BALAKRISHNAN BALU
Form 4
December 01, 2010

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
BALAKRISHNAN BALU

(Last) (First) (Middle)

5245 HELLYER AVE

(Street)

SAN JOSE, CA 95138

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
POWER INTEGRATIONS INC [POWI]

3. Date of Earliest Transaction (Month/Day/Year)
11/29/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President and CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	11/29/2010		M		6,846	A	$ 21.2	230,294	I	by Trust
Common Stock	11/29/2010		S		6,846	D	$ 39.8831 (1)	223,448	I	by Trust
Common Stock	11/29/2010		M		154	A	$ 14.82	223,602	I	by Trust
Common Stock	11/29/2010		S		154	D	$ 40	223,448	I	by Trust
Common Stock								25,000	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amoun Underlying Securit (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amo or Num of Share
Non-Qualified Stock Option (right to buy)	$ 14.82	11/29/2010		M			154 (2)	02/21/2002	02/21/2012	Common Stock	15
Non-Qualified Stock Option (right to buy)	$ 21.2	11/29/2010		M			6,846 (2)	02/21/2002	02/21/2012	Common Stock	6,8

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BALAKRISHNAN BALU 5245 HELLYER AVE SAN JOSE, CA 95138			President and CEO	

Signatures

By: /s/ Eric Verity Attorney-In-Fact For: Balu Balakrishnan	12/01/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The range of prices for the enclosed transactions were $39.80 to $40.00. Upon request by the SEC staff, the issuer, or any security holder of the issuer we will provide full information regarding the number of shares sold at each separate price.

(2) This sale is pursuant to a 10B5-1 Sales Plan

 0;
(5
)

Mortgage-backed securities:

Residential
24

4

(6
)

(22
)

—

—

—

—

Commercial
109

1

(2
)

(5
)

—

—

103

—

Total mortgage-backed securities
133

5

(8
)

(27
)

—

—

103

—

Corporate debt securities
252

3

(3
)

82

—

—

334

2

Collateralized loan and other
debt obligations
1,087

61

(11
)

(213
)

—

—

924

—

Asset-backed securities:

Automobile loans and leases
245

—

15

—

—

—

260

—

Other asset-backed securities
1,372

2

(9
)

(45
)

—

—

1,320

—

Total asset-backed securities
1,617

2

6

(45
)

—

—

1,580

—

Total debt securities
5,366

74

(31
)

(503
)

—

(76
)

4,830

(3
)
(4)
Marketable equity securities:

Perpetual preferred securities
663

3

(2
)

(24
)

—

(640
)

—

—

Explanation of Responses:

Other marketable equity securities
—

—

—

—

—

—

—

—

Total marketable equity securities
663

3

(2
)

(24
)

—

(640
)

—

—

Explanation of Responses:

(5)
Total available-for-sale
securities
6,029

77

(33
)

(527
)

—

(716
)

4,830

(3
)

Mortgages held for sale
2,313

37

—

(369
)

95

(453
)

1,623

6

(6)
Loans
5,788

(47
)

—

(90
)

—

—

5,651

(37
)
(6)
Mortgage servicing rights (residential) (7)
12,738

(807
)

—

730

—

—

12,661

280

(6)

Net derivative assets and liabilities:

Interest rate contracts
293

425

—

(466
)

—

—

252

57

Commodity contracts
1

2

—

2

(2
)

—

3

1

Equity contracts
(84
)

50

—

(89
)

(10
)

(52
)

(185
)

(14
)

Credit contracts
(189
)

1

—

71

—

—

(117
)

(5
)

Other derivative contracts
(44
)

6

—

—

—

—

(38
)

6

Total derivative contracts
(23
)

484

—

(482

)

(12
)

(52
)

(85
)

45

(8)
Other assets
2,512

28

—

96

—

—

2,636

29

(5)
Short sale liabilities
(6
)

—

—

5

—

—

(1
)

—

(3)
Other liabilities (excluding derivatives)
(28
)

(2
)

—

—

—

—

(30
)

—

(6)

(1) See Table 13.11 for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management’s estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.
(4) Included in net gains (losses) from debt securities in the income statement.
(5) Included in net gains (losses) from equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) For more information on the changes in mortgage servicing rights, see Note 8 (Mortgage Banking Activities).
(8) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

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Note 13: Fair Values of Assets and Liabilities (continued)

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Table 13.11 presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the first half of 2015.

Table 13.11: Gross Purchases, Sales, Issuances and Settlements – Level 3 – Six months ended June 30, 2015

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Six months ended June 30, 2015					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 3	(2)	—	—	1
Collateralized loan obligations	908	(988)	—	—	(80)
Corporate debt securities	27	(41)	—	—	(14)
Mortgage-backed securities	—	—	—	—	—
Asset-backed securities	—	(5)	—	(9)	(14)
Equity securities	—	—	—	(10)	(10)
Total trading securities	938	(1,036)	—	(19)	(117)
Other trading assets	3	(1)	—	—	2
Total trading assets (excluding derivatives)	941	(1,037)	—	(19)	(115)
Available-for-sale securities:					
Securities of U.S. states and political subdivisions	—	(41)	294	(553)	(300)
Mortgage-backed securities:					
Residential	—	(22)	—	—	(22)
Commercial	—	(5)	—	—	(5)
Total mortgage-backed securities	—	(27)	—	—	(27)
Corporate debt securities	96	(8)	—	(6)	82
Collateralized loan and other debt obligations	59	(102)	—	(170)	(213)
Asset-backed securities:					
Automobile loans and leases	—	—	—	—	—
Other asset-backed securities	—	(1)	238	(282)	(45)
Total asset-backed securities	—	(1)	238	(282)	(45)
Total debt securities	155	(179)	532	(1,011)	(503)
Marketable equity securities:					
Perpetual preferred securities	—	—	—	(24)	(24)
Other marketable equity securities	—	—	—	—	—
Total marketable equity securities	—	—	—	(24)	(24)
Total available-for-sale securities	155	(179)	532	(1,035)	(527)
Mortgages held for sale	120	(623)	346	(212)	(369)
Loans	67	—	194	(351)	(90)
Mortgage servicing rights (residential)	—	(1)	736	(5)	730
Net derivative assets and liabilities:					
Interest rate contracts	—	—	—	(466)	(466)
Commodity contracts	—	—	—	2	2
Equity contracts	15	(71)	—	(33)	(89)
Credit contracts	6	(2)	—	67	71
Other derivative contracts	—	—	—	—	—
Total derivative contracts	21	(73)	—	(430)	(482)
Other assets	96	—	—	—	96
Short sale liabilities	20	(15)	—	—	5
Other liabilities (excluding derivatives)	—	—	—	—	—

Table 13.12 and Table 13.13 provide quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a recurring basis for which we use an internal model.
The significant unobservable inputs for Level 3 assets and liabilities that are valued using fair values obtained from third party vendors are not included in the table, as the specific inputs applied are not provided by the vendor. In addition, the table excludes the valuation techniques and significant unobservable inputs for certain classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 assets and liabilities. We made this determination based upon an evaluation of each class, which considered the magnitude of the positions, nature of the unobservable inputs

and potential for significant changes in fair value due to changes in those inputs. For information on how changes in significant unobservable inputs affect the fair values of Level 3 assets and liabilities, see Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in our 2015 Form 10-K.

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Table 13.12: Valuation Techniques – Recurring Basis – June 30, 2016

($ in millions, except cost to service amounts)	Fair Value Level 3	Valuation Technique(s)	Significant Unobservable Input	Range of Inputs			Weighted Average (1)
June 30, 2016							
Trading and available-for-sale securities:							
Securities of U.S. states and political subdivisions:							
Government, healthcare and other revenue bonds	$1,538	Discounted cash flow	Discount rate	0.7	- 4.8	%	1.4
	49	Vendor priced					
Auction rate securities and other municipal bonds	213	Discounted cash flow	Discount rate	0.9	- 4.8		2.8
			Weighted average life	2.3	- 17.6	yrs	8.2
Collateralized loan and other debt obligations (2)	249	Market comparable pricing	Comparability adjustment	(18.0)	- 19.8	%	2.8
	951	Vendor priced					
Asset-backed securities:							
Diversified payment rights (3)	499	Discounted cash flow	Discount rate	1.1	- 3.8		2.4
Other commercial and consumer	612 (4)	Discounted cash flow	Discount rate	2.5	- 5.4		3.0
			Weighted average life	1.1	- 8.3	yrs	3.2
	6	Vendor priced					
Mortgages held for sale (residential)	1,045	Discounted cash flow	Default rate	0.5	- 11.5	%	2.2
			Discount rate	1.1	- 6.6		4.7
			Loss severity	0.0	- 39.8		21.3
			Prepayment rate	8.3	- 15.5		10.9
	39	Market comparable pricing	Comparability adjustment	(53.3)	- 0.0		(33.9)
Loans	5,032 (5)	Discounted cash flow	Discount rate	0.0	- 3.1		2.6
			Prepayment rate	0.5	- 100.0		18.4
			Utilization rate	0.0	- 0.8		0.3
Mortgage servicing rights (residential)	10,396	Discounted cash flow	Cost to service per loan (6)	$70	- 572		162
			Discount rate	5.7	- 10.8	%	6.2
			Prepayment rate (7)	10.8	- 23.3		13.6
Net derivative assets and (liabilities):							
Interest rate contracts	405	Discounted cash flow	Default rate	0.1	- 9.6		2.5
			Loss severity	50.0	- 50.0		50.0
			Prepayment rate	2.8	- 12.5		9.7
Interest rate contracts: derivative loan commitments	285	Discounted cash flow	Fall-out factor	1.0	- 99.0		23.5
			Initial-value servicing	(25.9)	- 132.6	bps	63.6
Equity contracts	84	Discounted cash flow	Conversion factor	(10.8)	- 0.0	%	(8.0)
			Weighted average life	2.0	- 3.5	yrs	2.4
	(336)	Option model	Correlation factor	(77.0)	- 98.5	%	46.3
			Volatility factor	6.5	- 100.0		26.8

Credit contracts	(25	)	Market comparable pricing	Comparability adjustment	(24.1) - 21.7	%	0.2
	86		Option model	Credit spread	0.0 - 8.9		1.4
				Loss severity	13.0 - 60.0		51.1
Other assets: nonmarketable equity investments	11		Discounted cash flow	Discount rate	5.0 10.3		6.0
	3,027		Market comparable pricing	Comparability adjustment	(23.9) - (7.1)		(17.8)
Insignificant Level 3 assets, net of liabilities	563	(8)					
Total level 3 assets, net of liabilities	$24,729	(9)					

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments, such as loans and securities, and notional amounts for derivative instruments.

(2) Includes $719 million of collateralized debt obligations.

(3) Securities backed by specified sources of current and future receivables generated from foreign originators.

(4) Consists primarily of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.

(5) Consists of reverse mortgage loans.

(6) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is $70 - $321.

(7) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.

(8) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, other trading assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts and other derivative contracts.

(9) Consists of total Level 3 assets of $26.4 billion and total Level 3 liabilities of $1.6 billion, before netting of derivative balances.

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Note 13: Fair Values of Assets and Liabilities (continued)

Table 13.13: Valuation Techniques – Recurring Basis – December 31, 2015

($ in millions, except cost to service amounts)	Fair Value Level 3		Valuation Technique(s)	Significant Unobservable Input	Range of Inputs			Weighted Average (1)
December 31, 2015								
Trading and available-for-sale securities:								
Securities of U.S. states and political subdivisions:								
Government, healthcare and other revenue bonds	$1,213		Discounted cash flow	Discount rate	0.8	- 5.6	%	1.9
	51		Vendor priced					
Auction rate securities and other municipal bonds	244		Discounted cash flow	Discount rate	0.8	- 4.5		2.0
				Weighted average life	1.0	- 10.0	yrs	4.7
Collateralized loan and other debt obligations (2)	343		Market comparable pricing	Comparability adjustment	(20.0)	- 20.3	%	2.9
	565		Vendor priced					
Asset-backed securities:								
Diversified payment rights (3)	608		Discounted cash flow	Discount rate	1.0	- 5.0		3.2
Other commercial and consumer	508	(4)	Discounted cash flow	Discount rate	2.5	- 6.3		3.8
				Weighted average life	1.0	- 9.4	yrs	4.3
	66		Vendor priced					
Mortgages held for sale (residential)	1,033		Discounted cash flow	Default rate	0.5	- 13.7	%	3.6
				Discount rate	1.1	- 6.3		4.7
				Loss severity	0.1	- 22.7		11.2
				Prepayment rate	2.6	- 9.6		6.4
	49		Market comparable pricing	Comparability adjustment	(53.3)	- 0.0		(32.6)
Loans	5,316	(5)	Discounted cash flow	Discount rate	0.0	- 3.9		3.1
				Prepayment rate	0.2	- 100.0		14.6
				Utilization rate	0.0	- 0.8		0.3
Mortgage servicing rights (residential)	12,415		Discounted cash flow	Cost to service per loan (6)	$70	- 599		168
				Discount rate	6.8	- 11.8	%	7.3
				Prepayment rate (7)	10.1	- 18.9		11.4
Net derivative assets and (liabilities):								
Interest rate contracts	230		Discounted cash flow	Default rate	0.1	- 9.6		2.6
				Loss severity	50.0	- 50.0		50.0
				Prepayment rate	0.3	- 2.5		2.2
Interest rate contracts: derivative loan commitments	58	(8)	Discounted cash flow	Fall-out factor	1.0	- 99.0		18.8
					(30.6)	- 127.0	bps	41.5

			Initial-value servicing			
Equity contracts	72	Discounted cash flow	Conversion factor	(10.6) - 0.0	%	(8.1)
			Weighted average life	0.5 - 2.0	yrs	1.5
	(183)	Option model	Correlation factor	(77.0) - 98.5	%	66.0
			Volatility factor	6.5 - 91.3		24.2
Credit contracts	(9)	Market comparable pricing	Comparability adjustment	(53.6) - 18.2		(0.6)
	6	Option model	Credit spread	0.0 - 19.9		1.6
			Loss severity	13.0 - 73.0		49.6
Other assets: nonmarketable equity investments	3,065	Market comparable pricing	Comparability adjustment	(19.1) - (5.5)		(15.1)
Insignificant Level 3 assets, net of liabilities	493 (9)					
Total level 3 assets, net of liabilities	$26,143 (10)					

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments, such as loans and securities, and notional amounts for derivative instruments.

(2) Includes $257 million of collateralized debt obligations.

(3) Securities backed by specified sources of current and future receivables generated from foreign originators.

(4) Consists largely of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.

(5) Consists of reverse mortgage loans.

(6) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is $70 - $335.

(7) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.

(8) Total derivative loan commitments were a net asset of $56 million, of which a $2 million derivative liability was classified as level 2 at December 31, 2015.

(9) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, other trading assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts and other derivative contracts.

(10) Consists of total Level 3 assets of $27.6 billion and total Level 3 liabilities of $1.5 billion, before netting of derivative balances.

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The valuation techniques used for our Level 3 assets and liabilities, as presented in the previous tables, are described as follows:

- Discounted cash flow – Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument and then discounting those cash flows at a rate of return that results in the fair value amount.
- Market comparable pricing – Market comparable pricing valuation techniques are used to determine the fair value of certain instruments by incorporating known inputs, such as recent transaction prices, pending transactions, or prices of other similar investments that require significant adjustment to reflect differences in instrument characteristics.
- Option model – Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.
- Vendor-priced – Prices obtained from third party pricing vendors or brokers that are used to record the fair value of the asset or liability for which the related valuation technique and significant unobservable inputs are not provided.

Significant unobservable inputs presented in the previous tables are those we consider significant to the fair value of the Level 3 asset or liability. We consider unobservable inputs to be significant if by their exclusion the fair value of the Level 3 asset or liability would be impacted by a predetermined percentage change, or based on qualitative factors, such as nature of the instrument, type of valuation technique used, and the significance of the unobservable inputs relative to other inputs used within the valuation. Following is a description of the significant unobservable inputs provided in the table.

- Comparability adjustment – is an adjustment made to observed market data, such as a transaction price in order to reflect dissimilarities in underlying collateral, issuer, rating, or other factors used within a market valuation approach, expressed as a percentage of an observed price.
- Conversion Factor – is the risk-adjusted rate in which a particular instrument may be exchanged for another instrument upon settlement, expressed as a percentage change from a specified rate.
- Correlation factor – is the likelihood of one instrument changing in price relative to another based on an established relationship, expressed as a percentage of relative change in price over a period over time.

- Cost to service – is the expected cost per loan of servicing a portfolio of loans, which includes estimates for unreimbursed expenses (including delinquency and foreclosure costs) that may occur as a result of servicing such loan portfolios.
- Credit spread – is the portion of the interest rate in excess of a benchmark interest rate, such as Overnight Index Swap (OIS), LIBOR or U.S. Treasury rates, that when applied to an investment captures changes in the obligor’s creditworthiness.
- Default rate – is an estimate of the likelihood of not collecting contractual amounts owed expressed as a constant default rate (CDR).
- Discount rate – is a rate of return used to calculate the present value of the future expected cash flow to arrive at the fair value of an instrument. The discount rate consists of a benchmark rate component and a risk premium component. The benchmark rate component, for example, OIS, LIBOR or U.S. Treasury rates, is generally observable within the market and is necessary to appropriately reflect the time value of money. The risk premium component reflects the amount of compensation market participants require due to the uncertainty inherent in the instruments’ cash flows resulting from risks such as credit and liquidity.
- Fall-out factor – is the expected percentage of loans associated with our interest rate lock commitment portfolio that are likely of not funding.
- Initial-value servicing – is the estimated value of the underlying loan, including the value attributable to the embedded servicing right, expressed in basis points of outstanding unpaid principal balance.

- Loss severity – is the estimated percentage of contractual cash flows lost in the event of a default.
- Prepayment rate – is the estimated rate at which forecasted prepayments of principal of the related loan or debt instrument are expected to occur, expressed as a constant prepayment rate (CPR).
- Utilization rate – is the estimated rate in which incremental portions of existing reverse mortgage credit lines are expected to be drawn by borrowers, expressed as an annualized rate.
- Volatility factor – is the extent of change in price an item is estimated to fluctuate over a specified period of time, expressed as a percentage of relative change in price over a period over time.
- Weighted average life – is the weighted average number of years an investment is expected to remain outstanding based on its expected cash flows reflecting the estimated date the issuer will call or extend the maturity of the instrument or otherwise reflecting an estimate of the timing of an instrument's cash flows whose timing is not contractually fixed.

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Note 13: Fair Values of Assets and Liabilities (continued)

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis
We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of

LOCOM accounting or write-downs of individual assets. Table 13.14 provides the fair value hierarchy and carrying amount of all assets that were still held as of June 30, 2016, and December 31, 2015, and for which a nonrecurring fair value adjustment was recorded during the periods presented.

Table 13.14: Fair Value on a Nonrecurring Basis

	June 30, 2016				December 31, 2015			
(in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Mortgages held for sale (LOCOM) (1)	$—	1,476	1,246	2,722	—	4,667	1,047	5,714
Loans held for sale	—	197	—	197	—	279	—	279
Loans:								
Commercial	—	605	—	605	—	191	—	191
Consumer	—	613	6	619	—	1,406	7	1,413
Total loans (2)	—	1,218	6	1,224	—	1,597	7	1,604
Other assets - excluding nonmarketable equity investments at NAV (3)	—	225	394	619	—	280	368	648
Total included in the fair value hierarchy	$—	3,116	1,646	4,762	—	6,823	1,422	8,245
Other assets - nonmarketable equity investments at NAV (4)				31				286
Total assets at fair value on a nonrecurring basis				$4,793				8,531

(1) Consists of commercial mortgages and residential real estate 1-4 family first mortgage loans.
(2) Represents carrying value of loans for which adjustments are based on the appraised value of the collateral.
(3) Includes the fair value of foreclosed real estate, other collateral owned, operating lease assets and nonmarketable equity investments.
(4) Consists of certain nonmarketable equity investments that are measured at fair value on a nonrecurring basis using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

Table 13.15 presents the increase (decrease) in value of certain assets held at the end of the respective reporting periods presented for which a nonrecurring fair value adjustment was recognized during the reporting period.
Table 13.15: Change in Value of Assets with Nonrecurring Fair Value Adjustment

	Six months ended June 30,	
(in millions)	2016	2015
Mortgages held for sale (LOCOM)	$30	18
Loans held for sale	—	(1)
Loans:		
Commercial	(560)	(74)
Consumer	(431)	(601)
Total loans (1)	(991)	(675)
Other assets (2)	(259)	(152)
Total	$(1,220)	(810)

(1) Represents write-downs of loans based on the appraised value of the collateral.
(2) Includes the losses on foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets. Also includes impairment losses on nonmarketable equity investments.

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Table 13.16 provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets that are measured at fair value on a nonrecurring basis using an internal model. The table is limited to financial instruments that had nonrecurring fair value adjustments during the periods presented.

We have excluded from the table classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 nonrecurring measurements. We made this determination based upon an evaluation of each class that considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

Table 13.16: Valuation Techniques – Nonrecurring Basis

($ in millions)	Fair Value Level 3	Valuation Technique(s) (1)	Significant Unobservable Inputs (1)	Range of inputs	Weighted Average (2)
June 30, 2016					
Residential mortgages held for sale (LOCOM)	$1,246 (3)	Discounted cash flow	Default rate	(4) 0.2 – 5.8 %	2.6 %
			Discount rate	1.5 – 8.5	3.8
			Loss severity	0.8 – 45.3	2.5
			Prepayment rate	(5) 6.0 – 100.0	54.1
Other assets: nonmarketable equity investments	—	Market comparable pricing	Comparability adjustment	0.0 – 0.0	0.0
	178	Discounted cash flow	Discount rate	7.0 – 9.0	8.0
Insignificant level 3 assets	222				
Total	$1,646				
December 31, 2015					
Residential mortgages held for sale (LOCOM)	$1,047 (3)	Discounted cash flow	Default rate	(4) 0.5 – 5.0 %	4.2 %
			Discount rate	1.5 – 8.5	3.5
			Loss severity	0.0 – 26.1	2.9
			Prepayment rate	(5) 2.6 – 100.0	65.4
Other assets: nonmarketable equity investments	228	Market comparable pricing	Comparability adjustment	5.0 – 9.2	8.5
	—	Discounted cash flow	Discount rate	0.0 – 0.0	0.0
Insignificant level 3 assets	147				
Total	$1,422				

(1) Refer to the narrative following Table 13.13 of this Note for a definition of the valuation technique(s) and significant unobservable inputs.

(2) For residential MHFS, weighted averages are calculated using outstanding unpaid principal balance of the loans.

(3) Consists of approximately $1.2 billion and $1.0 billion of government insured/guaranteed loans purchased from GNMA-guaranteed mortgage securitizations at June 30, 2016, and December 31, 2015, respectively, and $38 million and $41 million of other mortgage loans that are not government insured/guaranteed at June 30, 2016 and December 31, 2015, respectively.

(4) Applies only to non-government insured/guaranteed loans.

(5) Includes the impact on prepayment rate of expected defaults for the government insured/guaranteed loans, which impacts the frequency and timing of early resolution of loans.

Alternative Investments

We hold certain nonmarketable equity investments for which we use NAV per share (or its equivalent) as a practical expedient for fair value measurements, including estimated fair values for investments accounted for under the cost method. The funds predominantly consist of private equity funds that invest in equity and debt securities issued by private and publicly-held companies in connection with leveraged buyouts, recapitalizations and expansion opportunities. The fair values of these investments and related unfunded commitments totaled $148 million and$71 million, respectively, at June 30, 2016, and $642 million and $144 million, respectively, at December 31, 2015. The investments do not allow redemptions. We receive distributions as the underlying assets of the funds liquidate, which we expect to occur over the next 2 years.

Note 13: Fair Values of Assets and Liabilities (continued)

Fair Value Option

The fair value option is an irrevocable election, generally only permitted upon initial recognition of financial assets or liabilities, to measure eligible financial instruments at fair value with changes in fair value reflected in earnings. We may elect the fair value option to align the measurement model with how the financial assets or liabilities are managed or to reduce complexity or accounting asymmetry. For more information, including the basis for our fair value option elections, see Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in our 2015 Form 10-K.

Table 13.17 reflects differences between the fair value carrying amount of certain assets and liabilities for which we have elected the fair value option and the contractual aggregate unpaid principal amount at maturity.

Table 13.17: Fair Value Option

	June 30, 2016			December 31, 2015		
(in millions)	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Trading assets – loans:						
Total loans	$1,574	1,667	(93)	886	935	(49)
Nonaccrual loans	19	27	(8)	—	—	—
Mortgages held for sale:						
Total loans	20,241	19,446	795	13,539	13,265	274
Nonaccrual loans	141	187	(46)	161	228	(67)
Loans 90 days or more past due and still accruing	15	19	(4)	19	22	(3)
Loans held for sale:						
Total loans	—	6	(6)	—	5	(5)
Nonaccrual loans	—	6	(6)	—	5	(5)
Loans:						
Total loans	5,032	4,909	123	5,316	5,184	132
Nonaccrual loans	262	277	(15)	305	322	(17)
Other assets (1)	3,046	N/A	N/A	3,065	N/A	N/A

(1) Consists of nonmarketable equity investments carried at fair value. See Note 6 (Other Assets) for more information.

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The assets and liabilities accounted for under the fair value option are initially measured at fair value. Gains and losses from initial measurement and subsequent changes in fair value are recognized in earnings. The changes in fair value related to initial

measurement and subsequent changes in fair value included in earnings for these assets and liabilities measured at fair value are shown in Table 13.18 by income statement line item.

Table 13.18: Fair Value Option – Changes in Fair Value Included in Earnings

	2016			2015		
(in millions)	Mortgage banking noninterest income	Net gains (losses) from trading activities	Other noninterest income	Mortgage banking noninterest income	Net gains (losses) from trading activities	Other noninterest income
Quarter ended June 30,						
Trading assets - loans	$ —	16	1	—	4	1
Mortgages held for sale	611	—	—	316	—	—
Loans	—	—	(3)	—	—	(39)
Other assets	—	—	(176)	—	—	(10)
Other interests held (1)	—	1	—	—	(2)	—
Six months ended June 30,						
Trading assets – loans	$ —	26	1	—	19	2
Mortgages held for sale	1,176	—	—	897	—	—
Loans	—	—	(4)	—	—	(43)
Other assets	—	—	(234)	—	—	28
Other interests held (1)	—	(1)	—	—	(2)	—

(1) Includes retained interests in securitizations.

For performing loans, instrument-specific credit risk gains or losses were derived principally by determining the change in fair value of the loans due to changes in the observable or implied credit spread. Credit spread is the market yield on the loans less the relevant risk-free benchmark interest rate. For

nonperforming loans, we attribute all changes in fair value to instrument-specific credit risk. Table 13.19 shows the estimated gains and losses from earnings attributable to instrument-specific credit risk related to assets accounted for under the fair value option.

Table 13.19: Fair Value Option – Gains/Losses Attributable to Instrument-Specific Credit Risk

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	2016	2015	2016	2015
Gains (losses) attributable to instrument-specific credit risk:				
Trading assets – loans	$ 16	4	26	19
Mortgages held for sale	(1)	31	(5)	48
Total	$ 15	35	21	67

Disclosures about Fair Value of Financial Instruments

Table 13.20 is a summary of fair value estimates for financial instruments, excluding financial instruments recorded at fair value on a recurring basis, as they are included within Table 13.2 in this Note. The carrying amounts in the following table are recorded on the balance sheet under the indicated captions, except for nonmarketable equity investments, which are included in other assets.

We have not included assets and liabilities that are not financial instruments in our disclosure, such as the value of the long-term relationships with our deposit, credit card and trust customers, amortized MSRs, premises and equipment, goodwill and other intangibles, deferred taxes and other liabilities. The total of the fair value calculations presented does not represent, and should not be construed to represent, the underlying value of the Company.

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Note 13: Fair Values of Assets and Liabilities (continued)

Table 13.20: Fair Value Estimates for Financial Instruments

(in millions)	Carrying amount	Estimated fair value Level 1	Level 2	Level 3	Total
June 30, 2016					
Financial assets					
Cash and due from banks (1)	$20,407	20,407	—	—	20,407
Federal funds sold, securities purchased under resale agreements and other short-term investments (1)	295,521	20,288	275,123	110	295,521
Held-to-maturity securities	100,420	47,317	54,191	2,569	104,077
Mortgages held for sale (2)	3,689	—	2,457	1,246	3,703
Loans held for sale	220	—	222	—	222
Loans, net (3)	921,679	—	60,732	879,352	940,084
Nonmarketable equity investments (cost method)					
Excluding investments at NAV	7,624	—	18	8,205	8,223
Total financial assets included in the fair value hierarchy	1,349,560	88,012	392,743	891,482	1,372,237
Investments at NAV (4)	101				148
Total financial assets	$1,349,661				1,372,385
Financial liabilities					
Deposits	$1,245,473	—	1,220,198	25,583	1,245,781
Short-term borrowings (1)	120,258	—	120,258	—	120,258
Long-term debt (5)	243,919	—	232,701	10,690	243,391
Total financial liabilities	$1,609,650	—	1,573,157	36,273	1,609,430
December 31, 2015					
Financial assets					
Cash and due from banks (1)	$19,111	19,111	—	—	19,111
Federal funds sold, securities purchased under resale agreements and other short-term investments (1)	270,130	14,057	255,911	162	270,130
Held-to-maturity securities	80,197	45,167	32,052	3,348	80,567
Mortgages held for sale (2)	6,064	—	5,019	1,047	6,066
Loans held for sale	279	—	279	—	279
Loans, net (3)	887,497	—	60,848	839,816	900,664
Nonmarketable equity investments (cost method)					
Excluding investments at NAV	6,659	—	14	7,271	7,285
Total financial assets included in the fair value hierarchy	1,269,937	78,335	354,123	851,644	1,284,102
Investments at NAV (4)	376				619
Total financial assets	$1,270,313				1,284,721
Financial liabilities					
Deposits	$1,223,312	—	1,194,781	28,616	1,223,397
Short-term borrowings (1)	97,528	—	97,528	—	97,528
Long-term debt (5)	199,528	—	188,015	10,468	198,483
Total financial liabilities	$1,520,368	—	1,480,324	39,084	1,519,408

(1) Amounts consist of financial instruments for which carrying value approximates fair value.

(2) MHFS exclude balances for which we elected the fair value option.

(3) Loans exclude balances for which we elected the fair value option and also exclude lease financing with a carrying amount of $19.0 billion and $12.4 billion at June 30, 2016, and December 31, 2015, respectively.

(4) Consists of certain nonmarketable equity investments for which estimated fair values are determined using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

(5)

The carrying amount and fair value exclude obligations under capital leases of $8 million at both June 30, 2016, and December 31, 2015.

Loan commitments, standby letters of credit and commercial and similar letters of credit are not included in the table above. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the allowance for unfunded credit commitments, which totaled $1.2 billion and $1.0 billion at June 30, 2016, and December 31, 2015, respectively.

Note 14: Preferred Stock

We are authorized to issue 20 million shares of preferred stock and 4 million shares of preference stock, both without par value. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. We have not issued any preference shares under

this authorization. If issued, preference shares would be limited to one vote per share. Our total authorized, issued and outstanding preferred stock is presented in the following two tables along with the Employee Stock Ownership Plan (ESOP) Cumulative Convertible Preferred Stock.

Table 14.1: Preferred Stock Shares

	June 30, 2016		December 31, 2015	
	Liquidation preference per share	Shares authorized and designated	Liquidation preference per share	Shares authorized and designated
DEP Shares				
Dividend Equalization Preferred Shares (DEP)	$10	97,000	$10	97,000
Series H				
Floating Class A Preferred Stock	20,000	50,000	20,000	50,000
Series I				
Floating Class A Preferred Stock	100,000	25,010	100,000	25,010
Series J				
8.00% Non-Cumulative Perpetual Class A Preferred Stock	1,000	2,300,000	1,000	2,300,000
Series K				
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	1,000	3,500,000	1,000	3,500,000
Series L				
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	1,000	4,025,000	1,000	4,025,000
Series N				
5.20% Non-Cumulative Perpetual Class A Preferred Stock	25,000	30,000	25,000	30,000
Series O				
5.125% Non-Cumulative Perpetual Class A Preferred Stock	25,000	27,600	25,000	27,600
Series P				
5.25% Non-Cumulative Perpetual Class A Preferred Stock	25,000	26,400	25,000	26,400
Series Q				
5.85% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	25,000	69,000	25,000	69,000
Series R				
6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	25,000	34,500	25,000	34,500
Series S				
5.900% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	25,000	80,000	25,000	80,000
Series T				
6.000% Non-Cumulative Perpetual Class A Preferred Stock	25,000	32,200	25,000	32,200
Series U				
5.875% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	25,000	80,000	25,000	80,000
Series V				

6.000% Non-Cumulative Perpetual Class A Preferred Stock Series W	25,000	40,000	25,000	40,000
5.700% Non-Cumulative Perpetual Class A Preferred Stock Series X	25,000	40,000	—	—
5.500% Non-Cumulative Perpetual Class A Preferred Stock ESOP	25,000	46,000	—	—
Cumulative Convertible Preferred Stock (1)	—	1,718,142	—	1,252,386
Total		12,220,852		11,669,096

(1) See the ESOP Cumulative Convertible Preferred Stock section in this Note for additional information about the liquidation preference for the ESOP Cumulative Convertible Preferred Stock.

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Note 14: Preferred Stock (continued)

Table 14.2: Preferred Stock – Shares Issued and Carrying Value

	June 30, 2016				December 31, 2015			
(in millions, except shares)	Shares issued and outstanding	Liquidation preference value	Carrying value	Discount	Shares issued and outstanding	Liquidation preference value	Carrying value	Discount
DEP Shares Dividend Equalization Preferred Shares (DEP)	96,546	$ —	—	—	96,546	$ —	—	—
Series I (1) Floating Class A Preferred Stock	25,010	2,501	2,501	—	25,010	2,501	2,501	—
Series J (1) 8.00% Non-Cumulative Perpetual Class A Preferred Stock	2,150,375	2,150	1,995	155	2,150,375	2,150	1,995	155
Series K (1) 7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	3,352,000	3,352	2,876	476	3,352,000	3,352	2,876	476
Series L (1) 7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	3,968,000	3,968	3,200	768	3,968,000	3,968	3,200	768
Series N (1) 5.20% Non-Cumulative Perpetual Class A Preferred Stock	30,000	750	750	—	30,000	750	750	—
Series O (1) 5.125% Non-Cumulative Perpetual Class A Preferred Stock	26,000	650	650	—	26,000	650	650	—
Series P (1) 5.25% Non-Cumulative Perpetual Class A Preferred Stock	25,000	625	625	—	25,000	625	625	—
Series Q (1) 5.85% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	69,000	1,725	1,725	—	69,000	1,725	1,725	—
Series R (1) 6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	33,600	840	840	—	33,600	840	840	—
Series S (1) 5.900% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	80,000	2,000	2,000	—	80,000	2,000	2,000	—
Series T (1)								
	32,000	800	800	—	32,000	800	800	—

6.000% Non-Cumulative Perpetual Class A Preferred Stock								
Series U (1) 5.875% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	80,000	2,000	2,000	—	80,000	2,000	2,000	—
Series V (1) 6.000% Non-Cumulative Perpetual Class A Preferred Stock	40,000	1,000	1,000	—	40,000	1,000	1,000	—
Series W (1) 5.700% Non-Cumulative Perpetual Class A Preferred Stock	40,000	1,000	1,000	—	—	—	—	—
Series X (1) 5.500% Non-Cumulative Perpetual Class A Preferred Stock	46,000	1,150	1,150	—	—	—	—	—
ESOP Cumulative Convertible Preferred Stock	1,718,142	1,718	1,718	—	1,252,386	1,252	1,252	—
Total	11,811,673	$ 26,229	24,830	1,399	11,259,917	$ 23,613	22,214	1,399

(1) Preferred shares qualify as Tier 1 capital.

In January 2016, we issued 40 million Depositary Shares, each representing a 1/1,000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series W, for an aggregate public offering price of $1.0 billion. In June 2016, we issued 46 million Depositary Shares, each representing a 1/1,000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series X, for an aggregate public offering price of $1.2 billion. See Note 7 (Securitizations and Variable Interest Entities) for additional information on our trust preferred securities. We do not have a commitment to issue Series H preferred stock.

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ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK All shares of our ESOP Cumulative Convertible Preferred Stock (ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (the 401(k) Plan). Dividends on the ESOP Preferred Stock are cumulative from the date of initial issuance and are payable quarterly at annual rates based upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the 401(k) Plan is converted into shares of our common stock based on the stated

value of the ESOP Preferred Stock and the then current market price of our common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. We have the option to redeem the ESOP Preferred Stock at any time, in whole or in part, at a redemption price per share equal to the higher of (a) $1,000 per share plus accrued and unpaid dividends or (b) the fair market value, as defined in the Certificates of Designation for the ESOP Preferred Stock.

Table 14.3: ESOP Preferred Stock

	Shares issued and outstanding		Carrying value		Adjustable dividend rate	
(in millions, except shares)	Jun 30, 2016	Dec 31, 2015	Jun 30, 2016	Dec 31, 2015	Minimum	Maximum
ESOP Preferred Stock						
$1,000 liquidation preference per share						
2016	637,489	—	$637	—	9.30 %	10.30
2015	200,820	220,408	201	220	8.90	9.90
2014	255,413	283,791	255	284	8.70	9.70
2013	222,558	251,304	223	251	8.50	9.50
2012	144,072	166,353	144	166	10.00	11.00
2011	149,301	177,614	149	178	9.00	10.00
2010	90,775	113,234	91	113	9.50	10.50
2008	17,714	28,972	18	29	10.50	11.50
2007	—	10,710	—	11	10.75	11.75
Total ESOP Preferred Stock (1)	1,718,142	1,252,386	$1,718	1,252		
Unearned ESOP shares (2)			$(1,868)	(1,362)		

(1) At June 30, 2016 and December 31, 2015, additional paid-in capital included $150 million and $110 million, respectively, related to ESOP preferred stock.

(2) We recorded a corresponding charge to unearned ESOP shares in connection with the issuance of the ESOP Preferred Stock. The unearned ESOP shares are reduced as shares of the ESOP Preferred Stock are committed to be released.

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Note 15: Employee Benefits

We sponsor a frozen noncontributory qualified defined benefit retirement plan called the Wells Fargo & Company Cash Balance Plan (Cash Balance Plan), which covers eligible employees of Wells Fargo. The Cash Balance Plan was frozen on July 1, 2009, and no new benefits accrue after that date.

Table 15.1 presents the components of net periodic benefit cost.

Table 15.1: Net Periodic Benefit Cost

	2016			2015		
	Pension benefits			Pension benefits		
(in millions)	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Quarter ended June 30,						
Service cost	$1	—	—	1	—	2
Interest cost	109	6	10	107	7	10
Expected return on plan assets	(141)	—	(7)	(161)	—	(9)
Amortization of net actuarial loss (gain)	33	3	(1)	27	4	(1)
Amortization of prior service credit	—	—	—	—	—	—
Settlement loss	4	—	—	—	—	—
Net periodic benefit cost (income)	$6	9	2	(26)	11	2
Six months ended June 30,						
Service cost	$2	—	—	1	—	4
Interest cost	218	13	20	214	13	21
Expected return on plan assets	(283)	—	(15)	(322)	—	(18)
Amortization of net actuarial loss (gain)	66	6	(2)	54	9	(2)
Amortization of prior service credit	—	—	—	—	—	(1)
Settlement loss	4	2	—	—	13	—
Net periodic benefit cost (income)	$7	21	3	(53)	35	4

Note 16: Earnings Per Common Share

Table 16.1 shows earnings per common share and diluted earnings per common share and reconciles the numerator and denominator of both earnings per common share calculations.

Table 16.1: Earnings Per Common Share Calculations

	Quarter ended June 30,		Six months ended June 30,	
(in millions, except per share amounts)	2016	2015	2016	2015
Wells Fargo net income	$5,558	5,719	$11,020	11,523
Less: Preferred stock dividends and other	385	356	762	699
Wells Fargo net income applicable to common stock (numerator)	$5,173	5,363	$10,258	10,824
Earnings per common share				
Average common shares outstanding (denominator)	5,066.9	5,151.9	5,071.3	5,156.1
Per share	$1.02	1.04	$2.02	2.10
Diluted earnings per common share				
Average common shares outstanding	5,066.9	5,151.9	5,071.3	5,156.1
Add: Stock options	19.6	27.3	20.4	28.1
Restricted share rights	21.0	26.8	27.4	34.6
Warrants	10.6	14.5	10.7	14.4
Diluted average common shares outstanding (denominator)	5,118.1	5,220.5	5,129.8	5,233.2
Per share	$1.01	1.03	$2.00	2.07

Table 16.2 presents the outstanding options to purchase shares of common stock that were anti-dilutive (the exercise price was higher than the weighted-average market price), and therefore not included in the calculation of diluted earnings per common share.

Table 16.2: Outstanding Anti-Dilutive Options

	Weighted-average shares			
	Quarter ended June 30,		Six months ended June 30,	
(in millions)	2016	2015	2016	2015
Options	2.7	5.6	3.7	6.3

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Note 17: Other Comprehensive Income

Table 17.1 provides the components of other comprehensive income (OCI), reclassifications to net income by income statement line item, and the related tax effects.

Table 17.1: Summary of Other Comprehensive Income

	Quarter ended June 30,						Six months ended June 30,					
	2016			2015			2016			2015		
(in millions)	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Investment securities:												
Net unrealized gains (losses) arising during the period	$1,571	(596)	975	(1,969)	678	(1,291)	2,366	(906)	1,460	(1,576)	631	(945)
Reclassification of net (gains) losses to net income:												
Interest income on investment securities (1)	3	(1)	2	1	—	1	3	(1)	2	(2)	1	(1)
Net gains on debt securities	(447)	168	(279)	(181)	68	(113)	(691)	259	(432)	(459)	173	(286)
Net gains from equity investments	(60)	23	(37)	(38)	14	(24)	(119)	45	(74)	(57)	21	(36)
Other noninterest income	—	—	—	—	—	—	(1)	—	(1)	—	—	—
Subtotal reclassifications to net income	(504)	190	(314)	(218)	82	(136)	(808)	303	(505)	(518)	195	(323)
Net change	1,067	(406)	661	(2,187)	760	(1,427)	1,558	(603)	955	(2,094)	826	(1,268)
Derivatives and hedging activities:												
Net unrealized gains (losses) arising during the period	1,057	(399)	658	(488)	184	(304)	3,056	(1,152)	1,904	464	(175)	289
Reclassification of net (gains) losses to net income:												
Interest income on investment securities	—	—	—	(1)	—	(1)	—	—	—	(2)	1	(1)
	(268)	101	(167)	(272)	103	(169)	(528)	199	(329)	(509)	192	(317)

Interest income on loans												
Interest expense on long-term debt	3	(1)	2	5	(2)	3	7	(3)	4	9	(3)	6
Subtotal reclassifications to net income	(265)	100	(165)	(268)	101	(167)	(521)	196	(325)	(502)	190	(312)
Net change	792	(299)	493	(756)	285	(471)	2,535	(956)	1,579	(38)	15	(23)
Defined benefit plans adjustments:												
Net actuarial losses arising during the period	(19)	7	(12)	—	—	—	(27)	10	(17)	(11)	4	(7)
Reclassification of amounts to net periodic benefit costs (2):												
Amortization of net actuarial loss	35	(14)	21	30	(11)	19	70	(27)	43	61	(23)	38
Settlements and other	4	(1)	3	—	—	—	6	(2)	4	12	(5)	7
Subtotal reclassifications to net periodic benefit costs	39	(15)	24	30	(11)	19	76	(29)	47	73	(28)	45
Net change	20	(8)	12	30	(11)	19	49	(19)	30	62	(24)	38
Foreign currency translation adjustments:												
Net unrealized gains (losses) arising during the period	(6)	(1)	(7)	10	6	16	37	7	44	(45)	(5)	(50)
Net change	(6)	(1)	(7)	10	6	16	37	7	44	(45)	(5)	(50)
Other comprehensive income (loss)	$1,873	(714)	1,159	(2,903)	1,040	(1,863)	4,179	(1,571)	2,608	(2,115)	812	(1,303)
Less: Other comprehensive income (loss) from noncontrolling interests, net of tax			(15)			(154)			(43)			147
Wells Fargo other comprehensive income (loss), net of tax			$1,174			(1,709)			2,651			(1,450)

(1) Represents net unrealized gains and losses amortized over the remaining lives of securities that were transferred from the available-for-sale portfolio to the held-to-maturity portfolio.

(2) These items are included in the computation of net periodic benefit cost, which is recorded in employee benefits expense (see Note 15 (Employee Benefits) for additional details).

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Table 17.2: Cumulative OCI Balances

(in millions)	Investment securities	Derivatives and hedging activities	Defined benefit plans adjustments	Foreign currency translation adjustments	Cumulative other compre-hensive income
Quarter ended June 30, 2016					
Balance, beginning of period	$ 2,137	1,706	(1,933)	(136)	1,774
Net unrealized gains (losses) arising during the period	975	658	(12)	(7)	1,614
Amounts reclassified from accumulated other comprehensive income	(314)	(165)	24	—	(455)
Net change	661	493	12	(7)	1,159
Less: Other comprehensive loss from noncontrolling interests	(14)	—	—	(1)	(15)
Balance, end of period	$ 2,812	2,199	(1,921)	(142)	2,948
Quarter ended June 30, 2015					
Balance, beginning of period	$ 4,784	781	(1,684)	(104)	3,777
Net unrealized gains (losses) arising during the period	(1,291)	(304)	—	16	(1,579)
Amounts reclassified from accumulated other comprehensive income	(136)	(167)	19	—	(284)
Net change	(1,427)	(471)	19	16	(1,863)
Less: Other comprehensive loss from noncontrolling interests	(152)	—	—	(2)	(154)
Balance, end of period	$ 3,509	310	(1,665)	(86)	2,068
Six months ended June 30, 2016					
Balance, beginning of period	$ 1,813	620	(1,951)	(185)	297
Net unrealized gains (losses) arising during the period	1,460	1,904	(17)	44	3,391
Amounts reclassified from accumulated other comprehensive income	(505)	(325)	47	—	(783)
Net change	955	1,579	30	44	2,608
Less: Other comprehensive income (loss) from noncontrolling interests	(44)	—	—	1	(43)
Balance, end of period	$ 2,812	2,199	(1,921)	(142)	2,948
Six months ended June 30, 2015					
Balance, beginning of period	$ 4,926	333	(1,703)	(38)	3,518
Net unrealized gains (losses) arising during the period	(945)	289	(7)	(50)	(713)
Amounts reclassified from accumulated other comprehensive income	(323)	(312)	45	—	(590)
Net change	(1,268)	(23)	38	(50)	(1,303)
Less: Other comprehensive income (loss) from noncontrolling interests	149	—	—	(2)	147
Balance, end of period	$ 3,509	310	(1,665)	(86)	2,068

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Explanation of Responses:

Note 18: Operating Segments

We have three reportable operating segments: Community Banking; Wholesale Banking; and Wealth and Investment Management. We define our operating segments by product type and customer segment and their results are based on our management accounting process, for which there is no comprehensive, authoritative guidance equivalent to GAAP for financial accounting. The management accounting process measures the performance of the operating segments based on

our management structure and is not necessarily comparable with similar information for other financial services companies. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change. For a description of our operating segments, including the underlying management accounting process, see Note 24 (Operating Segments) to Financial Statements in our 2015 Form 10-K.

Table 18.1: Operating Segments

	Community Banking		Wholesale Banking		Wealth and Investment Management		Other (1)		Consolidated Company	
(income/expense in millions, average balances in billions)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Quarter ended June 30,										
Net interest income (2)	$7,379	7,277	3,919	3,591	932	832	(497)	(430)	11,733	11,270
Provision (reversal of provision) for credit losses	689	397	385	(84)	2	(10)	(2)	(3)	1,074	300
Noninterest income	4,825	4,690	3,365	3,019	2,987	3,144	(748)	(805)	10,429	10,048
Noninterest expense	6,648	6,719	4,036	3,504	2,976	3,038	(794)	(792)	12,866	12,469
Income (loss) before income tax expense (benefit)	4,867	4,851	2,863	3,190	941	948	(449)	(440)	8,222	8,549
Income tax expense (benefit)	1,667	1,620	795	951	358	359	(171)	(167)	2,649	2,763
Net income (loss) before noncontrolling interests	3,200	3,231	2,068	2,239	583	589	(278)	(273)	5,573	5,786
Less: Net income (loss) from noncontrolling interests	21	16	(5)	48	(1)	3	—	—	15	67
Net income (loss) (3)	$3,179	3,215	2,073	2,191	584	586	(278)	(273)	5,558	5,719
Average loans	$485.7	472.3	451.4	386.2	66.7	59.3	(53.0)	(47.4)	950.8	870.4
Average assets	967.6	910.0	772.6	713.7	205.3	189.1	(83.4)	(83.5)	1,862.1	1,729.3
Average deposits	703.7	654.8	425.8	432.4	182.5	168.2	(75.3)	(70.1)	1,236.7	1,185.3
Six months ended June 30,										
Net interest income (2)	$14,847	14,424	7,667	7,028	1,875	1,658	(989)	(854)	23,400	22,256
Provision (reversal of provision) for credit losses	1,409	1,055	748	(135)	(12)	(13)	15	1	2,160	908
Noninterest income	9,971	9,654	6,575	5,991	5,898	6,294	(1,487)	(1,599)	20,957	20,340
Noninterest expense	13,484	13,310	8,004	7,122	6,018	6,160	(1,612)	(1,616)	25,894	24,976
Income (loss) before income tax expense (benefit)	9,925	9,713	5,490	6,032	1,767	1,805	(879)	(838)	16,303	16,712
Income tax expense (benefit)	3,364	2,910	1,514	1,768	672	683	(334)	(319)	5,216	5,042
Net income (loss) before noncontrolling interests	6,561	6,803	3,976	4,264	1,095	1,122	(545)	(519)	11,087	11,670
Less: Net income (loss) from noncontrolling interests	86	41	(18)	99	(1)	7	—	—	67	147
Net income (loss) (3)	$6,475	6,762	3,994	4,165	1,096	1,115	(545)	(519)	11,020	11,523

Average loans	$485.0	472.3	440.6	383.1	65.4	58.1	(52.0)	(46.6)	939.0	866.9
Average assets	957.5	909.8	760.6	702.2	206.7	190.3	(83.8)	(83.7)	1,841.0	1,718.6
Average deposits	693.3	649.1	426.9	432.1	183.5	169.2	(75.7)	(70.3)	1,228.0	1,180.1

(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 Wealth and Investment Management customers served through Community Banking distribution channels.

(2) Net interest income is the difference between interest earned on assets and the cost of liabilities to fund those assets. Interest earned includes actual interest earned on segment assets and, if the segment has excess liabilities, interest credits for providing funding to other segments. The cost of liabilities includes interest expense on segment liabilities and, if the segment does not have enough liabilities to fund its assets, a funding charge based on the cost of excess liabilities from another segment.

(3) Represents segment net income (loss) for Community Banking; Wholesale Banking; and Wealth and Investment Management segments and Wells Fargo net income for the consolidated company.

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Note 19: Regulatory and Agency Capital Requirements

The Company and each of its subsidiary banks are subject to regulatory capital adequacy requirements promulgated by federal bank regulatory agencies. The Federal Reserve establishes capital requirements for the consolidated financial holding company, and the OCC has similar requirements for the Company's national banks, including Wells Fargo Bank, N.A. (the Bank).

Table 19.1 presents regulatory capital information for Wells Fargo & Company and the Bank using Basel III, which increased minimum required capital ratios, and introduced a minimum Common Equity Tier 1 (CET1) ratio. We must report the lower of our CET1, tier 1 and total capital ratios calculated under the Standardized Approach and under the Advanced Approach in the assessment of our capital adequacy. The information presented reflects risk-weighted assets (RWAs) under the Standardized and Advanced Approaches with Transition Requirements. The Standardized Approach applies assigned risk weights to broad risk categories, while the calculation of RWAs under the Advanced Approach differs by requiring applicable banks to

utilize a risk-sensitive methodology, which relies upon the use of internal credit models, and includes an operational risk component. The Basel III revised definition of capital, and changes are being phased-in effective January 1, 2014, through the end of 2021.

The Bank is an approved seller/servicer of mortgage loans and is required to maintain minimum levels of shareholders' equity, as specified by various agencies, including the United States Department of Housing and Urban Development, GNMA, FHLMC and FNMA. At June 30, 2016, the Bank met these requirements. Other subsidiaries, including the Company's insurance and broker-dealer subsidiaries, are also subject to various minimum capital levels, as defined by applicable industry regulations. The minimum capital levels for these subsidiaries, and related restrictions, are not significant to our consolidated operations.

Table 19.1: Regulatory Capital Information

	Wells Fargo & Company				Wells Fargo Bank, N.A.			
	June 30, 2016		December 31, 2015		June 30, 2016		December 31, 2015	
(in millions, except ratios)	Advanced Approach	Standardized Approach	Advanced Approach	Standardized Approach	Advanced Approach	Standardized Approach	Advanced Approach	Standardized Approach
Regulatory capital:								
Common equity tier 1	$146,624	146,624	144,247	144,247	130,700	130,700	126,901	126,901
Tier 1	169,287	169,287	164,584	164,584	130,700	130,700	126,901	126,901
Total	200,125	211,311	195,153	205,529	143,686	154,068	140,545	149,969
Assets:								
Risk-weighted	$1,321,729	1,354,622	1,263,182	1,303,148	1,173,316	1,239,031	1,100,896	1,197,648
Adjusted average (1)	1,830,527	1,830,527	1,757,107	1,757,107	1,653,380	1,653,380	1,584,297	1,584,297
Regulatory capital ratios:								
Common equity tier 1 capital	11.09 %	10.82 *	11.42	11.07 *	11.14	10.55 *	11.53	10.60
Tier 1 capital	12.81	12.50 *	13.03	12.63 *	11.14	10.55 *	11.53	10.60
Total capital	15.14 *	15.60	15.45 *	15.77	12.25 *	12.43	12.77	12.52
Tier 1 leverage (1)	9.25	9.25	9.37	9.37	7.91	7.91	8.01	8.01

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

(1) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items.

Table 19.2 presents the minimum required regulatory capital ratios under Transition Requirements to which the Company and the Bank were subject as of June 30, 2016 and December 31, 2015.

Table 19.2: Minimum Required Regulatory Capital Ratios – Transition Requirements (1)

	Wells Fargo & Company			Wells Fargo Bank, N.A.	
	June 30, 2016		December 31, 2015	June 30, 2016	December 31, 2015
Regulatory capital ratios:					
Common equity tier 1 capital	5.625	%	4.500	5.125	4.500
Tier 1 capital	7.125		6.000	6.625	6.000
Total capital	9.125		8.000	8.625	8.000
Tier 1 leverage	4.000		4.000	4.000	4.000

(1) At June 30, 2016, under transition requirements, the CET1, tier 1 and total capital minimum ratio requirements for Wells Fargo & Company include a capital conservation buffer of 0.625% and a global systemically important bank (G-SIB) surcharge of 0.5%. Only the 0.625% capital conservation buffer applies to the Bank at June 30, 2016.

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Glossary of Acronyms

ABS	Asset-backed security	HAMP	Home Affordability Modification Program
ACL	Allowance for credit losses	HUD	U.S. Department of Housing and Urban Development
ALCO	Asset/Liability Management Committee	LCR	Liquidity coverage ratio
ARM	Adjustable-rate mortgage	LHFS	Loans held for sale
ASC	Accounting Standards Codification	LIBOR	London Interbank Offered Rate
ASU	Accounting Standards Update	LIHTC	Low income housing tax credit
AUA	Assets under administration	LOCOM	Lower of cost or market value
AUM	Assets under management	LTV	Loan-to-value
AVM	Automated valuation model	MBS	Mortgage-backed security
BCBS	Basel Committee on Bank Supervision	MHA	Making Home Affordable programs
BHC	Bank holding company	MHFS	Mortgages held for sale
CCAR	Comprehensive Capital Analysis and Review	MSR	Mortgage servicing right
CD	Certificate of deposit	MTN	Medium-term note
CDO	Collateralized debt obligation	NAV	Net asset value
CDS	Credit default swaps	NPA	Nonperforming asset
CET1	Common Equity Tier 1	OCC	Office of the Comptroller of the Currency
CLO	Collateralized loan obligation	OCI	Other comprehensive income
CLTV	Combined loan-to-value	OTC	Over-the-counter
CMBS	Commercial mortgage-backed securities	OTTI	Other-than-temporary impairment
CPP	Capital Purchase Program	PCI Loans	Purchased credit-impaired loans
CRE	Commercial real estate	PTPP	Pre-tax pre-provision profit
DPD	Days past due	RBC	Risk-based capital
ESOP	Employee Stock Ownership Plan	RMBS	Residential mortgage-backed securities
FAS	Statement of Financial Accounting Standards	ROA	Wells Fargo net income to average total assets
FASB	Financial Accounting Standards Board	ROE	Wells Fargo net income applicable to common stock
FDIC	Federal Deposit Insurance Corporation		to average Wells Fargo common stockholders' equity
FFELP	Federal Family Education Loan Program	ROTCE	Return on average tangible common equity
FHA	Federal Housing Administration	RWAs	Risk-weighted assets
FHLB	Federal Home Loan Bank	SEC	Securities and Exchange Commission
FHLMC	Federal Home Loan Mortgage Corporation	S&P	Standard & Poor’s Ratings Services
FICO	Fair Isaac Corporation (credit rating)	SPE	Special purpose entity
FNMA	Federal National Mortgage Association	TARP	Troubled Asset Relief Program
FRB	Board of Governors of the Federal Reserve System	TDR	Troubled debt restructuring
GAAP	Generally accepted accounting principles	TLAC	Total Loss Absorbing Capacity
GNMA	Government National Mortgage Association	VA	Department of Veterans Affairs
GSE	Government-sponsored entity	VaR	Value-at-Risk
G-SIB	Globally systemic important bank	VIE	Variable interest entity

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Information in response to this item can be found in Note 11 (Legal Actions) to Financial Statements in this Report which information is incorporated by reference into this item.

Item 1A. Risk Factors

Information in response to this item can be found under the "Financial Review – Risk Factors" section in this Report which information is incorporated by reference into this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table shows Company repurchases of its common stock for each calendar month in the quarter ended June 30, 2016.

Calendar month	Total number of shares repurchased (1)	Weighted-average price paid per share	Maximum number of shares that may yet be repurchased under the authorizations
April	4,055,979	$ 49.59	371,248,749
May (2)	29,673,157	49.29	341,575,592
June	11,076,060	49.65	330,499,532
Total	44,805,196		

(1) All shares were repurchased under an authorization covering up to 350 million shares of common stock approved by the Board of Directors and publicly announced by the Company on March 26, 2014, or an authorization covering up to an additional 350 million shares of common stock approved by the Board of Directors and publicly announced by the Company on January 26, 2016. Unless modified or revoked by the Board, these authorizations do not expire.

(2) May includes a private repurchase transaction of 15,287,403 shares at a weighted-average price paid per share of $49.06.

The following table shows Company repurchases of the warrants for each calendar month in the quarter ended June 30, 2016.

Calendar month	Total number of warrants repurchased (1)	Average price paid per warrant	Maximum dollar value of warrants that may yet be repurchased
April	—	$ —	451,944,402
May	—	—	451,944,402
June	—	—	451,944,402
Total	—		

(1) Warrants are repurchased under the authorization covering up to $1 billion in warrants approved by the Board of Directors (ratified and approved on June 22, 2010). Unless modified or revoked by the Board, this authorization does not expire.

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Item 6. Exhibits

A list of exhibits to this Form 10-Q is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated herein by reference.

The Company's SEC file number is 001-2979. On and before November 2, 1998, the Company filed documents with the SEC under the name Norwest Corporation. The former Wells Fargo & Company filed documents under SEC file number 001-6214.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 3, 2016 WELLS FARGO & COMPANY

By: /s/ RICHARD D. LEVY
Richard D. Levy
Executive Vice President and Controller
(Principal Accounting Officer)

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EXHIBIT INDEX

Exhibit Number	Description	Location
3(a)	Restated Certificate of Incorporation, as amended and in effect on the date hereof.	Filed herewith.
3(b)	By-Laws.	Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed December 22, 2015.
4(a)	See Exhibits 3(a) and 3(b).	
4(b)	The Company agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of the Company.	
10(a)	Amendments to Deferred Compensation Plan, effective August 1, 2016 and January 1, 2017.	Filed herewith.
10(b)	Amendment to Wachovia Corporation Savings Restoration Plan, effective August 1, 2016.	Filed herewith.
12(a)	Computation of Ratios of Earnings to Fixed Charges:	Filed herewith.

	Quarter ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Including interest on deposits	6.41	9.03	6.55	8.77
Excluding interest on deposits	7.93	11.29	8.10	11.08

Exhibit Number	Description	Location
12(b)	Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends:	Filed herewith.

	Quarter ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Including interest on deposits	4.66	6.03	4.73	5.96
Excluding interest on deposits	5.35	6.89	5.43	6.88

Exhibit Number	Description	Location
31(a)	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31(b)	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32(a)	Certification of Periodic Financial Report by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.	Furnished herewith.

32(b)	Certification of Periodic Financial Report by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.	Furnished herewith.
99(a)	Termination of Consent Order dated effective May 24, 2016, from the Comptroller of the Currency.	Filed herewith.
99(b)	Consent Order for Civil Money Penalty dated effective May 24, 2016, between Wells Fargo Bank, N.A. and the Comptroller of the Currency.	Filed herewith.
101.INS	XBRL Instance Document	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.

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