Noninterest Income

Table 2: Noninterest Income

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

NM- Not meaningful
(1) Wire transfer and other remittance fees, reflected in all other fees prior to 2016, have been separately disclosed.
(2) All other fees have been revised to include merchant processing fees for all periods presented.
(3) Effective fourth quarter 2015, the Company's proportionate share of its merchant services joint venture earnings is included in All other income.

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

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

Brokerage advisory, commissions and other fees are received for providing full-service and discount brokerage services predominantly to retail brokerage clients. Income from these brokerage-related activities include asset-based fees for advisory accounts, which are based on the market value of the client's assets, and transactional commissions based on the number and size of transactions executed at the client's direction. These fees decreased to $2.3 billion and $6.9 billion in the third quarter and first nine months of 2016, respectively, from $2.4 billion and $7.1 billion for the same periods in 2015. The decrease in third quarter 2016 was predominantly due to lower brokerage transaction revenue. The decrease for the first nine months of 2016 was due to lower brokerage transaction revenue and lower asset-based fees. Retail brokerage client assets totaled $1.48 trillion at September 30, 2016, compared with $1.35 trillion at September 30, 2015, with all retail brokerage services provided by our Wealth and Investment Management (WIM) operating segment. For additional information on retail brokerage client assets, see the discussion and Tables 4d and 4e in the "Operating Segment Results – Wealth and Investment Management – Retail Brokerage Client Assets" section in this Report.

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

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

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

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

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

In addition to servicing fees, net mortgage loan servicing income includes amortization of commercial mortgage servicing rights (MSRs), changes in the fair value of residential MSRs during the period, as well as changes in the value of derivatives (economic hedges) used to hedge the residential MSRs. Net servicing income of $359 million for third quarter 2016 included a $134 million net MSR valuation gain ($8 million decrease in the fair value of the MSRs and a $142 million hedge gain). Net servicing income of $674 million for third quarter 2015 included a $253 million net MSR valuation gain ($833 million decrease in the fair value of the MSRs and a $1.1 billion hedge gain). For the first nine months of 2016, net servicing income of $1.6 billion included a $786 million net MSR valuation gain ($1.8 billion decrease in the fair value of the MSRs and a $2.6 billion hedge gain) and for the same period in 2015 net servicing income of $1.7 billion included a $468 million net MSR valuation gain ($553 million decrease in the fair value of the MSRs and a $1.0 billion hedge gain). Net servicing income decreased in third quarter 2016, compared with the same period a year ago, from lower net MSR valuation gains, higher unreimbursed servicing costs related to FHA loans, lower contractual servicing fees due to servicing portfolio runoff and higher other changes in MSR fair value losses due to higher payoffs in third quarter 2016. The increase in net MSR valuation gains in the first nine months of 2016, compared with the same period in 2015, was predominantly attributable to MSR valuation adjustments in first quarter 2015 that reflected higher prepayment expectations due to the reduction in FHA mortgage insurance premiums as well as a reduction in forecasted prepayments in the first nine months of 2016 due to updated economic and mortgage market rate inputs.

Our portfolio of loans serviced for others was $1.70 trillion at September 30, 2016, and $1.78 trillion at December 31, 2015. At September 30, 2016, the ratio of combined residential and commercial MSRs to related loans serviced for others was 0.69%, compared with 0.77% at December 31, 2015. See the “Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk” section in this Report for additional information regarding our MSRs risks and hedging approach.

Net gains on mortgage loan origination/sales activities was $1.3 billion and $3.1 billion in the third quarter and first nine months of 2016, respectively, compared with $915 million and $3.1 billion for the same periods a year ago. The increase in third quarter 2016, compared with the same period a year ago, was primarily driven by higher originations, partially offset by lower production margins. Mortgage loan originations were $70 billion and $177 billion for the third quarter and first nine months of 2016, respectively, compared with $55 billion and $166 billion for the same periods a year ago. The production margin on residential held-for-sale mortgage originations, which represents net gains on residential mortgage loan origination/sales activities divided by total residential held-for-sale mortgage originations, provides a measure of the profitability of our residential mortgage origination activity. Table 2a presents the information used in determining the production margin.

Table 2a: Selected Mortgage Production Data

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

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

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

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

Net gains from trading activities, which reflect both unrealized changes in fair value of our trading positions and realized gains, were $415 million and $943 million in the third quarter and first nine months of 2016, respectively, compared with $(26) million and $515 million for the same periods a year ago. The increase in the third quarter and the first nine months of 2016 was predominantly driven by higher deferred compensation gains (offset in employee benefits expense) and higher customer accommodation trading activity within our capital markets business reflecting higher fixed income trading gains. Net gains from trading activities do not include interest and dividend income and expense on trading securities. Those amounts are reported within interest income from trading assets and other interest expense from trading liabilities. For additional information about our trading activities, see the "Risk Management – Asset/Liability Management – Market Risk – Trading Activities" section in this Report.

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

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

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

Noninterest Expense

Table 3: Noninterest Expense

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

NM - Not meaningful

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

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

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

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

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

Operating losses were up 10% and 2% in the third quarter and first nine months of 2016, respectively, compared with the same periods a year ago, predominantly due to higher litigation and compliance expense for various legal matters.

Foreclosed assets expense was a net recovery in third quarter 2016 compared to a net expense in the same period a year ago. Higher gains on sales of foreclosed properties contributed to the net recovery in third quarter 2016. Foreclosed assets expense was down 65% in the first nine months of 2016 compared with the same period a year ago, driven by lower operating expense and write-downs.

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

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

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

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

Income Tax Expense

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

Operating Segment Results

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

Table 4: Operating Segment Results – Highlights

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

(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.

Cross-sell We aspire to create deep and enduring relationships with our customers by providing them with an exceptional experience and by discovering their needs and delivering the most relevant products, services, advice, and guidance. An outcome of offering customers the products and services they need, want and value is that we earn more opportunities to serve them, or what we call cross-sell. Cross-sell is the result of serving our customers well, understanding their financial needs and goals over their lifetimes, and ensuring we innovate our products, services and channels so that we earn more of their business and help them succeed financially. Our customer-focused approach to cross-sell is needs-based as some customers will benefit from more products, and some may need fewer. We believe there is continued opportunity to meet our customers' financial needs as we build lifelong relationships with them. One way we track the degree to which we are satisfying our customers' financial needs is through our cross-sell metrics, which help us measure the depth of relationships we have formed with our Community Banking, Wholesale Banking and WIM customers. For additional information regarding our cross-sell metrics, see the "Earnings Performance – Operating Segments – Cross-sell" section in our 2015 Form 10-K.

The "Earnings Performance – Operating Segments – Cross-sell" section in our 2015 Form 10-K described our methodology for measuring and tracking cross-sell metrics. As described below, in second quarter 2016 we modified our methodology for Community Banking to better align our cross-sell metrics with ongoing changes in Community Banking's business and products. This change in methodology was unrelated to the sales practices settlements announced on September 8, 2016. Instead, the change in methodology was the result of a long-term evaluation spanning 18 months that explored several alternatives and involved product groups and lines of business in order to best align our Community Banking cross-sell metric with our strategic focus of long-term retail banking relationships. For similar reasons, we are currently in the process of evaluating changes in our cross-sell methodology for Wholesale Banking and WIM. In response to the sales practices settlements, however, we eliminated product sales goals for retail banking team members effective October 1, 2016.

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

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

Operating Segment Results

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

Community Banking offers a complete line of diversified financial products and services for consumers and small businesses including checking and savings accounts, credit and debit cards, and automobile, student, and small business lending. These products also include investment, insurance and trust services in 39 states and D.C., and mortgage and home equity loans in all 50 states and D.C. The Community Banking segment also includes the results of our Corporate Treasury activities net of allocations in support of the other operating segments and results of investments in our affiliated venture capital partnerships. Our retail banking household cross-sell (on the revised basis described above) was 6.25 products per household in August 2016, compared with 6.33 in August 2015, reflecting a one month reporting lag for each period. Table 4a provides additional financial information for Community Banking.

Table 4a: Community Banking

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

(1) Represents income on products and services for WIM customers served through Community Banking distribution channels and is eliminated in consolidation.
(2) Includes syndication and underwriting fees paid to Wells Fargo Securities which are offset in our Wholesale Banking segment.
(3) Primarily represents gains resulting from venture capital investments.
(4) Reflects results attributable to noncontrolling interests primarily associated with the Company's consolidated venture capital investments.

Community Banking reported net income of $3.2 billion in third quarter 2016, down $333 million, or 9%, from third quarter 2015, and $9.7 billion for the first nine months of 2016, down $620 million, or 6%, compared with the same period a year ago. Results from the first nine months of 2015 included a discrete tax benefit of $359 million. Revenue of $12.4 billion decreased $546 million, or 4%, from third quarter 2015, and revenue of $37.2 billion for the first nine months of 2016 increased $194 million, or 1%, compared with the same period last year. The decrease from third quarter 2015 was driven by lower gains on equity investments and other income, partially offset by higher deferred compensation plan investment results (offset in employee benefits expense), higher gains on debt securities, revenue from debit and credit card volumes, and deposit service charges. The increase from the first nine months of 2015 was due to higher net interest income, other income driven by positive hedge ineffectiveness, gains on debt securities, revenue from debit and credit card volumes, and deposit service charges, partially offset by lower gains on equity investments, mortgage banking revenue, and trust and investment fees. Average loans of $489.2 billion in third quarter 2016 increased $12.2 billion, or 3%, from third quarter 2015, and average loans of $486.4 billion in the first nine months of 2016 increased $12.5 billion, or 3%, from the first nine months of 2015. Average deposits increased $52.4 billion, or 8%, from third quarter 2015 and $47.0 billion, or 7%, from the first nine months of 2015. Primary consumer checking customers (customers who actively use their checking account with transactions such as debit card purchases, online bill payments, and direct deposit) as of August 2016 were up 4.7% from August 2015. Noninterest expense increased 3% from third quarter 2015 and increased 2% from the first nine months of 2015. The increase from third quarter 2015 was driven by higher deferred compensation plan expense (offset in trading revenue) and operating losses, partially offset by lower foreclosed assets expense and other expense. The increase from the first nine months of 2015 was due to higher personnel expense including higher deferred compensation plan expense (offset in trading revenue), operating losses, and equipment expense, partially offset by lower foreclosed assets expense, data processing, and other expense. The provision for credit losses decreased $17 million from third quarter 2015 due to lower net charge-offs, and increased $337 million from the first nine months of 2015 due to allowance releases in the prior year compared with an allowance build for the first nine months of 2016, reflecting loan growth in the automobile and credit card portfolios.

Wholesale Banking provides financial solutions to businesses across the United States and globally with annual sales generally in excess of $5 million. Products and businesses include Business Banking, Middle Market Commercial Banking, Government and Institutional Banking, Corporate Banking, Commercial Real Estate, Treasury Management, Wells Fargo Capital Finance, Insurance, International, Real Estate Capital Markets, Commercial Mortgage Servicing, Corporate Trust, Equipment Finance, Wells Fargo Securities, Principal Investments, and Asset Backed Finance. As previously mentioned, we are currently evaluating changes in our cross-sell methodology to better align our metrics with ongoing changes in Wholesale Banking's business and products. Table 4b provides additional financial information for Wholesale Banking.

Table 4b: Wholesale Banking

	Quarter ended Sep 30,			Nine months ended Sep 30,		
(in millions, except average balances which are in billions)	**2016**	2015	% Change	**2016**	2015	% Change
Net interest income	**$ 4,062**	3,611	12%	**$ 11,729**	10,639	10%
Noninterest income:						
Service charges on deposit accounts	**549**	542	1	**1,667**	1,606	4
Trust and investment fees:						
Brokerage advisory, commissions and other fees	**91**	77	18	**276**	209	32
Trust and investment management	**117**	104	13	**351**	305	15
Investment banking	**444**	389	14	**1,265**	1,349	(6)
Total trust and investment fees	**652**	570	14	**1,892**	1,863	2
Card fees	**85**	90	(6)	**263**	255	3
Other fees	**562**	728	(23)	**1,660**	2,189	(24)
Mortgage banking	**186**	76	145	**367**	319	15
Insurance	**291**	345	(16)	**1,002**	1,172	(15)
Net gains from trading activities	**302**	187	61	**853**	671	27
Net gains (losses) on debt securities	**(25)**	72	NM	**52**	256	(80)
Net gains from equity investments	**26**	100	(74)	**118**	358	(67)
Other income of the segment	**457**	5	NM	**1,786**	17	NM
Total noninterest income	**3,085**	2,715	14	**9,660**	8,706	11
Total revenue	**7,147**	6,326	13	**21,389**	19,345	11
Provision (reversal of provision) for credit losses	**157**	36	336	**905**	(99)	NM
Noninterest expense:						
Personnel expense	**1,806**	1,671	8	**5,563**	5,210	7
Equipment	**18**	26	(31)	**55**	69	(20)
Net occupancy	**116**	112	4	**350**	340	3
Core deposit and other intangibles	**101**	86	17	**286**	260	10
FDIC and other deposit assessments	**125**	87	44	**299**	262	14
Outside professional services	**269**	210	28	**759**	567	34
Operating losses	**55**	87	(37)	**130**	130	—
Other expense of the segment	**1,630**	1,224	33	**4,682**	3,787	24
Total noninterest expense	**4,120**	3,503	18	**12,124**	10,625	14
Income before income tax expense and noncontrolling interests	**2,870**	2,787	3	**8,360**	8,819	(5)
Income tax expense	**827**	815	1	**2,341**	2,583	(9)
Net income (loss) from noncontrolling interests	**(4)**	47	NM	**(22)**	146	NM
Net income	**$ 2,047**	1,925	6	**$ 6,041**	6,090	(1)
Average loans	**$ 454.3**	405.6	12	**$ 445.2**	390.7	14
Average deposits	**441.2**	442.0	—	**431.7**	435.4	(1)

NM – Not meaningful

Wholesale Banking had net income of $2.0 billion in third quarter 2016, up $122 million, or 6%, from third quarter 2015. In the first nine months of 2016, net income of $6.0 billion decreased $49 million, or 1%, from the same period a year ago. The increase in the third quarter was driven by higher revenue, partially offset by higher expenses and provision for credit losses. The decline in the first nine months of 2016 was driven by increased provision for credit losses and noninterest expense, partially offset by increased revenue. Revenue of $7.1 billion in third quarter 2016 increased $821 million, or 13%, from third quarter 2015 and revenue of $21.4 billion in the first nine months of 2016 increased $2.0 billion, or 11%, from the first nine months of 2015 on higher net interest income and noninterest income. Net interest income increased $451 million, or 12%, from third quarter 2015 and $1.1 billion, or 10%, from the first nine months of 2015 driven by the GE Capital business acquisitions and broad-based loan growth. Noninterest income increased $370 million, or 14%, from third quarter 2015 on higher lease income related to the GE Capital business acquisitions, higher customer accommodation trading, mortgage banking fees and investment banking fees, partially offset by lower gains on equity and debt securities, lower insurance income as a result of the sale of our crop insurance business in first quarter 2016, and the deconsolidation of our merchant services joint venture in fourth quarter 2015, which previously recognized a large share of income in all other fees. Noninterest income increased $1.0 billion, or 11%, from the first nine months of 2015 on higher lease income related to the GE Capital business acquisitions, gains on the sales of our crop insurance and health benefit services businesses, and higher customer accommodation trading, partially offset by lower insurance fees related to the sale of our crop insurance business, lower other fees related to lower commercial real estate brokerage fees and the deconsolidation of our merchant services joint venture, and lower gains on equity investments and debt securities. Average loans of $454.3 billion in third quarter 2016 increased $48.7 billion, or 12%, from third quarter 2015, driven by the GE Capital business acquisitions and broad based growth in asset backed finance, commercial real estate, corporate banking, equipment finance and structured real estate. Average deposits of $441.2 billion in third quarter 2016 remained flat from third quarter 2015. Noninterest expense increased $617 million, or 18%, from third quarter 2015 and

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

Wealth and Investment Management provides a full range of personalized wealth management, investment and retirement products and services to clients across U.S. based businesses including Wells Fargo Advisors, The Private Bank, Abbot Downing, Wells Fargo Institutional Retirement and Trust, and Wells Fargo Asset Management. We deliver financial planning, private banking, credit, investment management and fiduciary services to high-net worth and ultra-high-net worth individuals and families. We also serve clients' brokerage needs, supply retirement and trust services to institutional clients and provide investment management capabilities delivered to global institutional clients through separate accounts and the Wells Fargo Funds. As previously mentioned, we are currently evaluating changes in our cross-sell methodology to better align our metrics with ongoing changes in WIM's business and products. Table 4c provides additional financial information for WIM.

Table 4c: Wealth and Investment Management

	Quarter ended Sep 30,			Nine months ended Sep 30,		
(in millions, except average balances which are in billions)	**2016**	2015	% Change	**2016**	2015	% Change
Net interest income	**$ 977**	887	10%	**$ 2,852**	2,545	12%
Noninterest income:						
Service charges on deposit accounts	**5**	4	25	**15**	14	7
Trust and investment fees:						
Brokerage advisory, commissions and other fees	**2,256**	2,295	(2)	**6,618**	6,942	(5)
Trust and investment management	**738**	747	(1)	**2,168**	2,274	(5)
Investment banking (1)	**—**	5	(100)	**(1)**	—	NM
Total trust and investment fees	**2,994**	3,047	(2)	**8,785**	9,216	(5)
Card fees	**2**	2	—	**5**	4	25
Other fees	**4**	4	—	**13**	12	8
Mortgage banking	**(2)**	(2)	—	**(6)**	(5)	(20)
Insurance	**—**	—	NM	**—**	1	(100)
Net gains (losses) from trading activities	**80**	(70)	214	**144**	(7)	NM
Net gains on debt securities	**—**	—	NM	**1**	1	—
Net gains (losses) from equity investments	**5**	(5)	200	**7**	11	(36)
Other income of the segment	**34**	11	209	**56**	38	47
Total noninterest income	**3,122**	2,991	4	**9,020**	9,285	(3)
Total revenue	**4,099**	3,878	6	**11,872**	11,830	—
Provision (reversal of provision) for credit losses	**4**	(6)	167	**(8)**	(19)	58
Noninterest expense:						
Personnel expense	**1,966**	1,850	6	**5,902**	5,889	—
Equipment	**12**	14	(14)	**40**	42	(5)
Net occupancy	**111**	113	(2)	**332**	335	(1)
Core deposit and other intangibles	**75**	81	(7)	**225**	244	(8)
FDIC and other deposit assessments	**44**	30	47	**106**	93	14
Outside professional services	**241**	207	16	**668**	619	8
Operating losses	**(1)**	57	NM	**17**	206	(92)
Other expense of the segment	**551**	557	(1)	**1,727**	1,641	5
Total noninterest expense	**2,999**	2,909	3	**9,017**	9,069	(1)
Income before income tax expense and noncontrolling interests	**1,096**	975	12	**2,863**	2,780	3
Income tax expense	**415**	371	12	**1,087**	1,054	3
Net income (loss) from noncontrolling interests	**4**	(2)	300	**3**	5	(40)
Net income	**$ 677**	606	12	**$ 1,773**	1,721	3
Average loans	**$ 68.4**	61.1	12	**$ 66.4**	59.1	12
Average deposits	**189.2**	172.6	10	**185.4**	170.4	9

NM – Not meaningful

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

WIM reported net income of $677 million in third quarter 2016, up $71 million from third quarter 2015. The increase in net income from third quarter 2015 was driven by higher noninterest income and net interest income, partially offset by higher noninterest expense. Net income for the first nine months of 2016 was $1.8 billion, up $52 million, or 3%, compared with the same period a year ago, driven by higher net interest income and lower noninterest expense, primarily due to lower operating losses, partially offset by lower noninterest income. Revenue was up $221 million, or 6%, from third quarter 2015 and up $42 million from the first nine months of 2015, driven by growth in net interest income and gains on deferred compensation plan investments (offset in employee benefits expense), partially offset by lower asset-based fees and lower brokerage transaction revenue. Net interest income increased 10% from third quarter 2015, and was up 12% from the first nine months of 2015, due to growth in loan balances and investment portfolios. Average loan balances of $68.4 billion in third quarter 2016 increased 12% from third quarter 2015. Average loans in the first nine months of 2016 increased 12% from the same period a year ago. Average loan growth was driven by growth in non-conforming mortgage loans and securities-based lending. Average deposits in third quarter 2016 of $189.2 billion increased 10% from third quarter 2015. Average deposits in the first nine months of 2016 increased

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

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

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

Table 4d: Retail Brokerage Client Assets

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

Retail Brokerage advisory accounts include assets that are financial advisor-directed and separately managed by third-party managers, as well as certain client-directed brokerage assets where we earn a fee for advisory and other services, but do not have investment discretion. These advisory accounts generate fees as a percentage of the market value of the assets, which vary across the account types based on the distinct services provided, and are affected by investment performance as well as asset inflows and outflows. For the third quarter and first nine months of 2016 and 2015, the average fee rate by account type ranged from 80 to 120 basis points. Table 4e presents retail brokerage advisory account client assets activity by account type for the third quarter and first nine months of 2016 and 2015.

Table 4e: Retail Brokerage Advisory Account Client Assets

	Quarter ended September 30, 2016					**Nine months ended September 30, 2016**				
(in billions)	**Jun 30, 2016**	**Inflows (5)**	**Outflows (6)**	**Market impact (7)**	**Sep 30, 2016**	**Dec 31, 2015**	**Inflows (5)**	**Outflows (6)**	**Market impact (7)**	**Sep 30, 2016**
Client directed (1)	**$ 158.5**	**9.2**	**(9.5)**	**3.1**	**161.3**	**154.7**	**27.4**	**(27.7)**	**6.9**	**161.3**
Financial advisor directed (2)	**104.2**	**6.3**	**(4.7)**	**4.7**	**110.5**	**91.9**	**21.4**	**(13.5)**	**10.7**	**110.5**
Separate accounts (3)	**118.9**	**6.0**	**(5.6)**	**3.5**	**122.8**	**110.4**	**19.0**	**(15.6)**	**9.0**	**122.8**
Mutual fund advisory (4)	**62.1**	**2.2**	**(2.6)**	**2.0**	**63.7**	**62.9**	**6.1**	**(8.5)**	**3.2**	**63.7**
Total advisory client assets	**$ 443.7**	**23.7**	**(22.4)**	**13.3**	**458.3**	**419.9**	**73.9**	**(65.3)**	**29.8**	**458.3**

	Quarter ended September 30, 2015					Nine months ended September 30, 2015				
	Jun 30, 2015	Inflows (5)	Outflows (6)	Market impact (7)	Sep 30, 2015	Dec 31, 2014	Inflows (5)	Outflows (6)	Market impact (7)	Sep 30, 2015
Client directed (1)	$ 161.8	9.2	(9.0)	(10.2)	151.8	159.8	30.0	(27.9)	(10.1)	151.8
Financial advisor directed (2)	91.4	4.8	(4.1)	(4.4)	87.7	85.4	15.4	(12.5)	(0.6)	87.7
Separate accounts (3)	113.0	4.9	(5.3)	(5.8)	106.8	110.7	16.5	(15.4)	(5.0)	106.8
Mutual fund advisory (4)	67.4	2.4	(3.1)	(4.2)	62.5	66.9	8.0	(9.0)	(3.4)	62.5
Total advisory client assets	$ 433.6	21.3	(21.5)	(24.6)	408.8	422.8	69.9	(64.8)	(19.1)	408.8

(1) 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.
(2) Professionally managed portfolios with fees earned based on respective strategies and as a percentage of certain client assets.
(3) Professional advisory portfolios managed by Wells Fargo asset management advisors or third-party asset managers. Fees are earned based on a percentage of certain client assets.
(4) Program with portfolios constructed of load-waived, no-load and institutional share class mutual funds. Fees are earned based on a percentage of certain client assets.
(5) Inflows include new advisory account assets, contributions, dividends and interest.
(6) Outflows include closed advisory account assets, withdrawals, and client management fees.
(7) Market impact reflects gains and losses on portfolio investments.