions on capital distributions and discretionary bonus payments. Our IDIs are required to maintain a SLR of at least 6.00% to be considered well-capitalized under applicable regulatory capital adequacy guidelines. In April 2018, the FRB and OCC proposed rules (Proposed SLR rules) that would replace the 2.00% supplementary leverage buffer with a buffer equal to one-half of our G-SIB capital surcharge. The Proposed SLR rules would similarly tailor the current 6.00% SLR requirement for our IDIs. In April 2020, the FRB issued an interim final rule that temporarily allows a BHC to exclude on-balance sheet amounts of U.S. Treasury securities and deposits at Federal Reserve Banks from the calculation of its total leverage exposure in the denominator of the SLR. This interim final rule became effective on April 1, 2020, and expires on March 31, 2021. In May 2020, federal banking regulators issued an interim final rule that permits IDIs to choose to similarly exclude these items from the denominator of their SLRs; however, if an IDI chooses to exclude such amounts from the calculation of its SLR, it will be required to request approval from its primary federal banking regulator before making capital distributions, such as paying dividends, to its parent company. As of September 30, 2020, none of the Company's IDIs elected to apply this exclusion.

At September 30, 2020, our SLR for the Company was 7.75%, and we also exceeded the applicable SLR requirements for each of our IDIs. See Table 39 for information regarding the calculation and components of the SLR.

Table 39: Supplementary Leverage Ratio

(in millions, except ratio)			Quarter ended September 30, 2020
Tier 1 capital	(A)	$	154,743
Total average assets			1,949,549
Less: Goodwill and other permitted Tier 1 capital deductions (net of deferred tax liabilities)			28,246
Less: Other SLR exclusions			257,568
Total adjusted average assets			1,663,735
Plus adjustments for off-balance sheet exposures:			
Derivatives (1)			69,902
Repo-style transactions (2)			2,839
Other (3)			260,973
Total off-balance sheet exposures			333,714
Total leverage exposure	(B)	$	1,997,449
Supplementary leverage ratio	(A)/(B)		7.75%

(1) Adjustment represents derivatives and collateral netting exposures as defined for supplementary leverage ratio determination purposes.
(2) Adjustment represents counterparty credit risk for repo-style transactions where Wells Fargo & Company is the principal (i.e., principal counterparty facing the client).
(3) Adjustment represents credit equivalent amounts of other off-balance sheet exposures not already included as derivatives and repo-style transactions exposures.

TOTAL LOSS ABSORBING CAPACITY As a G-SIB, we are required to have a minimum amount of equity and unsecured long-term debt for purposes of resolvability and resiliency, often referred to as Total Loss Absorbing Capacity (TLAC). U.S. G-SIBs are required to have a minimum TLAC amount (consisting of CET1 capital and additional tier 1 capital issued directly by the top-tier or covered BHC plus eligible external long-term debt) equal to the greater of (i) 18.00% of RWAs and (ii) 7.50% of total leverage exposure (the denominator of the SLR calculation). Additionally, U.S. G-SIBs are required to maintain (i) a TLAC buffer equal to 2.50% of RWAs plus our applicable G-SIB capital surcharge calculated under method one plus any applicable countercyclical buffer to be added to the 18.00% minimum and (ii) an external TLAC leverage buffer equal to 2.00% of total leverage exposure to be added to the 7.50% minimum, in order to avoid restrictions on capital distributions and discretionary bonus payments. U.S. G-SIBs are also required to have a minimum amount of eligible unsecured long-term debt equal to the greater of (i) 6.00% of RWAs plus our applicable G-SIB capital surcharge calculated under method two and (ii) 4.50% of the total leverage exposure. Under the Proposed SLR rules, the 2.00% external TLAC leverage buffer would be replaced with a buffer equal to one-half of our applicable G-SIB capital surcharge, and the leverage component for calculating the minimum amount of eligible unsecured long-term debt would be modified from 4.50% of total leverage exposure to 2.50% of total leverage exposure plus one-half of our applicable G-SIB capital surcharge. As of September 30, 2020, our eligible external TLAC as a percentage of total risk-weighted assets was 25.76% compared with a required minimum of 22.00%. Similar to the risk-based capital requirements, our minimum TLAC requirement is assessed based on the greater of RWAs determined under the Standardized and Advanced approaches.

OTHER REGULATORY CAPITAL AND LIQUIDITY MATTERS As discussed in the "Risk Management – Asset/ Liability Management – Liquidity and Funding – Liquidity Standards" section in this Report, federal banking regulators have issued a final rule regarding the U.S. implementation of the Basel III LCR and a proposed rule regarding the NSFR.

Capital Planning and Stress Testing

Our planned long-term capital structure is designed to meet regulatory and market expectations. We believe that our long-term targeted capital structure enables us to invest in and grow our business, satisfy our customers' financial needs in varying environments, access markets, and maintain flexibility to return capital to our shareholders. Our long-term targeted capital structure also considers capital levels sufficient to exceed capital requirements including the G-SIB capital surcharge. Accordingly, based on the final Basel III capital rules under the lower of the Standardized or Advanced Approaches CET1 capital ratios, we currently target a long-term CET1 capital ratio at or in excess of 10.00%, which includes a 2.00% G-SIB capital surcharge. Our capital targets are subject to change based on various factors, including changes to the regulatory capital framework and expectations for large banks promulgated by bank regulatory agencies, changes to the regulatory minimums for our capital ratios (including changes to our stress capital buffer), planned capital actions, changes in our risk profile and other factors.

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

Our 2020 capital plan, which was submitted on April 3, 2020, as part of CCAR, included a comprehensive capital outlook supported by an assessment of expected sources and uses of capital over a given planning horizon under a range of expected and stress scenarios. As part of the 2020 CCAR, the FRB also generated a supervisory stress test, which assumed a sharp decline in the economy and significant decline in asset pricing using the information provided by the Company to estimate performance. The FRB reviewed the supervisory stress test results both as required under the Dodd-Frank Act using a common set of capital actions for all large BHCs and by taking into account the Company's proposed capital actions. The FRB published its supervisory stress test results as required under the Dodd-Frank Act on June 25, 2020.

On June 25, 2020, the FRB also announced that it was requiring large BHCs, including Wells Fargo, to update and resubmit their capital plans within 45 days after the FRB provides updated scenarios. The FRB released the updated scenarios on September 17, 2020, and has announced that it will release BHC-specific results under the updated scenarios by the end of 2020.

On September 30, 2020, the FRB announced that it was extending through fourth quarter 2020 measures it announced on June 25, 2020, prohibiting large BHCs subject to the FRB's capital plan rule, including Wells Fargo, from making any capital distribution (excluding any capital distribution arising from the issuance of a capital instrument eligible for inclusion in the numerator of a regulatory capital ratio), unless otherwise approved by the FRB. The FRB has generally authorized BHCs to (i) make share repurchases relating to issuances of common stock related to employee stock ownership plans; (ii) provided that the BHC does not increase the amount of its common stock dividends, pay common stock dividends that do not exceed an amount equal to the average of the BHC's net income for the four preceding calendar quarters, unless otherwise specified by the FRB; and (iii) make scheduled payments on additional tier 1 and tier 2 capital instruments. These provisions may be extended by the FRB quarter-by-quarter.

Concurrently with CCAR, federal banking regulators also require large BHCs and banks to conduct their own stress tests to evaluate whether the institution has sufficient capital to continue to operate during periods of adverse economic and financial conditions. These stress testing requirements set forth the timing and type of stress test activities large BHCs and banks must undertake as well as rules governing stress testing controls, oversight and disclosure requirements. We submitted the results of our stress test to the FRB and disclosed a summary of the results in June 2020.

Securities Repurchases

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

On September 30, 2020, the FRB announced that it was extending through fourth quarter 2020 measures it announced on June 25, 2020, prohibiting large BHCs subject to the FRB's capital plan rule, including Wells Fargo, from making capital distributions, subject to certain limited exceptions that are described in the "Capital Planning and Stress Testing" section above.

At September 30, 2020, we had remaining Board authority to repurchase approximately 167 million shares, subject to regulatory and legal conditions. For additional information about share repurchases during third quarter 2020, see Part II, Item 2 in this Report.

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

Regulatory Matters

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

For a discussion of certain consent orders applicable to the Company, see the "Overview" section in this Report. The following supplements our discussion of the other significant regulations and regulatory oversight initiatives that have affected or may affect our business contained in the "Regulatory Matters" and "Risk Factors" sections in our 2019 Form 10-K and in our 2020 First and Second Quarter Reports on Form 10-Q.

REGULATORY DEVELOPMENTS RELATED TO COVID-19 In response to the COVID-19 pandemic and related events, federal banking regulators have undertaken a number of measures to help stabilize the banking sector, support the broader economy, and facilitate the ability of banking organizations like Wells Fargo to continue lending to consumers and businesses. For example, in order to facilitate the Coronavirus Aid, Relief and Economic Security Act (CARES Act), federal banking regulators issued rules designed to encourage financial institutions to participate in stimulus measures, such as the Small Business Administration's Paycheck Protection Program and the FRB's Main Street Lending Program. Similarly, the FRB launched a number of lending facilities designed to enhance liquidity and the functioning of markets, including facilities covering money market mutual funds and term asset-backed securities loans. Federal banking regulators also issued several rules amending the regulatory capital and TLAC rules and other prudential regulations to ease certain restrictions on banking organizations and encourage the use of certain FRB-established facilities in order to further promote lending to consumers and businesses.

In addition, the OCC and the FRB issued guidelines for banks and BHCs related to working with customers affected by the COVID-19 pandemic, including guidance with respect to waiving fees, offering repayment accommodations, and providing payment deferrals. Any current or future rules, regulations, and guidance related to the COVID-19 pandemic and its impacts could require us to change certain of our business practices, reduce our revenue and earnings, impose additional costs on us, or otherwise adversely affect our business operations and/or competitive position.

Critical Accounting Policies

Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2019 Form 10-K) are fundamental to understanding our results of operations and financial condition because they require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. Five of these policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. These policies govern:

- the allowance for credit losses (ACL);
- the valuation of residential MSRs;
- the fair value of financial instruments;
- income taxes; and
- liability for contingent litigation losses.

Management and the Board's Audit Committee have reviewed and approved these critical accounting policies. These policies are described further in the "Financial Review – Critical Accounting Policies" section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2019 Form 10-K. In connection with our adoption of CECL on January 1, 2020, we have updated our critical accounting policy for the allowance for credit losses.

Allowance for Credit Losses

We maintain an ACL for loans, which is management's estimate of the expected credit losses in the loan portfolio and unfunded credit commitments, at the balance sheet date, excluding loans and unfunded credit commitments carried at fair value or held for sale. Additionally, we maintain an allowance for credit losses for debt securities classified as either held-to-maturity (HTM) or available-for-sale (AFS), other financial assets measured at amortized cost, net investments in leases, and other off-balance sheet credit exposures. In connection with our adoption of CECL, we updated our approach for estimating expected credit losses, which includes new areas for management judgment, described more fully below, and updated our accounting policies. For additional information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

For loans and HTM debt securities, the ACL is measured based on the remaining contractual term of the financial asset (including off-balance sheet credit exposures) adjusted, as appropriate, for prepayments and permitted extension options using historical experience, current conditions, and forecasted information. For AFS debt securities, the ACL is measured using a discounted cash flow approach and is limited to the difference between the fair value of the security and its amortized cost.

Changes in the ACL and, therefore, in the related provision for credit losses can materially affect net income. In applying the judgment and review required to determine the ACL, management considerations include the evaluation of past events, historical experience, changes in economic forecasts and conditions, customer behavior, collateral values, and the length of the initial loss forecast period, and other influences. From time to time, changes in economic factors or assumptions, business strategy, products or product mix, or debt security investment strategy, may result in a corresponding increase or decrease in our ACL. While our methodology attributes portions of the ACL to specific financial asset classes (loan and debt security portfolios) or loan portfolio segments (commercial and consumer), the entire ACL is available to absorb credit losses of the Company.

Judgment is specifically applied in:

- *Economic assumptions and the length of the initial loss forecast period.* Forecasted economic variables, such as gross domestic product (GDP), unemployment rate or collateral asset prices, are used to estimate expected credit losses. While many of these economic variables are evaluated at the macro-economy level, some economic variables may be forecasted at more granular levels, for example, using the metro statistical area (MSA) level for unemployment rates, home prices and commercial real estate prices. Quarterly, we assess the length of the initial loss forecast period and have currently set the period to one year. Management exercises judgment when assigning weight to the three economic scenarios that are used to estimate future credit losses. The three scenarios include a most likely expectation of economic variables referred to as the base case scenario, as well as an optimistic (upside) scenario and a pessimistic (downside) scenario.
- *Reversion of losses beyond the initial forecast period.* We use a reversion approach to connect the losses estimated for our initial loss forecast period to the period of our historical loss forecast based on economic conditions at the measurement date. Our reversion methodology considers the type of portfolio, point in the credit cycle, expected length of recessions and recoveries, as well as other relevant factors. The length of reversion period varies by asset type – one year for shorter contractual term loans such as commercial loans and two years for longer contractual term loans such as real estate 1-4 family mortgage loans. We assess the reversion approach on a quarterly basis and the length of the reversion period by asset type annually.
- *Historical loss expectations.* At the end of the reversion period, we incorporate the changes in economic variables observed during representative historical time periods that include both recessions and expansions. This analysis is used to compute average losses for any given portfolio and its associated credit characteristics. Annually, we assess the historical time periods and ensure the average loss estimates are representative of our historical loss experience.
- *Credit risk ratings applied to individual commercial loans, unfunded credit commitments, and debt securities.* Individually assessed credit risk ratings are considered key credit variables in our modeled approaches to help assess probability of default and loss given default. Borrower quality ratings are aligned to the borrower's financial strength and contribute to forecasted probability of default curves. Collateral quality ratings combined with forecasted collateral prices (as applicable) contribute to the forecasted severity of loss in the event of default. These credit risk ratings are reviewed by experienced senior credit officers and subjected to reviews by an internal team of credit risk specialists.
- *Usage of credit loss estimation models.* We use internally developed models that incorporate credit attributes and economic variables to generate estimates of credit losses. Management uses a combination of judgement and quantitative analytics in the determination of segmentation, modeling approach, and variables that are leveraged in the models. These models are validated in accordance with the Company's policies by an internal model validation group. We routinely assess our model performance and apply

adjustments when necessary to improve the accuracy of loss estimation. We also assess our models for limitations against the company-wide risk inventory to help ensure that we appropriately capture known and emerging risks in our estimate of expected credit losses and apply overlays as needed.

- *Valuation of collateral.* The current fair value of collateral is utilized to assess the expected credit losses when a financial asset is considered to be collateral dependent. We apply judgment when valuing the collateral either through appraisals, evaluation of the cash flows of the property, or other quantitative techniques. Decreases in collateral valuations support incremental charge-downs and increases in collateral valuation are included in the allowance for credit losses as a negative allowance when the financial asset has been previously written-down below current recovery value.
- *Contractual term considerations.* The remaining contractual term of a loan is adjusted for expected prepayments and certain expected extensions, renewals, or modifications. We extend the contractual term when we are not able to unconditionally cancel contractual renewals or extension options. We also incorporate into our allowance for credit losses any scenarios where we reasonably expect to provide an extension through a TDR.
- *Qualitative factors which may not be adequately captured in the loss models.* These amounts represent management's judgment of risks inherent in the processes and assumptions used in establishing the ACL. We also consider economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends and emerging risk assessments.

Sensitivity The ACL for loans is sensitive to changes in key assumptions which requires significant judgment to be used by management. Future amounts of the ACL for loans will be based on a variety of factors, including loan balance changes, portfolio credit quality, and general economic conditions. General economic conditions are forecasted using economic variables, which could have varying impacts on different financial assets or portfolios. Additionally, throughout numerous credit cycles, there are observed changes in economic variables such as the unemployment rate, GDP and real estate prices which may not move in a correlated manner as variables may move in opposite directions or differ across portfolios or geography.

Our sensitivity analysis does not represent management's view of expected credit losses at the balance sheet date. We applied 50% weight to both the base case scenario and the downside scenario in our sensitivity analysis to reflect the potential for further economic deterioration from a COVID-19 resurgence. The outcomes of both scenarios were influenced by the duration, severity, and timing of changes in economic variables within those scenarios. The sensitivity analysis resulted in a hypothetical increase in the ACL for loans of approximately $2.3 billion at September 30, 2020. The hypothetical increase in our ACL for loans does not incorporate the impact of management judgment for qualitative factors applied in the current ACL for loans, which may have a positive or negative effect on the results. It is possible that others performing similar sensitivity analyses could reach different conclusions or results.

The sensitivity analysis excludes the ACL for debt securities given its size relative to the overall ACL. Management believes that the estimate for the ACL for loans was appropriate at the balance sheet date.

Current Accounting Developments

Table 40 provides the significant accounting updates applicable to us that have been issued by the Financial Accounting Standards Board (FASB) but are not yet effective.

Table 40: Current Accounting Developments – Issued Standards

Description	Effective date and financial statement impact
ASU 2018-12 – Financial Services – Insurance (Topic 944): ***Targeted Improvements to the Accounting for Long-Duration Contracts*** **and subsequent related updates**	
The Update requires all features in long-duration insurance contracts that meet the definition of a market risk benefit to be measured at fair value through earnings with changes in fair value attributable to our own credit risk recognized in other comprehensive income. Currently, two measurement models exist for these features, fair value and insurance accrual. The Update requires the use of a standardized discount rate and routine updates for insurance assumptions used in valuing the liability for future policy benefits for traditional long-duration contracts. The Update also simplifies the amortization of deferred acquisition costs.	The guidance becomes effective on January 1, 2022. Certain of our variable annuity reinsurance products meet the definition of market risk benefits and will require the associated insurance related reserves for these products to be measured at fair value as of the earliest period presented, with the cumulative effect on fair value for changes attributable to our own credit risk recognized in the beginning balance of accumulated other comprehensive income. The cumulative effect of the difference between fair value and carrying value, excluding the effect of our own credit, will be recognized in the opening balance of retained earnings. As of September 30, 2020, we held $1.2 billion in insurance-related reserves of which $583 million was in scope of the Update. A total of $531 million was associated with products that meet the definition of market risk benefits, and of this amount, $47 million was measured at fair value under current accounting standards. The market risk benefits are largely indexed to U.S. equity and fixed income markets. Upon adoption, we may incur periodic earnings volatility from changes in the fair value of market risk benefits generally due to the long duration of these contracts. We plan to economically hedge this volatility, where feasible. The ultimate impact of these changes will depend on the composition of our market risk benefits portfolio at the date of adoption. Changes in the accounting for the liability of future policy benefits for traditional long-duration contracts and deferred acquisition costs will be applied to all outstanding long-duration contracts on the basis of their existing carrying amounts at the beginning of the earliest period presented, and are not expected to be material.

The following Updates are applicable to us but are not expected to have a material impact on our consolidated financial statements:

- ASU 2020-10 - Codification Improvements
- ASU 2020-09 – Debt (Topic 470): *Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762*
- ASU 2020-08 – Codification Improvements to Subtopic 310-20, *Receivables-Nonrefundable Fees and Other Costs*
- ASU 2020-06 – Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*
- ASU 2020-01 – Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): *Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)*
- ASU 2019-12 – Income Taxes (Topic 740): *Simplifying the Accounting for Income Taxes*

Forward-Looking Statements

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

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

- current and future economic and market conditions, including the effects of declines in housing prices, high unemployment rates, U.S. fiscal debt, budget and tax matters, geopolitical matters, and any slowdown in global economic growth;
- the effect of the COVID-19 pandemic, including on our credit quality and business operations, as well as its impact on general economic and financial market conditions;
- our capital and liquidity requirements (including under regulatory capital standards, such as the Basel III capital standards) and our ability to generate capital internally or raise capital on favorable terms;
- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and other legislation and regulation relating to bank products and services;
- developments in our mortgage banking business, including the extent of the success of our mortgage loan modification efforts, the amount of mortgage loan repurchase demands that we receive, any negative effects relating to our mortgage servicing, loan modification or foreclosure practices, and the effects of regulatory or judicial requirements or guidance impacting our mortgage banking business and any changes in industry standards;
- our ability to realize any efficiency ratio or expense target as part of our expense management initiatives, including as a result of business and economic cyclicality, seasonality, changes in our business composition and operating environment, growth in our businesses and/or acquisitions, and unexpected expenses relating to, among other things, litigation and regulatory matters;
- the effect of the current interest rate environment or changes in interest rates or in the level or composition of our assets or liabilities on our net interest income, net interest margin and our mortgage originations, mortgage servicing rights and mortgage loans held for sale;
- significant turbulence or a disruption in the capital or financial markets, which could result in, among other things, reduced investor demand for mortgage loans, a reduction in the availability of funding or increased funding costs, and declines in asset values and/or recognition of impairments of securities held in our debt securities and equity securities portfolios;
- the effect of a fall in stock market prices on our investment banking business and our fee income from our brokerage, asset and wealth management businesses;
- negative effects from the retail banking sales practices matter and from other instances where customers may have experienced financial harm, including on our legal, operational and compliance costs, our ability to engage in certain business activities or offer certain products or services, our ability to keep and attract customers, our ability to attract and retain qualified employees, and our reputation;
- resolution of regulatory matters, litigation, or other legal actions, which may result in, among other things, additional costs, fines, penalties, restrictions on our business activities, reputational harm, or other adverse consequences;
- a failure in or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers, including as a result of cyber attacks;
- the effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin;
- fiscal and monetary policies of the Federal Reserve Board;
- changes to U.S. tax guidance and regulations, as well as the effect of discrete items on our effective income tax rate;
- our ability to develop and execute effective business plans and strategies; and
- the other risk factors and uncertainties described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019, as supplemented by the “Risk Factors” section in this Report.

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

For additional information about factors that could cause actual results to differ materially from our expectations, refer to our reports filed with the Securities and Exchange Commission, including the discussion under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, as supplemented by the "Risk Factors" section in this Report, as filed with the Securities and Exchange Commission and available on its website at www.sec.gov[1].

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

Forward-looking Non-GAAP Financial Measures. From time to time management may discuss forward-looking non-GAAP financial measures, such as forward-looking estimates or targets for return on average tangible common equity. We are unable to provide a reconciliation of forward-looking non-GAAP financial measures to their most directly comparable GAAP financial measures because we are unable to provide, without unreasonable effort, a meaningful or accurate calculation or estimation of amounts that would be necessary for the reconciliation due to the complexity and inherent difficulty in forecasting and quantifying future amounts or when they may occur. Such unavailable information could be significant to future results.

[1] We do not control this website. Wells Fargo has provided this link for your convenience, but does not endorse and is not responsible for the content, links, privacy policy, or security policy of this website.

Risk Factors

An investment in the Company involves risk, including the possibility that the value of the investment could fall substantially and that dividends or other distributions on the investment could be reduced or eliminated. For a discussion of risk factors that could adversely affect our financial results and condition, and the value of, and return on, an investment in the Company, we refer you to the "Risk Factors" section in our 2019 Form 10-K.

The following risk factor supplements the "Risk Factors" section in our 2019 Form 10-K.

The COVID-19 pandemic has adversely impacted our business and financial results, and the ultimate impact will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, affected equity market valuations, created significant volatility and disruption in financial markets, and increased unemployment levels. In addition, the pandemic has resulted in restrictions and closures for many businesses, as well as the institution of social distancing and sheltering in place requirements in many states and communities. As a result, the demand for our products and services may continue to be significantly impacted, which could adversely affect our revenue. Furthermore, the pandemic could continue to result in the recognition of credit losses in our loan portfolios and increases in our allowance for credit losses, particularly if businesses remain closed, the impact on the global economy worsens, or more customers draw on their lines of credit or seek additional loans to help finance their businesses. Similarly, because of changing economic and market conditions affecting issuers, we may be required to recognize further impairments on the securities we hold, as well as reductions in other comprehensive income. Moreover, the persistence of adverse economic conditions and reduced revenue may adversely affect the fair value of our operating segments and underlying reporting units which may result in the impairment of goodwill or other long-lived assets. Our business operations may be further disrupted if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic, and we have already temporarily closed certain of our branches and offices.

Moreover, the pandemic has created additional operational and compliance risks, including the need to quickly implement and execute new programs and procedures for the products and services we offer our customers, provide enhanced safety measures for our employees and customers, comply with rapidly changing regulatory requirements, address any increased risk of fraudulent activity, and protect the integrity and functionality of our systems and networks as a larger number of our employees work remotely. The pandemic could also result in or contribute to additional downgrades to our credit ratings or credit outlook. In response to the pandemic, we have temporarily suspended certain mortgage foreclosure activities, and have provided fee waivers, payment deferrals, and other expanded assistance for credit card, automobile, mortgage, small business, personal and commercial lending customers, and future governmental actions may require these and other types of customer-related responses. In addition, we have reduced our common stock dividend and temporarily suspended share repurchases, and we could take, or be required to take, other capital actions in the future. The extent to which the COVID-19 pandemic impacts our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic.

Controls and Procedures

Disclosure Controls and Procedures

The Company's management evaluated the effectiveness, as of September 30, 2020, of the Company's disclosure controls and procedures. The Company's chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2020.

Internal Control Over Financial Reporting

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. No change occurred during third quarter 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.