

Testimony of

Perry Pelos  
Wells Fargo & Company

before the

House Financial Services Committee  
US House of Representatives  
Boston, Massachusetts

March 23, 2009

Chairman Frank, Ranking Member Bachus, members of the committee: My name is Perry Pelos. I am Executive Vice President and Group Head of Wells Fargo's Commercial Banking Group. It's an honor for me to speak to you today.

I've worked almost a quarter century at Wells Fargo – the entire time in Commercial Banking and Corporate Banking. I attended Northwestern University, where I earned a bachelor's degree in economics and an MBA in finance and accounting.

First, allow me to describe our Commercial Banking customers. We serve middle-market businesses with annual sales between \$20 million to \$750 million. Wells Fargo serves 12,000 of these businesses nationwide. In New England, we have full service relationships — including loans and lines of credit — with companies in energy, agriculture, manufacturing, transportation, and high-tech. Although our market share at the moment is smaller in Massachusetts, relative to our industry peers, Wells Fargo views the state and region as an opportunity for growth.

Wells Fargo has remained open for business when many other banks have pulled back or exited from commercial lending. Now, as always, we want to do what's right for our customers. We've never stopped lending.

Wells Fargo has been able to increase our lending to creditworthy customers over the past year and half. That's partly because we were building capital and shrinking our balance sheet in 2005 and 2006 when credit spreads were unrealistically low and not priced for their underlying risk.

Here's how we've increased our loans:

- In the last 18 months, we made \$63 billion in commercial loans and commercial real estate loans.
- Our middle-market portfolio in the Northeast grew 11 percent from year-end 2007 to year-end 2008.
- Our commitments to government and education in Massachusetts and five other Northeast states are \$543 million.
- In 2008, we achieved double-digit growth in asset-based lending, middle market lending, commercial real estate, and

specialized financial services – which includes capital markets and relationships with Fortune 500 companies.

- At the end of fourth quarter 2008, we had \$68 billion in commercial real estate and construction loans, up 6 percent from the third quarter.

To address the Committee's question about the effect of federal laws or regulations on credit availability, Wells Fargo urges an approach more consistent with past economic downturns. We believe the Chairman's efforts with respect to mark-to-mark accounting will allow the entire financial services industry to continue supporting the credit needs of our customers.

In January of this year, we made \$14 billion in commitments to commercial banking customers. Half of these dollar commitments were to new customers. Overall, Wells Fargo extended \$51 billion in loans and loan commitments in January. That brings the total credit extended to our customers to \$144 billion in the last four months. That's nearly six times the \$25 billion capital investment made by the U.S. Treasury in Wells Fargo last fall.

Our integration of Wachovia into Wells Fargo is proceeding even better than we expected. In New England, Wachovia's commercial banking portfolio was \$6 billion in loan commitments, including government and education, at year-end 2008. Wells Fargo is committed to the financial success of each of those New England companies and institutions, and we look forward to long-term relationships with them all.

After the Wachovia acquisition, Wells Fargo stepped in to open lines of credit for some businesses whose access had been shut down, especially cities and non-for-profit hospitals. When the debt markets for these borrowers were compromised last fall, Wells Fargo substantially increased its support and level of commitment to this area.

As Wells Fargo continues to integrate the Wachovia businesses and manage through a difficult economic time, we will continue to work with our customers.

Mr. Chairman and members of the committee, thank you for listening. I'm pleased to answer any questions.