

**FR Y-14 A and Q Industry Outreach Call
Between Federal Reserve Staff and Representatives of Wells Fargo
November 4, 2011**

Participants: Christine Graham, Christin L Patel, Eric Caban, Paul Calem, Robert F Sarama, Sabina Golden, Scott Chastain, Summer Cole, Bertan Akin, Jennifer Su and Paul Sternhagen (Federal Reserve Staff)

David Mason, Nick Deshpande, Jake Zelnick, Becky Johnson, Ravi Mallela, Keb Byers, Frank Yeh, Emily Mangoba, Dale Branham, Joe Donohue, Julie Sample, Greg Stern, Debbie Zaydel, Steve De Salvo, John Viccellio, Julie White and Kathy McCaffrey (Wells Fargo)

Summary: Federal Reserve staff participated in an outreach call with representatives of Wells Fargo in order to address technical and/or clarifying questions submitted by the firm related to the FR Y 14 A and Q data schedules proposed by the Federal Reserve Board and to solicit feedback on the proposal. Federal Reserve staff did not respond to substantive comments raised by the participants during the call. A summary of the issues raised by the participants is provided below.

PRE-PROVISION NET REVENUE (PPNR) TEMPLATE

The PPNR template, which is comprised of the PPNR Submission Worksheet, Net Interest Income Worksheet, and PPNR Metrics Worksheet, asks for new information related to the Balance Sheet, Net Interest Income, Non-Interest Income, and Metrics. Within the PPNR Schedule, the PPNR Submission and Metrics Worksheets are organized by business activities, which are not currently mapped within our management reporting structure. We do not manage to these business activities and currently have neither processes nor infrastructure in place to report history (a new quarterly requirement) or provide projections (a new annual requirement). To resolve this issue, we would need to create new methodologies that work for both actuals and projections. It is unlikely these methodologies, if required to be developed in the near-term, would be meaningful to internal or external reviewers of the information and would likely hinder the integrity, transparency, and reproducibility of the analysis. Last year, the business segment information was not required for the PPNR template, and explaining our PPNR results in other materials was permitted within our own management reporting structure. Two mutual beneficial alternatives present themselves:

- Postpone submission of the PPNR templates to allow time to develop a format and timeline that can produce more meaningful data that represents our business lines.
- Complete the PPNR template using our Asset Liability Management and Management Reporting systems structure

PPNR SUBMISSION WORKSHEET

NET INTEREST INCOME

- Net Interest Income by Business Segment on the PPNR Submission Worksheet: New methodologies, including asset allocations, equity allocations, and funding assumptions to each business segment, would need to be created to populate this worksheet. Given a short timeframe, a simplified approach may be required which may produce results that may not fully describe the profitability or risk of the segment.
- The predefined business line splits requested for the Net Interest Income forecast do not align with our standard hierarchy for the Asset Liability Management or the FP&A hierarchy. Last year, submission of Net Interest Income by these business unit splits was optional. In order to complete the Net Interest Income forecast in this structure, we would need to develop methodology and coordinate with product groups, which would be very time consuming. Our concerns relate to each of items 1 – 10 under Net Interest Income by Business Segment. These lower level breakouts are not complete balanced balance sheet businesses with both assets and liabilities, so the Net Interest Income for these segments is not a meaningful measure for the Firm.
- The template requests history back to Q1 2009 for these same businesses. Because they are not standard views, we would need to coordinate with product groups which would be very time consuming. It is unclear whether any methodology employed could be translated equally to history and projections.
- This problem may require even further simplification of methodology which would call into question, as stated above, the integrity, transparency, and reproducibility of the reporting.

NON-INTEREST INCOME AND EXPENSE

- New methodologies would need to be developed for the Non-Interest Income and Expense portion of the worksheet. Our concerns are similar to those stated above, and the P&L methodologies should be developed in tandem with the Balance Sheet and Net Interest Income methodologies.
- Business segmentation for the Commercial/Wholesale Line of Business financials would need to be done manually. We need to confirm where the Commercial/Wholesale business lines would be segmented. From the Business Segment descriptions, many Commercial/Wholesale businesses would go into Commercial Lending. Commercial/Wholesale does not segregate out Treasury Services (line 18), as a separate business. We would strip out service charges and deposits from several businesses.

NET INTEREST INCOME WORKSHEET

- New splits are requested for balance and yield projections for the interest bearing liabilities (lines 22 – 36). We would use our management reporting definitions of the deposit lines in order to complete the template in our standard format.
- Trading Liability funding balances & yields (lines 25 & 31): This is not a standard split in management reporting actual, and we do not forecast these separately in our Asset Liability Management model. We would need to coordinate with the product group in Wholesale to get the details which would be time consuming.
- Subordinated Note & TRUPS funding balances & yields (lines 26 & 32): This is not a standard split in management reporting actual, so we would need to coordinate internally to get the details which would be time consuming.

PPNR METRICS WORKSHEET

The Metrics worksheet requests information by business segment, geography, and in some cases loan type. For business segment and geography, the concerns are similar to those stated above. However, most of the metrics data exists, although in some cases, these are not the same metrics that we use to manage the businesses, and it would require significant additional work to gather these metrics. Some of the historical data (especially 2009) may be difficult to obtain due to systems integration.

PRIMARY DISCUSSION POINTS

Q: We don't manage or report our business performance according to the business segmentation on the PPNR Submission and Metrics Worksheets. Mapping work needs to be done according the definitions provided, which presents a significant challenge for both historical and projected periods.

A: Substantive comments cannot be responded to during the comment period.

Q: The challenges with the template go well beyond mapping related issues. In particular, on the PPNR Submission Worksheet, the Net Interest Income by Business Segment section requires new methodology for funding or crediting balances, equity allocations, and other allocations (goodwill, intangibles, other assets/liabilities, etc.). Historical data will also be challenging to provide. The further back in history data is requested, there is increasing discomfort with data reliability.

A: Substantive comments cannot be responded to during the comment period.

Q: Given the time allotted, newly developed methodologies to create the business segment reporting will necessarily be much simpler and less useful (not describing profitability or risk within the segment) than those we have in place for our existing management reporting structure.

A: Substantive comments cannot be responded to during the comment period.

Q: Other firms also have to create methodologies in a short timeframe with each using inconsistent assumptions. This process will hinder the comparability of results across firms.

A: Substantive comments cannot be responded to during the comment period.

Q: Given the issues cited above, the template will not be useful for our own insight in developing our 2012 Capital Plan, or for explaining our firm's results externally. We will be reviewing and explaining our results based on our WFC management reporting structure. We suggest allowing firms to present results according to firm defined business segments for the 2012 CCAR, and allowing more time for meaningful development of a standard view of business segmentation. In addition, with limited time to pull together the metrics and non-interest items, including history back to Q1 2009, we face data collection and review challenges. We have not been tracking this data in the manner requested through time, and thus we have little time to review the information or research any questions that arise, potentially limiting the reliability of such information.

A: Substantive comments cannot be responded to during the comment period.

MORTGAGE REPURCHASE RISK

- 'Net Credit Loss Realized to-date' and 'Estimated Lifetime Net Credit Losses' – We do not have visibility to losses realized by investors and are unable to provide this information. Please elaborate if this is information that some firms are able to provide.
- 'Repurchased UPB' – We will measure by the original Note Amount. Should this amount reflect only actual "Repurchases" (brought on balance sheet) or should it also include Make-Whole and Settlements (to then reflect all rep and warrant exposure)?
- 'Repurchase Loss to-date' and 'Settlements/Make-Whole Payments to-date' – We could like to confirm that 'Repurchase Loss-to-date' and 'Settlements/Make-Whole Payments' are mutually exclusive and that the sum of the two fields should equal Total Rep and Warrant Losses (though not captured in the template). We can provide the information as requested by individual vintage for most loans. We may not be able to retrieve to-date activity related to some of the older vintages displayed. We should have reasonable access to information needed to provide activity occurring over the past 5 years (since January 2006), but information before that date may not be available.

A: Substantive comments cannot be responded to during the comment period.

SECURITIES

Q: Summary Schedule – Securities CUSIPs Worksheet

- The ‘Securities CUSIPs Worksheet’ instructs that “For each CUSIP that incurred losses, please state the CUSIP and the amount of loss projected (over the entire forecast horizon)... Total projected losses should reconcile to the total sum of projected losses provided in Securities Worksheets 1 and 2.” We plan to include in this worksheet all CUSIPs that experience an actual OTTI loss in the P&L (i.e. credit loss portion). There are cases where a CUSIP may experience a non-credit loss but not result in credit OTTI loss. In these cases, and consistent with last year, we would not include them in these worksheets. Please provide guidance if our understanding is incorrect. Following are a few examples to help illustrate our intended approach:

SUMMARY SCHEDULE – INCOME STATEMENT WORKSHEET

- Item 27 (Other-than-temporary impairment – Available for Sale (AFS) Securities) currently pulls from the ‘Total OTTI’ column in the ‘Securities Worksheet 1’ tab. This column includes both credit losses (taken through P&L) as well as non-credit losses that do not impact P&L. Please confirm that this total amount is not impacting net income and is on the ‘Income Statement Worksheet’ tab purely from an informational perspective.
- Item 47 (Realized Gains (Losses) on available-for-sale-securities) does not currently link to any of the Securities worksheets in the Summary Schedule. Our assumption is that item 47 should include both the credit loss portion of OTTI (as found in columns F, I, L, O, R, U, X, AA, and AD from ‘Securities Worksheet 1’) plus any realized gains/losses from the sale of AFS securities.

A: Under the proposal, whatever securities would impact the income statement would be reporting. Remaining unrealized loss would not be included. For line 47 it should be filled out only for actual realized gains and losses would be reflected in the first current quarter.

SUMMARY SCHEDULE – SECURITIES WORKSHEET 3

- ‘Securities Worksheet 3’ says that “BHCs should estimate and provide fair market value of AFS securities based on a re-pricing of MM/DD/YYYY position to reflect changes in market pricing variables that occurred over the period June 30, 2008 to December 31, 2008.” Our intended approach is to determine the amount that spreads widened over this period of the second half of 2008 and then widen current (9/30/11) spreads by the same

amount for the various portfolios. Please clarify is that is not the desired approach.

A: This approach would be consistent with the proposed instructions; any approach taken should be well documented.

ASC 310-30

Q: We would appreciate if you could clarify two questions related to the ASC 310-30 tab in the Summary Schedule of the FRY-14A:

1. The instructions for this tab seem to focus on retail loans. Can you please confirm whether or not commercial PCI loans should be included in this tab as well?
2. The Unpaid Principal Balance as requested is defined as “Total unpaid principal balance for ASC 310-03 Purchase Credit Impaired accounts on the balance sheet as of quarter-end.” Please confirm whether you would like us to provide customer balance or net bank (book) balance in this field. Net bank (book) balance is what we typically show in our credit schedules to generate loss rates.

A: Substantive comments cannot be responded to during the comment period.