**Table 37: Market Risk Regulatory Capital and RWAs**

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

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

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

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

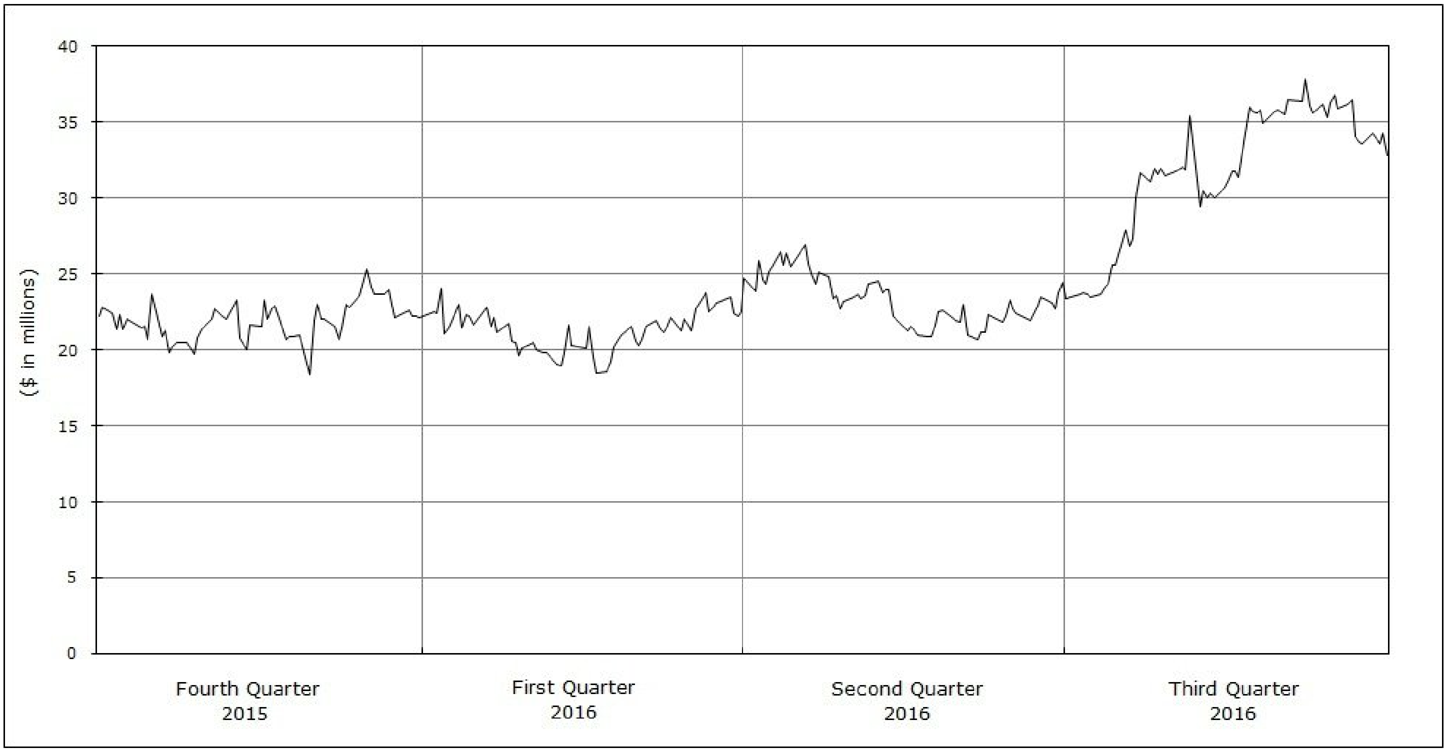
The largest contributor to the changes to market risk regulatory capital and RWAs in third quarter and first nine months of 2016 were associated with changes in positions due to normal trading activity. RWAs in third quarter 2016 primarily increased from an increase in index trading.

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

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

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

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




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

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

In conjunction with the March 2008 initial public offering (IPO) of Visa, Inc. (Visa), we received approximately 20.7 million shares of Visa Class B common stock, the class which was apportioned to member banks of Visa at the time of the IPO. To manage our exposure to Visa and realize the value of the appreciated Visa shares, we incrementally sold these shares through a series of sales over the past few years, thereby eliminating this position as of September 30, 2015. As part of these sales, we agreed to compensate the buyer for any additional contributions to a litigation settlement fund for the litigation matters associated with the Class B shares we sold. Our exposure to this retained litigation risk has been updated quarterly and is reflected on our balance sheet. For additional information about the associated litigation matters, see the "Interchange Litigation" section in Note 15 (Legal Actions) to Financial Statements in the 2015 Form 10-K as supplemented by Note 11 (Legal Actions) to Financial Statements in our 2016 Quarterly Reports on Form 10-Q.

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

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

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

**Table 40: Nonmarketable and Marketable Equity Investments**

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

(1) Represents low income housing tax credit investments.
(2) Represents nonmarketable equity investments for which we have elected the fair value option. See Note 6 (Other Assets) and Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information.
(3) Included in other assets on the balance sheet. See Note 6 (Other Assets) to Financial Statements in this Report for additional information.
(4) Included in available-for-sale securities. See Note 4 (Investment Securities) to Financial Statements in this Report for additional information.

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

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

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

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

**Table 41: Primary Sources of Liquidity**

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

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

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

Deposits have historically provided a sizeable source of relatively low-cost funds. Deposits were 133% of total loans at both September 30, 2016 and December 31, 2015. Additional funding is provided by long-term debt and short-term borrowings.

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

**Table 42: Short-Term Borrowings**

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

(1) Highest month-end balance in each of the last five quarters was in September, June and February 2016, and October and August 2015.
(2) Highest month-end balance in each of the last five quarters was in July, April and March 2016, and November and July 2015.
(3) Highest month-end balance in each of the last five quarters was in September, June and February 2016, and December and September 2015.

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

**Long-Term Debt** We issue long-term debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. Long-term debt of $254.8 billion at September 30, 2016, increased $55.3 billion from December 31, 2015, including $24.4 billion in Parent issuances that are anticipated to be TLAC eligible. We issued $19.7 billion of long-term debt in third quarter 2016, including $9.2 billion that we anticipate will be TLAC eligible. For more information regarding TLAC, see the "Capital Management – Other Regulatory Capital Matters" section in this Report. Table 43 provides the aggregate carrying value of long-term debt maturities (based on contractual payment dates) for the remainder of 2016 and the following years thereafter, as of September 30, 2016.

**Table 43: Maturity of Long-Term Debt**

| | September 30, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | Remaining 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | Total |
| **Wells Fargo & Company (Parent Only)** | | | | | | | |
| Senior notes | $ 4,049 | 13,127 | 7,916 | 6,555 | 13,351 | 62,977 | 107,975 |
| Subordinated notes | 1,657 | — | 588 | — | — | 26,807 | 29,052 |
| Junior subordinated notes | — | — | — | — | — | 1,817 | 1,817 |
| Total long-term debt - Parent | $ 5,706 | 13,127 | 8,504 | 6,555 | 13,351 | 91,601 | 138,844 |
| **Wells Fargo Bank, N.A. and other bank entities (Bank)** | | | | | | | |
| Senior notes | $ 4,146 | 9,436 | 28,955 | 22,189 | 11,011 | 8,181 | 83,918 |
| Subordinated notes | — | 1,339 | — | — | — | 5,741 | 7,080 |
| Junior subordinated notes | — | — | — | — | — | 330 | 330 |
| Securitizations and other bank debt | 1,490 | 4,266 | 2,010 | 612 | 572 | 10,991 | 19,941 |
| Total long-term debt - Bank | $ 5,636 | 15,041 | 30,965 | 22,801 | 11,583 | 25,243 | 111,269 |
| **Other consolidated subsidiaries** | | | | | | | |
| Senior notes | $ — | 1,142 | 778 | 1,161 | — | 1,412 | 4,493 |
| Junior subordinated notes | — | — | — | — | — | 155 | 155 |
| Securitizations and other bank debt | — | 1 | 73 | — | — | — | 74 |
| Total long-term debt - Other consolidated subsidiaries | $ — | 1,143 | 851 | 1,161 | — | 1,567 | 4,722 |
| **Total long-term debt** | $ 11,342 | 29,311 | 40,320 | 30,517 | 24,934 | 118,411 | 254,835 |

**Parent** Under SEC rules, our Parent is classified as a "well-known seasoned issuer," which allows it to file a registration statement that does not have a limit on issuance capacity. In May 2014, the Parent filed a registration statement with the SEC for the issuance of senior and subordinated notes, preferred stock and other securities. The Parent's ability to issue debt and other securities under this registration statement is limited by the debt issuance authority granted by the Board. As of September 30, 2016, the Parent was authorized by the Board to issue $60 billion in outstanding short-term debt and $170 billion in outstanding long-term debt. At September 30, 2016, the Parent had available $40.5 billion in short-term debt issuance authority and $29.5 billion in long-term debt issuance authority. In October 2016, the Board decreased the Parent's short-term debt issuance authority from $60 billion to $50 billion and increased the Parent's long-term debt issuance authority from $170 billion to $180 billion. The Parent's debt issuance authority granted by the Board includes short-term and long-term debt issued to affiliates. During the first nine months of 2016, the Parent issued $23.9 billion of senior notes, of which $15.8 billion were registered with the SEC. The Parent issued $2.0 billion of subordinated notes during the first nine months of 2016, all of which were registered with the SEC. In addition, in October 2016, the Parent issued $6.3 billion of senior notes, all of which were registered with the SEC.

The Parent's proceeds from securities issued were used for general corporate purposes, and, unless otherwise specified in the applicable prospectus or prospectus supplement, we expect the proceeds from securities issued in the future will be used for the same purposes. Depending on market conditions, we may purchase our outstanding debt securities from time to time in privately negotiated or open market transactions, by tender offer, or otherwise.

**Wells Fargo Bank, N.A.** Wells Fargo Bank, N.A. is authorized by its board of directors to issue $100 billion in outstanding short-term debt and $125 billion in outstanding long-term debt. At September 30, 2016, Wells Fargo Bank, N.A. had available $100 billion in short-term debt issuance authority and $34.5 billion in long-term debt issuance authority. In April 2015, Wells Fargo Bank, N.A. established a $100 billion bank note program under which, subject to any other debt outstanding under the limits described above, it may issue $50 billion in outstanding short-term senior notes and $50 billion in outstanding long-term senior or subordinated notes. At September 30, 2016, Wells Fargo Bank, N.A. had remaining issuance capacity under the bank note program of $50.0 billion in short-term senior notes and $41.0 billion in long-term senior or subordinated notes. During the first nine months of 2016, Wells Fargo Bank, N.A. issued $10.0 billion of unregistered senior notes, of which $9.0 billion were issued under the bank note program. In addition, during the first nine months of 2016, Wells Fargo Bank, N.A. executed advances of $31.6 billion with the Federal Home Loan Bank of Des Moines, and as of September 30, 2016, Wells Fargo Bank, N.A. had outstanding advances of $68.7 billion across the Federal Home Loan Bank System.

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

On October 4, 2016, Fitch Ratings ("Fitch") affirmed the Company's ratings and revised the rating outlook to negative from stable. Fitch noted that the outlook was revised given the uncertain impact to the Company's franchise following the regulatory settlements regarding sales practices in the retail bank. On October 18, 2016, Standard and Poor's (S&P) also affirmed the Company's ratings and revised the rating outlook to negative from stable, noting similar concerns. Both the Parent and Wells Fargo Bank, N.A. remain among the top-rated financial firms in the U.S.

See the "Risk Management – Asset/Liability Management" section in this Report and the "Risk Factors" section in our 2015 Form 10-K for additional information regarding our credit ratings and the potential impact a credit rating downgrade would have on our liquidity and operations, as well as Note 12 (Derivatives) to Financial Statements in this Report for information regarding additional collateral and funding obligations required for certain derivative instruments in the event our credit ratings were to fall below investment grade.

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

**Table 44: Credit Ratings as of September 30, 2016**

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

* middle ** high

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

## Capital Management

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

### Regulatory Capital Guidelines

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

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

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

We were required to comply with the final Basel III capital rules beginning January 2014, with certain provisions subject to phase-in periods. The Basel III capital rules are scheduled to be fully phased in by the end of 2021. The Basel III capital rules contain two frameworks for calculating capital requirements, a Standardized Approach, which replaced Basel I, and an Advanced Approach applicable to certain institutions, including Wells Fargo. Accordingly, in the assessment of our capital adequacy, we must report the lower of our CET1, tier 1 and total capital ratios calculated under the Standardized Approach and under the Advanced Approach.

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

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

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

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

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

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

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

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

**Table 46: Risk-Based Capital Calculation and Components**

| | | | September 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|---|---|
| (in millions) | | | **Advanced Approach** | **Standardized Approach** | Advanced Approach | Standardized Approach |
| Total equity | | $ | **203,958** | **203,958** | 193,891 | 193,891 |
| Adjustments: | | | | | | |
| Preferred stock | | | **(24,594)** | **(24,594)** | (22,214) | (22,214) |
| Additional paid-in capital on ESOP preferred stock | | | **(130)** | **(130)** | (110) | (110) |
| Unearned ESOP shares | | | **1,612** | **1,612** | 1,362 | 1,362 |
| Noncontrolling interests | | | **(930)** | **(930)** | (893) | (893) |
| Total common stockholders' equity | | | **179,916** | **179,916** | **172,036** | **172,036** |
| Adjustments: | | | | | | |
| Goodwill | | | **(26,688)** | **(26,688)** | (25,529) | (25,529) |
| Certain identifiable intangible assets (other than MSRs) | | | **(3,001)** | **(3,001)** | (3,167) | (3,167) |
| Other assets (1) | | | **(2,230)** | **(2,230)** | (2,074) | (2,074) |
| Applicable deferred taxes (2) | | | **1,832** | **1,832** | 2,071 | 2,071 |
| Investment in certain subsidiaries and other | | | **(1,999)** | **(1,999)** | (970) | (970) |
| Common Equity Tier 1 (Fully Phased-In) | | | **147,830** | **147,830** | 142,367 | 142,367 |
| Effect of Transition Requirements | | | **1,015** | **1,015** | 1,880 | 1,880 |
| Common Equity Tier 1 (Transition Requirements) | | $ | **148,845** | **148,845** | 144,247 | 144,247 |
| Common Equity Tier 1 (Fully Phased-In) | | $ | **147,830** | **147,830** | 142,367 | 142,367 |
| Preferred stock | | | **24,594** | **24,594** | 22,214 | 22,214 |
| Additional paid-in capital on ESOP preferred stock | | | **130** | **130** | 110 | 110 |
| Unearned ESOP shares | | | **(1,612)** | **(1,612)** | (1,362) | (1,362) |
| Other | | | **(414)** | **(414)** | (519) | (519) |
| Total Tier 1 capital (Fully Phased-In) | (A) | | **170,528** | **170,528** | 162,810 | 162,810 |
| Effect of Transition Requirements | | | **963** | **963** | 1,774 | 1,774 |
| Total Tier 1 capital (Transition Requirements) | | $ | **171,491** | **171,491** | 164,584 | 164,584 |
| Total Tier 1 capital (Fully Phased-In) | | $ | **170,528** | **170,528** | 162,810 | 162,810 |
| Long-term debt and other instruments qualifying as Tier 2 | | | **27,687** | **27,687** | 25,818 | 25,818 |
| Qualifying allowance for credit losses (3) | | | **1,468** | **12,694** | 2,136 | 12,512 |
| Other | | | **(323)** | **(323)** | (390) | (390) |
| Total Tier 2 capital (Fully Phased-In) | (B) | | **28,832** | **40,058** | 27,564 | 37,940 |
| Effect of Transition Requirements | | | **1,859** | **1,859** | 3,005 | 3,005 |
| Total Tier 2 capital (Transition Requirements) | | $ | **30,691** | **41,917** | 30,569 | 40,945 |
| Total qualifying capital (Fully Phased-In) | (A)+(B) | $ | **199,360** | **210,586** | 190,374 | 200,750 |
| Total Effect of Transition Requirements | | | **2,822** | **2,822** | 4,779 | 4,779 |
| Total qualifying capital (Transition Requirements) | | $ | **202,182** | **213,408** | 195,153 | 205,529 |
| Risk-Weighted Assets (RWAs) (4)(5): | | | | | | |
| Credit risk | | $ | **990,754** | **1,334,952** | 989,639 | 1,284,793 |
| Market risk | | | **45,054** | **45,054** | 36,910 | 36,910 |
| Operational risk | | | **296,988** | **N/A** | 256,300 | N/A |
| Total RWAs (Fully Phased-In) | | $ | **1,332,796** | **1,380,006** | 1,282,849 | 1,321,703 |
| Credit risk | | $ | **971,038** | **1,316,351** | 969,972 | 1,266,238 |
| Market risk | | | **45,054** | **45,054** | 36,910 | 36,910 |
| Operational risk | | | **296,988** | **N/A** | 256,300 | N/A |
| Total RWAs (Transition Requirements) | | $ | **1,313,080** | **1,361,405** | 1,263,182 | 1,303,148 |

(1) Represents goodwill and other intangibles on nonmarketable equity investments, which are included in other assets.
(2) Applicable deferred taxes relate to goodwill and other intangible assets. They were determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period end.
(3) Under the Advanced Approach the allowance for credit losses that exceeds expected credit losses is eligible for inclusion in Tier 2 Capital, to the extent the excess allowance does not exceed 0.6% of Advanced credit RWAs, and under the Standardized Approach, the allowance for credit losses is includable in Tier 2 Capital up to 1.25% of Standardized credit RWAs, with any excess allowance for credit losses being deducted from total RWAs.
(4) RWAs calculated under the Advanced Approach utilize a risk-sensitive methodology, which relies upon the use of internal credit models based upon our experience with internal rating grades. Advanced Approach also includes an operational risk component, which reflects the risk of operating loss resulting from inadequate or failed internal processes or systems.
(5) Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total RWAs.

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

**Table 47: Analysis of Changes in Common Equity Tier 1**

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

(1) Represents goodwill and other intangibles on nonmarketable equity investments, which are included in other assets.
(2) Applicable deferred taxes relate to goodwill and other intangible assets. They were determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period end.

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

**Table 48: Analysis of Changes in RWAs**

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

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

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

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

Table 49 provides a reconciliation of these non-GAAP financial measures to GAAP financial measures.

**Table 49: Tangible Common Equity**

| | | Balance at period end | | | Average balance | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Quarter ended | | | Quarter ended | | | Nine months ended | |
| (in millions, except ratios) | | **Sep 30, 2016** | Jun 30, 2016 | Sep 30, 2015 | **Sep 30, 2016** | Jun 30, 2016 | Sep 30, 2015 | **Sep 30, 2016** | Sep 30, 2015 |
| Total equity | | **$ 203,958** | 202,661 | 194,043 | **203,883** | 201,003 | 192,203 | **200,502** | 190,424 |
| Adjustments: | | | | | | | | | |
| Preferred stock | | **(24,594)** | (24,830) | (22,424) | **(24,813)** | (24,091) | (21,807) | **(24,291)** | (21,481) |
| Additional paid-in capital on ESOP preferred stock | | **(130)** | (150) | (128) | **(148)** | (168) | (147) | **(172)** | (142) |
| Unearned ESOP shares | | **1,612** | 1,868 | 1,590 | **1,850** | 2,094 | 1,818 | **2,150** | 1,764 |
| Noncontrolling interests | | **(930)** | (916) | (992) | **(927)** | (984) | (1,012) | **(938)** | (1,071) |
| Total common stockholders' equity | (A) | **179,916** | 178,633 | 172,089 | **179,845** | 177,854 | 171,055 | **177,251** | 169,494 |
| Adjustments: | | | | | | | | | |
| Goodwill | | **(26,688)** | (26,963) | (25,684) | **(26,979)** | (27,037) | (25,703) | **(26,696)** | (25,703) |
| Certain identifiable intangible assets (other than MSRs) | | **(3,001)** | (3,356) | (3,479) | **(3,145)** | (3,600) | (3,636) | **(3,383)** | (3,953) |
| Other assets (1) | | **(2,230)** | (2,110) | (1,742) | **(2,131)** | (2,096) | (1,757) | **(2,097)** | (1,542) |
| Applicable deferred taxes (2) | | **1,832** | 1,906 | 2,168 | **1,855** | 1,934 | 2,200 | **1,973** | 2,344 |
| Tangible common equity | (B) | **$ 149,829** | 148,110 | 143,352 | **149,445** | 147,055 | 142,159 | **147,048** | 140,640 |
| Common shares outstanding | (C) | **5,023.9** | 5,048.5 | 5,108.5 | **N/A** | N/A | N/A | **N/A** | N/A |
| Net income applicable to common stock (3) | (D) | **N/A** | N/A | N/A | **5,243** | 5,173 | 5,443 | **15,501** | 16,267 |
| Book value per common share | (A)/(C) | **$ 35.81** | 35.38 | 33.69 | **N/A** | N/A | N/A | **N/A** | N/A |
| Tangible book value per common share | (B)/(C) | **29.82** | 29.34 | 28.06 | **N/A** | N/A | N/A | **N/A** | N/A |
| Return on average common stockholders' equity (ROE) | (D)/(A) | **N/A** | N/A | N/A | **11.60 %** | 11.70 | 12.62 | **11.68** | 12.83 |
| Return on average tangible common equity (ROTCE) | (D)/(B) | **N/A** | N/A | N/A | **13.96** | 14.15 | 15.19 | **14.08** | 15.46 |

(1) Represents goodwill and other intangibles on nonmarketable equity investments, which are included in other assets.
(2) Applicable deferred taxes relate to goodwill and other intangible assets. They were determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period end.
(3) Quarter and nine months ended net income applicable to common stock is annualized for the respective ROE and ROTCE ratios.