FORM 10-K

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

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______ to

Commission File Number: 1-8610

AT&T INC.

Incorporated under the laws of the State of Delaware
I.R.S. Employer Identification Number 43-1301883

208 S. Akard St., Dallas, Texas, 75202
Telephone Number 210-821-4105

Securities registered pursuant to Section 12(b) of the Act: (See attached Schedule A)

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [ ]

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of AT&T Inc.

We have audited the accompanying consolidated balance sheets of AT&T Inc. (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Dallas, Texas
February 22, 2013

Dollars in millions except per share amounts

The following table provides information for our supplemental retirement plans with accumulated benefit obligations in excess of plan assets:

	2012	2011
Projected benefit obligation	**$ (2,456)**	$ (2,294)
Accumulated benefit obligation	**(2,392)**	(2,223)
Fair value of plan assets	**-**	-

The following tables present the components of net periodic benefit cost and other changes in plan assets and benefit obligations recognized in OCI:

Net Periodic Benefit Cost	**2012**	2011	2010
Service cost – benefits earned during the period	**$ 10**	$ 14	$ 12
Interest cost on projected benefit obligation	**116**	126	134
Amortization of prior service cost (credit)	**-**	2	2
Actuarial (gain) loss	**230**	81	186
Net supplemental retirement pension cost	**$ 356**	$ 223	$ 334

Other Changes Recognized in Other Comprehensive Income	**2012**	2011	2010
Prior service (cost) credit	**$ (1)**	$ 6	$ (5)
Amortization of prior service cost (credit)	**-**	1	(2)
Total recognized in other comprehensive (income) loss (net of tax)	**$ (1)**	$ 7	$ (7)

The estimated prior service credit for our supplemental retirement plan benefits that will be amortized from accumulated OCI into net periodic benefit cost over the next fiscal year is $1.

Deferred compensation expense was $118 in 2012, $96 in 2011 and $96 in 2010. Our deferred compensation liability, included in “Other noncurrent liabilities,” was $1,061 at December 31, 2012, and $1,010 at December 31, 2011.

Contributory Savings Plans
We maintain contributory savings plans that cover substantially all employees. Under the savings plans, we match in cash or company stock a stated percentage of eligible employee contributions, subject to a specified ceiling. There are no debt-financed shares held by the Employee Stock Ownership Plans, allocated or unallocated.

Our match of employee contributions to the savings plans is fulfilled with purchases of our stock on the open market or company cash. Benefit cost is based on the cost of shares or units allocated to participating employees’ accounts and was $634, $636 and $607 for the years ended December 31, 2012, 2011 and 2010.

NOTE 12. SHARE-BASED PAYMENTS

We account for our share-based payment arrangements based on the fair value of the awards on their respective grant date, which may affect our ability to fully realize the value shown on our consolidated balance sheets of deferred tax assets associated with compensation expense. We record a valuation allowance when our future taxable income is not expected to be sufficient to recover the asset. Accordingly, there can be no assurance that the current stock price of our common shares will rise to levels sufficient to realize the entire tax benefit currently reflected on our consolidated balance sheets. However, to the extent we generate excess tax benefits (i.e., that additional tax benefits in excess of the deferred taxes associated with compensation expense previously recognized) the potential future impact on income would be reduced.

At December 31, 2012, we had various share-based payment arrangements, which we describe in the following discussion. The compensation cost recognized for those plans was included in operating expenses in our consolidated statements of income. The total income tax benefit recognized in the consolidated statements of income for share-based payment arrangements was $195 for 2012, compared to $187 for 2011 and $196 for 2010.

Under our various plans, senior and other management employees and nonemployee directors have received nonvested stock and stock units. We grant performance stock units, which are nonvested stock units, based upon our stock price at the date of grant and award them in the form of AT&T common stock and cash at the end of a three-year period, subject to the achievement of certain performance goals. We treat the cash portion of these awards as a liability. We grant forfeitable restricted stock and stock units, which are valued at the market price of our common stock at the date of grant and vest typically over a two- to seven-year period. We also grant other nonvested stock units and award them in cash at the end of a three-year period, subject to the achievement of certain market based conditions. As of December 31, 2012, we were authorized to issue up to 111 million shares of common stock (in addition to shares that may be issued upon exercise of outstanding options or upon vesting of performance stock units or other nonvested stock units) to officers, employees and directors pursuant to these various plans.

The compensation cost that we have charged against income for our share-based payment arrangements was as follows:

	2012	2011	2010
Performance stock units	**$ 397**	$ 388	$ 411
Restricted stock and stock units	**102**	91	85
Other nonvested stock units	**12**	4	11
Other	**-**	6	6
Total	**$ 511**	$ 489	$ 513

A summary of option activity as of December 31, 2012, and changes during the year then ended, is presented below (shares in millions):

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value[1]
Outstanding at January 1, 2012	66	$ 30.62	1.99	$ 148
Exercised	(18)	-		
Forfeited or expired	(31)	-		
Outstanding at December 31, 2012	17	27.38	4.53	123
Exercisable at December 31, 2012	17	$ 27.37	4.51	$ 123

[1] Aggregate intrinsic value includes only those options with intrinsic value (options where the exercise price is below the market price).

It is our policy to satisfy share option exercises using our treasury stock. Cash received from stock option exercises was $517 for 2012, $250 for 2011 and $55 for 2010.

A summary of the status of our nonvested stock units as of December 31, 2012, and changes during the year then ended is presented as follows (shares in millions):

Nonvested Stock Units	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2012	27	$ 26.53
Granted	13	30.18
Vested	(13)	25.87
Forfeited	(1)	28.32
Nonvested at December 31, 2012	**26**	**$ 28.55**

As of December 31, 2012, there was $314 of total unrecognized compensation cost related to nonvested share-based payment arrangements granted. That cost is expected to be recognized over a weighted-average period of two years. The total fair value of shares vested during the year was $333 for 2012, compared to $360 for 2011 and $397 for 2010.

Compensation Discussion and Analysis

Executive Summary

AT&T's mission is to connect people with their world everywhere they live and work, and do it better than anyone else. We're fulfilling this vision by creating new solutions for consumers and businesses and by driving innovation in the communications and entertainment industry. Our success in meeting these goals depends on our ability to attract, retain, and motivate world-class talent, beginning with our executive officers.

The Human Resources Committee (***Committee***) has taken significant care in the development and refinement of an executive compensation program that not only recognizes the skill of our leadership team and the complexity of running an organization the magnitude and scope of AT&T, but also aligns executive pay with performance and stockholder interests.

During 2012, we continued to execute on our strategic goals, strengthened our balance sheet, and expanded our 4G network. AT&T delivered record performance of $127.4 billion in revenues and $19.4 billion in free cash flow (as defined on page 38), which allowed us to meet or exceed all of our short-term incentive targets. We also exceeded the goals for our long-term program, delivering 43.0% in total stockholder return over the three-year period ending December 31, 2012, outperforming the Dow Jones Industrial Average and the Standard & Poor's 100 and 500 for that period. As you will see in the following material, consistent with our pay for performance philosophy, the pay of the Company's executives reflects this strong performance and closely aligns the interests of our management with those of stockholders.

Compensation Philosophy and Best Practices

AT&T's executive compensation philosophy serves as the starting point for the development and evaluation of our pay programs. The foundational elements of this philosophy, as established by the Human Resources Committee, include paying for performance, ensuring that our programs are competitive and market-based, balancing focus on both short- and long-term goals, and aligning executive officer compensation with both stockholder interests and competitive approaches in the marketplace.

Over the past few years, the Committee has reviewed and adjusted our compensation and benefits program to ensure alignment with current market practices. By designing our program around the following best practices, the Committee has shown its commitment to paying for performance and aligning executive pay with stockholder interests.

AT&T Compensation and Benefits Best Practices
✓ **Pay for Performance** – 92% of the Chief Executive Officer's compensation and, on average, 87% of other Named Executive Officer compensation is tied to Company performance, including stock price.
✓ **Stock Ownership Guidelines** – All executive officers meet or exceed the guidelines, which count only vested shares. Mr. Stephenson holds shares and deferred shares valued in excess of 22 times his salary; well above his required 6 times multiple.
✓ **Hold Until Retirement** – Executive officers must now hold 25% of the shares they receive from incentive, equity, and option awards, net of taxes, until one year after they leave the Company.
✓ **Mitigate Risk in Compensation Programs** – The Committee reviews a risk analysis of our incentive-based compensation programs annually and believes that our programs do not create risks that are reasonably likely to have a material adverse impact on the Company.
✓ **Dividend Equivalents Payable at the End of the Performance Period and Only on Earned Performance Shares.**

AT&T Compensation and Benefits Best Practices *(continued)*	
✓	**No Tax Reimbursements** – We do not provide tax reimbursements to our executive officers except for certain non-deductible costs in the event of relocation.
✓	**No SERPs for Post-2008 Officers** – The Committee froze AT&T SERP participation at the end of 2008. New officers appointed after January 1, 2009, do not participate in the AT&T SERP.
✓	**Clawback in Case of Misconduct** – The Company intends, in appropriate circumstances, to seek restitution of any bonus, commission, or other compensation received by an employee as a result of such employee's intentional or knowing fraudulent or illegal conduct, including the making of a material misrepresentation contained in the Company's financial statements.
✓	**Non-Compete and Company Protection Provisions in Certain Nonqualified Plans** – To better protect stockholder interests, certain nonqualified compensation and benefit plans for senior management, including executive officers, include non-compete provisions, prohibitions on the disclosure of proprietary information, and provisions prohibiting the solicitation of customers and employees.
✓	**No Repricing or Buyout of Underwater Stock Options.**
✓	**No Hedging or Short Sales Involving AT&T Stock.**
✓	**Executive Officers Pay for Incremental Cost of Using Corporate Aircraft for Personal Use** – Beginning in 2013, the CEO will pay for the incremental cost of his or her personal use of corporate aircraft, where permitted by law. This same policy applies to other executive officers unless, on a case-by-case basis, the CEO provides otherwise.
✓	**No Country Club Fees** – Executive officers are required to pay all fees associated with any country club membership, with the exception of initiation fees and transfer fees for corporate-owned memberships. In addition, no new individual memberships are provided by the Company.

Key Fiscal 2012 Business Results

Our executive officers make decisions every day that shape the future of our Company. The impact of these decisions can be seen both in our current results as well as in our long-term performance. Some of the critical decisions our executive officers routinely make include choosing the proper investment strategies, investing in the development of new products and technologies, making wise capital expenditures, exploring new offers and markets, and reducing operating expenses. Our successes in these areas and in meeting our strategic goals for 2012 are highlighted below:

Stockholder Returns

- 17.5% total stockholder return – outperforming the Dow Jones Industrial Average and the Standard & Poor's 100 and 500
- Returned $23 billion in cash to stockholders, including dividends paid of $10.2 billion and share buybacks of $12.8 billion
- Increased the quarterly dividend for the 29th consecutive year

Financial Performance & Strength

- Record $127.4 billion in consolidated revenues
- Approximately 80% of revenues from ongoing operations in 2012 came from our growth drivers – wireless, wireline data and managed IT services – growing nearly 6%
- Record $39.2 billion in cash from operations, #1 in the industry
- Record $19.4 billion in free cash flow (cash from operations of $39.2 billion minus construction and capital expenditures of $19.7 billion), which is one of the factors we use in determining our short-term incentive awards for executive officers
- Invested approximately $20 billion in capital expenditures and spectrum purchases to expand and upgrade our network capabilities for customers in the United States and around the globe
- Refinanced $12 billion in debt to take advantage of historically low interest rates

Growth Metrics

- **Mobility**
  - Nearly 70% of post-paid phone subscribers on smartphones
  - Added 3.7 million net wireless subscribers to reach 107 million
  - Increased smartphone customers 7.7 million to reach a record 47 million
  - Grew mobile data revenues nearly 18% to a $27 billion annualized revenue stream
  - Increased connected devices by 1.2 million to 14.3 million
  - Led the U.S. wireless industry in average revenues per contract user
  - Led the U.S. wireless industry in widely recognized best-in-class 4G LTE experience
  - Led the U.S. wireless industry with the largest 4G network

- **Business Solutions**
  - Despite a slow economy and weak government and business spending, showed quarterly sequential wireline business revenue growth by year-end
  - Increased strategic business services (Ethernet, Virtual Private Networking, hosting, IP conferencing, and application services) revenues 13% to a $6.5 billion annualized revenue stream

- **Home Solutions**
  - Posted the largest annual increase in total AT&T U-verse TV and broadband subscribers in our history to reach a total of 8 million; or a $10 billion annualized revenue stream growing 38% per year
  - Increased wireline consumer revenues 1.9%, the second consecutive year of growth

Strategic Achievements

- Increased average nationwide wireless spectrum depth by more than 30% through 48 agreements
- Expanded our network to offer 4G service to 288 million people, more than doubled 4G LTE coverage extending availability to over 170 million people
- Announced strategic network expansion, Project Velocity IP (***Project VIP***), to provide high-speed broadband connectivity to nearly all customers – through wireless, wireline or both – by end-of-year 2015
  - Expand 4G LTE to 300 million people by end-of-year 2014
  - Bring fiber to 1 million additional business customer locations by end-of-year 2015
  - Expand the availability of IP broadband, including U-verse, to approximately 75% of customer locations in our wireline service area by end-of-year 2015
- Improved overall revenue growth profile with sale of majority ownership interest in AT&T Ad Solutions (Yellow Pages)

Impact of Performance Results on Executive Officer Compensation

Our executive compensation program is founded on the philosophy that executive pay should be strongly aligned with Company, business unit, and individual performance. Our mix of pay, which is heavily weighted towards short- and long-term incentives, is designed to focus executive officer performance over both short- and long-term time horizons and reward them for delivering results and building sustainable value for our stockholders. Conversely, we provide lower incentive payouts when performance targets are not fully met (or no award payouts if certain performance thresholds are not met). When designing compensation programs, the Committee uses a variety of metrics to ensure a strong link between executive compensation and performance. Metrics such as earnings per share, free cash flow, revenue, and return on invested capital connect compensation to Company performance while total stockholder returns align executive pay with performance relative to key Company peers.

Following is an explanation of the individual pay elements of our executive officer compensation program and the impact of performance on each element. We believe that the greatest pay opportunities should exist for executives who demonstrate high levels of performance over a sustained period of time.

A discussion of each named executive officer's performance may be found on pages 51 through 53.

Base Salary

When determining whether to grant an increase, the Committee considers the executive's individual performance and business results for the prior year, as well as his or her base salary compared to the market value for his or her job. The amount of an executive officer's salary reflects the fact that he/she is expected to, and has consistently contributed to, the Company's long-term success.

2012 Base Salary Increases

For 2012, Named Executive Officers (excluding the Chief Executive Officer) received, on average, a pay increase of 2.4% based on performance and actual salary compared to market.

Short-Term Incentives

At the beginning of the performance period, the Committee establishes three Company performance metrics, which serve as a threshold trigger to qualify executive officers for the payment of any short-term awards. The qualification criteria are tied to overall Company performance because the Committee believes that each executive officer is ultimately responsible for attainment of the Company's strategic objectives.

If any of the established performance thresholds are met, the Committee then conducts an assessment of additional qualitative and quantitative factors, as they determine appropriate for each executive officer, in order to determine specific award payouts. These factors may include an assessment of the executive's ongoing individual performance; his or her contribution to overall Company results; and attainment of business unit goals, including financial, customer service, and growth targets. The Committee also considers intangible factors such as vision, innovation, ability to grow the business, and leadership.

2012 Short-Term Award Payouts

As described beginning on page 50, for 2012, the Committee established performance targets in the form of ranges for Revenue, Earnings per Share, and Free Cash Flow. The Committee chose these performance metrics because they are the key short-term financial metrics for the operation of our business and represent the metrics our stockholders rely on. In addition, these metrics are commonly used in the marketplace as annual performance indicators that drive long-term sustainability. AT&T performed within the target ranges for revenue and earnings per share and exceeded the target range for free cash flow.

Based on Company, business unit, and individual performance, the Committee determined to pay executive officer short-term awards for 2012 above target award levels as described on page 53.

Long-Term Incentives

To appropriately focus our executives' attention on the long-term impacts of their decisions and to more closely align their interests with our stockholders, the majority of our executive compensation package consists of long-term incentives. These long-term incentives take the form of 50% performance shares and 50% restricted stock units. For more information on our long-term compensation program, please refer to the section beginning on page 53.

The actual payout value of performance shares is based on two criteria: the attainment of predetermined performance criteria (which determines how many of the shares are actually payable) and our stock price (executives are focused on the stock price throughout the performance period since the value of performance shares fluctuate with the stock price). Similarly, the actual payout value of restricted stock units is based on our stock price at distribution.

Performance Share Payouts

For the 2010-2012 performance period, executive officer performance was measured against AT&T's Return on Invested Capital (ROIC – applicable to 75% of the award) and Total Stockholder Return against a peer group of companies (TSR – applicable to 25% of the award).

- ***ROIC***
  - The Committee chose ROIC as a long-term performance metric because AT&T competes in a capital-intensive industry. ROIC measures the effectiveness of our executive officers at employing capital.
  - For the 2010-2012 performance period, ROIC attainment resulted in a 113% payout of the performance shares tied to this performance metric.
  - The ROIC payout was reduced to 113% to include the T-Mobile acquisition costs incurred in 2011 even though these costs qualify for exclusion per the terms of the grant. This action reduced Mr. Stephenson's performance share award payout for the 2010-2012 performance period by approximately $434,000. Other executive officer awards were similarly impacted. These transaction costs will also be considered in determining the payouts of executive officer performance share awards for the 2011-2013 performance period.

- ***TSR***
  - In order to more closely tie the compensation of our executive officers to the interests of our stockholders, the Committee also applied a relative TSR performance metric to the determination of performance share payouts.
  - AT&T's TSR performance was in the 3rd quintile of its peers resulting in 100% payout of the performance shares tied to this performance metric.

Restricted Stock Unit Payouts

Restricted Stock Units were first granted as part of officer long-term compensation in 2010.

- 50% of the units granted in 2010 have been distributed.
- 50% of the units granted in 2010 are not eligible for distribution until 2014.
- The value of these awards increases as AT&T's stock price increases, creating direct value for stockholders.

Conclusion

Based on the information presented above, we believe that our executive officer compensation program is competitive and supports our stockholders' interests in the largest telecommunications company in the nation.

Compensation Discussion and Analysis Index

The Human Resources Committee and its Role

The Committee is responsible for overseeing our management compensation practices and determining the compensation of our executive officers, including the Named Executive Officers. Annually, the Committee approves the base salaries, short-term incentive targets, and long-term incentive grant levels as well as short- and long-term award payouts for executive officers. The Committee recommends new benefit plans to the Board and acts as the administrator of certain of the Company's compensation and benefit plans. You may find the Committee's charter on our web site at www.att.com. No AT&T employee serves on this Committee, which is composed entirely of independent Directors. The current members of the Committee are: Dr. Amelio (Chairman), Mr. Blanchard, Mr. McCoy, and Mr. Rose.

Guiding Pay Principles

The Committee continually evaluates AT&T's compensation and benefits program in light of market and governance trends. AT&T generally supports the Conference Board's principles on executive compensation, strongly aligning in many key areas such as paying for performance, setting compensation targets consistent with the market, aligning executive and stockholder interests, and focusing on long-term incentive compensation to reduce risk. The Committee believes the Conference Board principles, which discourage a single "check the box" approach and emphasizes the adoption of compensation programs that fit the specific circumstances of each company, are sound guidance. As part of this process, the Committee uses the services of an independent compensation consultant, who performs no services for management.

Recognizing market trends, the need to attract and retain talent, and with a focus on delivering value for our stockholders, the Committee has designed AT&T's executive compensation program around the following guiding pay principles:

Competitive and Market Based
Evaluate all components of our compensation and benefits program in light of appropriate comparator company practices to ensure we are able to attract, retain, and provide appropriate incentives for officers in a highly competitive talent market. Comparator company data provides information on market trends and may lead to changes in our approach and practices.

Pay-for-Performance
Tie a significant portion of compensation to the achievement of Company and business unit goals as well as recognize individual accomplishments that contribute to the Company's success. For example, in 2012, 92% of the CEO's target compensation (and, on average, 87% for other Named Executive Officers) was tied to short- and long-term performance incentives, including stock price performance.

Balanced Short- and Long-Term Focus
Ensure that compensation programs and packages provide an appropriate balance between the achievement of short- and long-term performance objectives, with a clear emphasis on managing the sustainability of the business.

Alignment with Stockholders
Set performance targets and provide compensation elements that closely align executives' interests with those of stockholders. For example, performance shares, which make up nearly 33% of target compensation for the CEO and the Named Executive Officers, are tied to multi-year Company performance and the Company's stock price. In addition, AT&T has executive stock ownership guidelines and retention requirements, as described on page 58. Each of the Named Executive Officers meets or exceeds the minimum stock ownership guidelines.

Alignment with Generally Accepted Approaches
Provide policies and programs that fit within the framework of generally accepted approaches adopted by leading major U.S. companies.

At the 2012 Annual Meeting, stockholders voted on the Company's compensation policies and programs with over 93% of the votes being cast in favor. The Committee reviewed these results and intends to continue following these guiding pay principles.

Compensation Design

Executive Compensation Program

We recognize that our long-term success depends on the talent and efforts of our employees and the leadership and performance of our executives. Because the relationship with any employee begins with the compensation and benefits program, it is in the stockholders' long-term interest that the program be structured in a way that makes attraction, retention, and motivation of the highest quality talent a reality. With that goal in mind, AT&T's executive compensation and benefits program includes a number of different elements, from fixed compensation (base salaries) to performance-based variable compensation (short- and long-term incentives), as well as key personal benefits which minimize distractions and allow our executives to focus on the success of the Company. Each of the elements shown below is designed for a specific purpose, with an overarching goal to encourage a high level of sustainable individual and Company performance well into the future.

Compensation Element	Objective	Key Features
Base Salary	Provides fixed compensation to assume the day-to-day responsibilities of the position	● Salary level recognizes an executive officer's experience, skill, and performance, with the goal of being market-competitive. ● Adjustments may be made based on individual performance, pay relative to other AT&T officers, and the employee's pay relative to the market. ● Represents 8% for the CEO and, on average, 13% for other executive officers of total target compensation, in line with our objective to have the majority of pay at risk and tied to Company performance. ● This element is payable in cash. The executive officers have the option to defer a portion into Company stock.
Annual Short-Term Incentive	To motivate and reward the achievement of short-term Company performance	● Aligns executive officers' interests with our short-term corporate strategy, and aligns pay with the achievement of short-term Company and/or business unit objectives. These objectives support the accomplishment of long-term Company goals. ● To qualify for a payout, executive officers must achieve at least one of the predetermined performance thresholds. Actual payouts are based on these performance results along with other Company, business unit, and individual results. ● This element is payable in cash. The executive officers have the option to defer a portion into Company stock.
Long-Term Incentives	To motivate and reward the achievement of long-term Company performance and retain key leaders	● Long-term awards for executive officers and other officers consist of restricted stock units and performance shares, each representing approximately 50% of the grant value of long-term compensation. The goal of our long-term program is to align executive and stockholder interests. ● **Performance Shares** ○ We structure officer performance shares to be paid in cash at the end of a 3-year performance period to the extent applicable performance goals are met. ○ Awards pay out at target if performance goals are met, below target or not at all if the goals are not met, and above target if the goals are exceeded. Each performance share is equal in value to a share of stock, which causes the award to fluctuate in value directly with changes in our stock price over the performance period, aligning managers' interests directly with stockholders' interests. The cash payment value of the performance shares is determined using the stock price on the date any earned award is approved. ○ For officers, dividend equivalents are paid at the end of the performance period, based on the number of performance shares earned. ● **Restricted Stock Units (*RSUs*)** ○ We structure RSUs to be paid in stock at the end of a retention period. RSUs vest 100% after 4 years or upon retirement eligibility, whichever occurs earlier. In the case of retirement, RSUs are not paid until the scheduled vesting dates. ○ Through stock price and dividends, RSUs directly tie our officers' interests to the long-term interests of our stockholders and make our officer long-term compensation package more retentive in nature. ○ Although RSUs have value at grant, in order for them to retain value or increase in value, officers must execute at a high level to drive stockholder returns.

Pay for Performance

AT&T's compensation program is designed with the following pay-for-performance features:

Base Salary
Although base salaries are fixed and are intended to provide executives regular income to compensate them for performing the day-to-day responsibilities of the job, increases to base salary are based both on the market value of the executive's job and individual performance.

Annual Short-Term Incentive
Performance ranges are established for Revenue, Earnings Per Share, and Free Cash Flow. Actual award payouts consider performance against these and other Company and business unit metrics as well as individual performance.

Long-Term Incentives

- ***Performance Shares:*** Fifty percent of executive officer long-term incentive awards are made in the form of performance shares. Seventy-five percent of the performance shares are tied to our Return on Invested Capital (***ROIC***) achievement over a three-year performance period. The remaining 25% is tied to AT&T's Total Stockholder Return performance compared to the Standard & Poor's 100 Index, which replaced the Telecommunications Peer Group in 2012. The number of shares granted is adjusted for performance against these two metrics and are paid based on the stock price on the date that the award payout is approved. Because performance share grants are based on a three-year performance period, they maximize the leverage of both short- and long-term performance. The impact of a single year's performance is felt in each of the three performance share grants that are outstanding at any given time, so that strong performance must be sustained every year in order to provide favorable payouts.

- ***Restricted Stock Units:*** The other 50% of executive officer long-term awards is made in the form of restricted stock units.

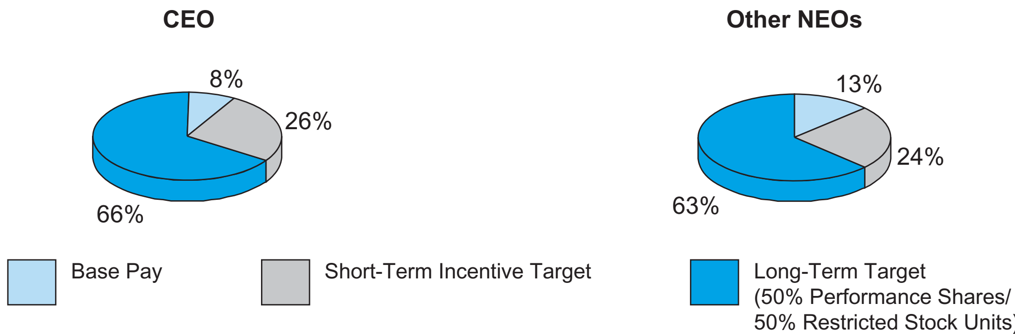
Since performance shares and restricted stock units are tied to AT&T's stock price over a three- and four-year time horizon, respectively, they directly tie executives' interests with those of our stockholders. The value of any distribution is dependent upon the stock price at payout.

Total Target Compensation

Total target compensation is the value of the compensation package that the Committee intends to deliver based on performance against predefined goals. Actual compensation will depend on the applicable performance achievement and, for long-term incentive awards, the price of AT&T stock.

The following charts show the weighting of each element of total target compensation for the CEO and collectively for the other Named Executive Officers. AT&T's short- and long-term incentive targets comprise the majority of total target compensation.

2012 Target Compensation Mix



Total target compensation is detailed for each Named Executive Officer in the following table. This table outlines the compensation elements, their values, relative weightings, and the percentage of the officer's total target compensation package that is performance-related (performance-related compensation includes both short- and long-term incentives).

2012 NEO Target Compensation
(Excludes Change in Pension and All Other Compensation)

	Cash-Based Compensation				Stock-Based Long-Term Award (1)			
	Base Salary		Short-Term Incentive		- Restricted Stock Units Vesting 2016 - Performance Shares 2012–14 Period			
Name	**$**	**% of Total**	**$**	**% of Total**	**$**	**% of Total**	**Total Target Comp. $**	**% Performance Related (2)**
CEO								
Stephenson	1,550,000	8%	5,050,000	26%	12,750,000	66%	19,350,000	92%
Other NEOs								
Stephens	680,000	13%	1,375,000	25%	3,320,000	62%	5,375,000	87%
de la Vega	875,000	13%	1,645,000	23%	4,475,000	64%	6,995,000	87%
Stankey	875,000	13%	1,645,000	23%	4,475,000	64%	6,995,000	87%
Watts	765,000	14%	1,315,000	24%	3,450,000	62%	5,530,000	86%
Avg Other NEOs	798,750	13%	1,495,000	24%	3,930,000	63%	6,223,750	87%

1. *Long-term grants of performance shares are paid out, subject to meeting performance objectives, in cash based on the stock price on the date the award payout is approved. Restricted Stock Units are distributed in shares. Each represents 50% of the target award.*
2. *Total of Short-Term Incentive and Stock-Based Long-Term Award divided by Total Target Compensation.*

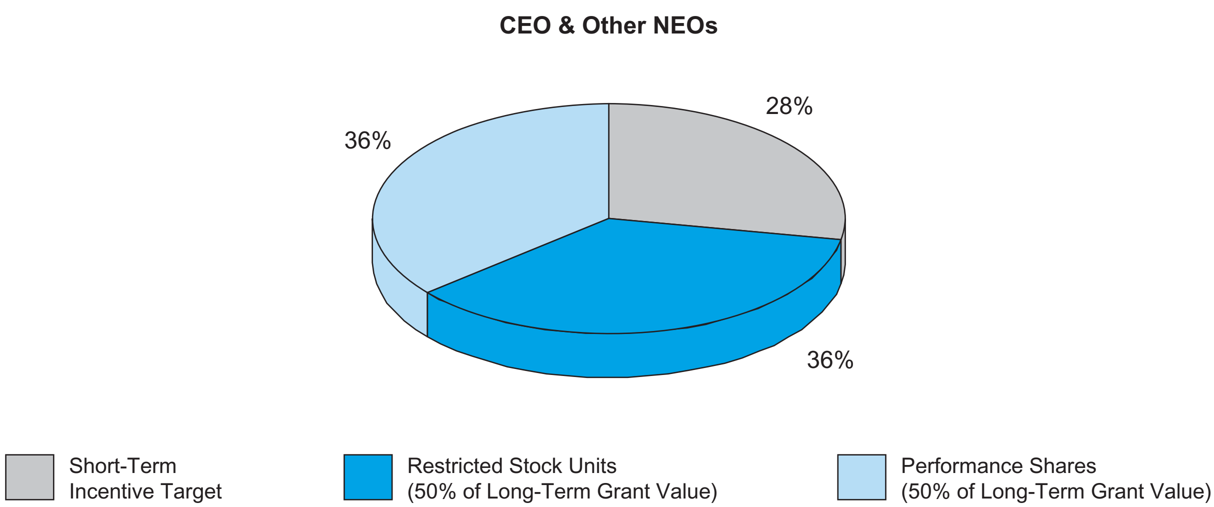
Incentive Compensation – A Balanced Approach to Manage Risk to Stockholders

As previously stated, the Committee believes it is important that compensation aligns the interests of management with both the short- and long-term interests of the Company's stockholders while incenting our key managers to remain with the Company. In order to attain these objectives, we balance incentive compensation between the accomplishment of short- and long-term corporate objectives. In addition, one of the Committee's key objectives is mitigating potential risk in the compensation package by ensuring that a significant portion of compensation is based on the long-term performance of the Company. In doing so, the Company intentionally reduces the risk that executives will place too much focus on short-term achievements to the detriment of the long-term sustainability of the Company. Further, we structure the short-term incentive compensation so that the accomplishment of short-term corporate and business unit goals supports the achievement of long-term corporate goals. Both of these elements work together for the benefit of the Company and its stockholders.

Finally, each year, the Committee reviews an analysis, prepared by management, of the Company's compensation policies and practices to determine if they may have a material adverse effect on the Company. This analysis includes steps AT&T takes to mitigate risk in our compensation plans, including the use of multiple metrics in determining award payouts; the use of payout tables, caps and/or budget maximums; cross-functional department review and/or approval of all payouts (as well as Committee approval of all officer payouts). In addition, all award recipients are subject to our internal code of business conduct. Based on this analysis, for 2012, the Committee determined that the Company's compensation policies and practices were not reasonably likely to have a material adverse effect.

The following chart details how performance-related compensation is allocated between short- and long-term compensation targets for the CEO and collectively for the other Named Executive Officers:

2012 Performance-Related Target Compensation Mix



Personal Benefits

As a *Fortune 25* company, personal benefits are an important tool in our overall compensation package. Even though many of the underlying individual benefits are not financially significant, AT&T provides these elements to its executive officers for three main reasons:

To effectively compete for talent.
The majority of companies against which AT&T competes for talent provide personal benefits to their executive officers. Because the foundation of the employee-employer relationship is the compensation and benefits program, AT&T must have a program that is robust and competitive enough to attract and retain key talent.

To support executive officers in meeting the needs of the business.
Managing a *Fortune 25* company that provides industry leading services to its customers 24 hours a day requires the around-the-clock commitment and availability of our executive officers. We provide benefits that allow the Company to have greater access to our executive officers. These benefits should not be measured solely in terms of any incremental financial cost, but rather the value they bring to the Company through maximized productivity and availability.

To provide for the safety, security and personal health of executives.
Employees are the Company's greatest asset. Our executive officers are charged to care for the long-term health of the Company. In order to do so, we provide certain personal benefits to provide for their safety and personal health.

Our executive benefits are outlined on page 57. We continue to evaluate personal benefits based on needs of the business and market practices and trends.

Independent Compensation Consultant

The Human Resources Committee is authorized by its charter to employ independent compensation consultants and other advisors. The Committee has selected Michael Lackey, Managing Director of Total Rewards Strategies, to serve as the Committee's independent consultant, and, from time to time, he is engaged by the Corporate Governance and Nominating Committee to provide advice on director compensation. Total Rewards Strategies and Michael Lackey provide no other services to AT&T. Mr. Lackey has served as the Human Resources Committee's consultant since 2002.

The consultant reports directly to the Human Resources Committee, who reviews the fees paid to Total Rewards Strategies and sets the consulting budget. The consultant's relationship with management is one of receiving the necessary information to conduct analyses and providing information and recommendations to be distributed to the Committee.

Following is a description of the consultant's duties:

- Attends all Human Resources Committee meetings;
- Provides information, research, and analysis pertaining to executive compensation and benefits;
- Regularly updates the Committee on market trends, changing practices, and legislation pertaining to compensation and benefits;
- Reviews the Company's executive compensation strategy and program to ensure appropriateness and market-competitiveness;
- Makes recommendations on the design of the compensation program and the balance of pay-for-performance elements;
- Reviews market data and makes recommendations for establishing the market rates for jobs held by senior leaders;

- Analyzes compensation from other companies' proxy and financial statements for the Committee's review when making compensation decisions;
- Assists the Committee in making pay determinations for the Chief Executive Officer; and
- Advises the Committee on the appropriate comparator groups for compensation and benefits as well as the appropriate peer group against which to measure long-term performance.

Determining Competitive Pay Levels

AT&T has a market-based compensation program, and we believe that a job's value is determined by what we have to pay to remain competitive based on publicly-available compensation data for like positions at companies with which we compete for talent.

Since we have a market-based compensation program, the starting point for determining compensation levels begins with an evaluation of market data. Market data for key officers is derived from proxy compensation data and third-party compensation survey databases. The consultant compiles both proxy and compensation survey data for the comparator companies (approved by the Committee, and discussed below). The use of multiple sources of information and comparator groups ensures the availability of sufficient data to accurately reflect the competitive market and provides for the annual development of reliable market values by the consultant.

Following are the 2012 comparator groups used by the consultant in making market value recommendations for officer positions. These companies are selected based on similarity to AT&T in terms of size and/or industry, ability of the company to compete with AT&T for talent, and similarity to jobs at AT&T in terms of complexity and scope of officer positions.

2012 Comparator Groups Used by Compensation Consultant

Type of Group	Companies in Group
A comparator group of 20 companies in the technology, telecommunications and entertainment industries selected by the consultant in consultation with the Committee	Apple, Boeing, Cisco Systems, Comcast, Dell, General Electric, Google, Hewlett-Packard, Honeywell, Intel, IBM, Johnson Controls, Lockheed Martin, Microsoft, News Corp, Oracle, Time Warner Inc., United Technologies, Verizon Communications, Walt Disney
Top 25 companies included in the *Fortune 500* index, adjusted to eliminate AT&T and investment banking, investment holding/management and privately owned companies	AmerisourceBergen, Cardinal Health, Chevron, ConocoPhillips, Costco Wholesale, CVS Caremark, Exxon Mobil, Ford Motor, General Electric, General Motors, Hewlett-Packard, Home Depot, IBM, Kroger, Marathon Oil, McKesson, Medco Health Solutions, Pfizer, Procter & Gamble, Target, UnitedHealth Group, Valero Energy, Verizon Communications, Wal-Mart Stores, Walgreen
Telecommunications and cable companies	Comcast, Motorola Solutions, Century Link, Sprint Nextel, Time Warner Inc., Verizon Communications

Executive officers' base salaries are targeted to the market 50^{th} percentile, total target cash compensation (the sum of base pay and short-term incentive target) and long-term grants are targeted to the market 62^{nd} percentile, with the support of the Committee's consultant. These pay targets emphasize our pay-for-performance strategy and are consistent with our market leadership position as the nation's largest telecommunications company based on our revenue and position as the 11th largest company in America according to the *Fortune 500* ratings.

In making the market value recommendations to present to the Committee, the consultant reviews both the proxy and the survey compensation data at the percentiles of the market assigned by the Committee. The consultant applies his judgment and experience to this data in order to determine preliminary market value recommendations for each executive officer position. Prior to presenting the market values to the Committee, the consultant obtains input from members of management and the CEO (for officers other than the CEO) to obtain their views on the relative value of each position at AT&T and differences in responsibilities between AT&T jobs and those in the comparator groups. Based on this detailed analysis, AT&T-specific market values (***AT&T Market Values***) are presented to the Committee for each executive officer position. The AT&T Market Values are used as a reference point for the Committee's determination of actual compensation levels. They include components for base salary and short- and long-term incentive target awards.

Determining Target Compensation Levels

Annually, the Committee meets to set base salary and target short- and long-term incentive compensation levels for officers, including the Named Executive Officers, with the advice of the consultant. In setting compensation levels, the Committee reviews the AT&T Market Values provided by the consultant along with the CEO's compensation recommendations for the other executive officers. The CEO bases his compensation recommendations on his judgment of the skills, experience, responsibilities, and achievements of each executive officer, as well as the officer's current compensation relative to the AT&T Market Value of his or her job. The Committee believes that input from both the CEO and the consultant provides necessary information and points of view to assist them in determining the appropriate target levels of pay. Once the Committee has received this input, they apply their judgment and experience to set compensation for the coming year. The Committee may determine that executives with significant experience and responsibilities, who demonstrate exemplary performance, have higher target compensation, while less experienced executives may have lower target compensation. To determine the compensation for the CEO, the Committee again uses its judgment of his skills, experience, responsibilities, achievements, and current compensation, along with the consultant's AT&T Market Value recommendation. The Committee utilizes total compensation analysis sheets to confirm the appropriateness of the compensation program.

2012 Compensation

Base Salaries

In 2012, the Named Executive Officers (other than the CEO) received a salary increase of 2.4%, on average, based on individual performance and actual pay relative to market.

Short-Term Incentives

2012 Targets

Each year, the Committee establishes a target award for each executive officer based on the AT&T Market Values provided by the consultant and on recommendations from the CEO (other than for his own compensation). The short-term program emphasizes overall results of the Company by establishing one set of performance targets for our executive officers. The Committee believes it is important to focus the executive officers on the key objectives of the Company (other officers are measured, in part, on the success of their individual business units). Under this program, potential payouts range from 0% to 200% of the target award. The key performance objectives adopted by the Committee include three performance metrics and related target ranges that the executives are expected to achieve, which are shown in the table on the following page. The Company must achieve results in at least one of the ranges for the executive officers to receive any portion of the target awards.

2012 Metric	Target ($)	Target Range ($)	Achievement ($)
Consolidated Revenues	127.0 billion	108.0 – 146.1 billion	127.4 billion
Earnings Per Share	2.21 per share	1.77 – 2.65 per share	2.32 per share (2)
Free Cash Flow (1)	15.8 billion	12.6 – 18.9 billion	19.4 billion

1. *Cash from operations minus construction and capital expenditures.*
2. *In accordance with grant terms, EPS results were increased by $1.07 per share over reported EPS to remove the non-cash effects of gains and losses related to assets and liabilities of pension and medical plans.*

In determining the final payouts for short-term awards, the Committee gives weight to the achievement of the performance ranges, the overall performance of the Company, business unit performance, and the individual performance of each executive officer. In evaluating executive officers that report to the CEO, the Committee will also give weight to the CEO's recommendations. In order to limit the potential for unintended consequences, both favorable and unfavorable, the Committee does not apply a fixed formulaic approach to determining final payouts.

2012 Payouts
The Committee determined that in 2012 the Company achieved or exceeded the target ranges for each of the 2012 performance metrics, permitting payout of the short-term awards. The Committee then reviewed the Company's overall performance as well as the individual achievements of each of the Named Executive Officers, as described below:

- ***Randall L. Stephenson***
  Under Mr. Stephenson's leadership, AT&T led the industry in key growth metrics, further improved operating performance, strengthened its overall financial position, and delivered superior stockholder returns above the major market indexes. Wireless subscribers increased to 107 million, and mobile data revenues grew 18% to end the year as a $27 billion revenue stream. AT&T led all U.S. wireless providers in iPhone activations and average monthly revenue per postpaid subscriber. The Company expanded its network to offer 4G service to 288 million people, more than doubled its 4G LTE coverage extending its availability to over 170 million people, delivered best-in-class data performance, and improved overall wireless network quality with a 32% reduction in dropped calls. Despite a slow economy, revenues for strategic business services increased 13%, led by double-digit gains in Virtual Private Network and Ethernet connections. AT&T U-verse posted its best-ever growth in connections, with total subscribers up 45% and revenues up 39%, driving an annualized revenue stream of more than $10 billion by year-end. These strong growth metrics were supported by continued operational excellence, which drove improved operating income margins and a 59% increase in the Company's overall net promoter score.

  AT&T generated more than $39 billion in cash from operating activities in 2012, up 13% from the prior year and a Company record. We used this strong cash flow to invest more than $20 billion in capital and acquisitions to improve operations and expand our growth platforms. For several years, AT&T has invested more capital in the United States than any other publicly traded company. AT&T returned $23 billion to stockholders in 2012 – the highest total in Company history – as it repurchased 6% of its total shares outstanding and paid more than $10 billion in dividends. In the fourth quarter, we announced a quarterly dividend increase for the 29^{th} consecutive year.

  During 2012, Mr. Stephenson and his executive team positioned AT&T for continued expansion in key growth businesses, to move away from legacy lines of business while expanding its leadership position in high-speed broadband connectivity, both mobile and fixed line. AT&T executed 48 agreements to secure critical spectrum for mobile internet growth, increasing our average spectrum depth by over 30%. AT&T also launched Project VIP a comprehensive, organic growth plan that will expand its growth platforms to millions more customers, improve the Company's competitive position in broadband and video services, and reduce ongoing operating expenses.

- ***John J. Stephens***
  Under Mr. Stephens' leadership, in 2012 AT&T generated record cash from operating activities, returned $23 billion to stockholders through dividends and stock repurchases, and further strengthened the Company's overall financial profile by refinancing debt. In 2012, AT&T grew revenues to a Company-record $127.4 billion, despite a lingering lackluster economy. Mr. Stephens worked closely with operations leaders to implement cash management strategies that produced $39 billion in cash from operations, a Company record, and free cash flow of $19 billion, more than $3 billion above our expectations. At the same time, under Mr. Stephens' direction, AT&T strengthened its balance sheet by refinancing $12 billion in debt at significantly reduced interest rates, taking advantage of historically low interest rates to reduce future interest expenses by over $300 million annually. The Company increased the quarterly dividend for the 29th consecutive year and, as a result of the repurchase of 6% of its outstanding shares, reduced annualized dividend payments by approximately $670 million. With progress in all of these areas, AT&T delivered superior stockholder returns. The Company's 2012 total stockholder return of 17.5% exceeded major market indices including the Dow Jones Industrial Average, the Standard & Poor's 100 and 500. AT&T's three-year total stockholder returns of 43.0% also outperformed these key indices.

- ***John T. Stankey***
  Under Mr. Stankey's direction, AT&T divested its advertising and publishing business, dramatically improved its wireless spectrum position to support continued mobile broadband growth, and successfully launched Project VIP, the Company's most comprehensive, organic growth initiative in several decades. During the course of the year, Mr. Stankey's organization negotiated 48 spectrum agreements, increasing the Company's nationwide average spectrum depth by over 30% and reducing our spectrum cost structure to industry leading levels. This effort involved identifying Wireless Communications Service spectrum to support wireless broadband growth even though it had not previously been considered useful for that purpose, negotiating for its acquisition, and working through a range of technical and regulatory steps to make it usable in mobile communication for the first time. This new spectrum will provide a critical foundation for Project VIP. This broad-ranging set of initiatives includes plans for AT&T to deploy its 4G LTE wireless network to cover more than 300 million people in the United States by then end of 2014, a 50 million increase over previous plans. In addition, we plan to expand our AT&T U-verse platform, deploying IP broadband connectivity to approximately 57 million customer locations by the end of 2015, and we plan to proactively turn up fiber optic network connectivity to an additional one million business locations over the next three years. The Company plans to accompany these network upgrades and expansions with a transition from legacy network technologies to an IP only plus wireless meshed architecture, which promises over the next several years to deliver greater flexibility in terms of introducing new services while driving significant operating efficiencies.

- ***Rafael de la Vega***
  With responsibility for AT&T Mobility, Mr. de la Vega successfully drove AT&T to industry leading positions in smartphone penetration, average revenues per contract user and wireless data growth. The number of postpaid smartphones on our network increased nearly 20%, and the number of tablets and other branded computer devices served grew more than 40%. This growth coupled with strong adoption of shared data plans drove impressive growth in wireless data revenues – up nearly 18%, or nearly $4 billion, to $25.9 billion. The Company posted its 16th consecutive quarter of year-over-year growth in average revenue per postpaid subscriber, and total wireless revenues increased 5.6% to $66.8 billion. In addition, Mr. de la Vega led the successful deployment of a number of new services that layer onto AT&T's broad wireless capabilities. These include launch of the Company's mobile-wallet joint venture, ISIS; development of Digital Life, AT&T's new wireless home security/home

management service; expansion of the Company's wirelessly connected automobile solutions; and introduction of a new Mobile Premise solution. Combined, these new initiatives represent the potential for multi-billion dollars in new revenue over the next few years.

- ***Wayne Watts***
  With responsibility for all legal matters affecting AT&T, Mr. Watts effectively guided the Company's litigation, regulatory filings, and compliance matters before various judicial and regulatory agencies in addition to providing support for the Company's day-to-day operations including thousands of commercial agreements, labor agreements, and day-to-day legal advice. In 2012, Mr. Watts and his team successfully managed thousands of litigation matters involving AT&T, including 179 appeals to various Federal and State Courts of Appeal and eight appeals to the United States Supreme Court. Under Mr. Watts' direction, the Company effectively advanced its positions before Federal and state regulators designed to generate a fair regulatory and working environment for our Internet, wireless and wireline operations. Mr. Watts and his team directly supported the Company's execution of 63 transactions in support of its strategic initiatives and objectives. These efforts include the divestiture of AT&T's Ad Solutions business unit for approximately $940 million and a 47% equity interest in the new entity, YP Holdings, LLC, and 48 wireless spectrum deals that help address the Company's near- and mid-term spectrum needs.

Based on the Company achievements and the above accomplishments, the Committee determined to pay Named Executive Officers 120% - 122% of their respective target awards. Payouts of 2012 awards are as follows:

2012 Short-Term Payouts

Name	Target Award ($)	Actual Award ($)
Randall Stephenson	5,050,000	6,060,000
John Stephens	1,375,000	1,650,000
Rafael de la Vega	1,645,000	1,974,000
John Stankey	1,645,000	2,000,000
Wayne Watts	1,315,000	1,578,000

Long-Term Incentives

As noted in the Conference Board report, to put "[t]oo much focus on the short-term in the wrong business model can lead to reward for current performance, but fail to promote the Company's business strategy over the long-term." Because AT&T values long-term performance, and to ensure that our compensation program does not incent executives to take excessive risks in pursuit of short-term results, long-term incentives are a significant part of an officer's compensation package. Long-term awards directly link the interests of officers to those of stockholders, since the awards are tied to the performance of AT&T stock. More than one form of long-term compensation is used in order to balance the risk of the long-term program.

2012 Grants
In 2012, the Committee granted the Named Executive Officers long-term incentives in the form of 50% performance shares and 50% restricted stock units. Target grant values were set using the AT&T Market Values as a guideline. Specifics of the long-term grants are described on the following page.

- ***Performance Shares***
  Each performance share is equal in value to one share of our common stock and is paid out at the end of the performance period (three years) based on the extent to which the performance goals are met.

Awards made in 2012 earn dividend equivalents equal to the dividends on our common stock, paid only after the end of the performance period and only on the number of performance shares actually earned based on the Company's performance.

The value of performance shares fluctuates directly with changes in the price of our common stock, which aligns managers' interests directly with stockholders' interests. Performance shares are paid out only to the extent that specific financial, operational, and/or stockholder return objectives are achieved, and no payout is made if minimum objectives are not met. Payouts are made in cash, which minimizes dilution. Performance shares are valued at the closing price of a share of AT&T common stock on the date the award payout is approved.

Unless the Committee provides otherwise, performance shares will be forfeited by non-retirement eligible executive officers in the event of their voluntary termination of employment (except for death and disability) and retiring officers will be eligible to receive a prorated performance share award.

The performance shares granted in 2012 are for the 2012-2014 performance period. The Committee determined that the performance measure for 75% of the Performance Shares would be Return On Invested Capital (***ROIC***) and the measure for the remaining 25% would be based on a comparison of AT&T's Total Stockholder Return (***TSR***) compared to the Standard and Poor's 100 Index (***S&P 100***).

2012 Performance Share Grants
(2012 to 2014 Performance Period)

		Performance Measure	
Name	**Target Grant Values ($) (amounts are rounded)**	**Return on Invested Capital**	**Total Stockholder Return vs. S&P 100**
Randall Stephenson	6,375,000	75% of Grant	25% of Grant
John Stephens	1,660,000		
Rafael de la Vega	2,237,500		
John Stankey	2,237,500		
Wayne Watts	1,725,000		

We calculate ROIC by averaging over the three-year performance period: (1) our annual net income before extraordinary items plus after-tax interest expense, divided by (2) the total of the average debt and average stockholder equity for the relevant year. For mergers and acquisitions over $2 billion, we exclude the dilutive impacts of intangible amortization, asset write-offs, accelerated depreciation, and transaction and restructuring costs so that the impact of certain significant transactions, including those which may not have been contemplated in the determination of a performance measure, will not have an impact on the performance results. We also exclude the following if the collective net impact, after taxes and available collectible insurance, exceeds certain limits in a calendar year: changes in tax laws and/or accounting principles, certain unusual events, expenses caused by natural disasters or intentionally caused damage to the Company's property, and non-cash accounting write-downs of goodwill or other intangible assets. Additionally, we disregard gains and losses related to the assets and liabilities from pension and other post-retirement benefit plans (and associated tax effects). We chose ROIC as the appropriate measure because it is widely used by comparator companies and encourages our managers to focus not only on net income, but also to ensure that the Company's capital is invested effectively and stockholder value is created.

At the end of the performance period, the number of performance shares to be paid out, if any, is determined by comparing the actual performance of the Company against the predetermined performance objectives, which are set forth as a range of results. The ROIC target range for the 2012-

2014 performance period was set above our cost of capital; a target that we believe may be challenging, but attainable. For performance above or below the performance target range, the number of performance shares are increased or reduced, respectively. Potential payouts range from 0% to 150% of the target number of performance shares granted.

The TSR measure compares the total stockholder return (stock appreciation plus reinvestment of dividends) of AT&T to that of companies in the S&P 100.

The following chart shows the potential payouts based on total stockholder return of AT&T as compared to companies in the S&P 100. In order to align our executive officer pay with stockholder interests, if AT&T's total stockholder return is negative, the payout percentage is capped at 90% (applies to performance at the 40th percentile or higher).

AT&T Total Stockholder Return Compared to the S&P 100 (2012 – 2014 Performance Period)

Ranking	Payout Percentage
AT&T is the top company	200%
AT&T in 80 - 99th percentile	150%
AT&T in 60 - 79.99th percentile	125%
AT&T in 40 - 59.99th percentile	100%
AT&T in 20 - 39.99th percentile	50%
AT&T is below the 20th percentile	0%

- ***Restricted Stock Units***
  Restricted stock units granted in 2012 vest 100% after four years, or upon retirement eligibility, whichever occurs earlier, but do not pay out until the scheduled distribution date. These units receive quarterly dividend equivalents, paid in cash at the time regular dividends are paid on AT&T's stock. Restricted stock units pay 100% in stock to further tie executive and stockholder interests.

  The following table shows restricted stock unit grants made to the Named Executive Officers in 2012:

2012 Restricted Stock Unit Grants

Name	Grant Date Values ($) (amounts are rounded)
Randall Stephenson	6,375,000
John Stephens	1,660,000
Rafael de la Vega	2,237,500
John Stankey	2,237,500
Wayne Watts	1,725,000

Results for the 2010-2012 Performance Period (Performance Shares)

The performance measure applicable to 75% of performance share awards is ROIC. The performance measure for the other 25% of the award is AT&T's TSR, measured against the AT&T Telecommunications Peer Group, comprised of the following companies: América Móvil S.A.B. de C.V., BCE Inc., BT Group plc, Comcast Corporation, Deutsche Telekom AG, DirecTV Group Inc., Telefónica S.A., Time Warner Cable, Inc., Verizon Communications Inc., Vodafone Group plc, and the Dow Jones Industrial Average.

For the 2010-2012 performance period the Committee set the ROIC target range with our cost of capital appearing at the bottom of the target range, which represented an aggressive, yet achievable, target. After conclusion of the performance period, the Committee determined, using the payout table established at the beginning of the performance period that the Company's results were above the ROIC target range and directed that 113% of the related performance shares be distributed. In accordance with the plan, the Committee excluded the impact of a change relating to pension accounting and the effects of a change in tax laws resulting from the healthcare reform legislation in determining the achievement of the target range. Although costs incurred in large merger transactions (such as T-Mobile) are to be excluded in calculating final performance attainment, the Committee determined to include the T-Mobile transaction costs in determining payouts for all outstanding executive officer performance share awards, resulting in *reduced* final award payouts.

In accordance with the predetermined payout table, for performance shares tied to the TSR target, the Committee determined that the Company was in the 3rd quintile of the index, which resulted in a 100% payout of the performance shares tied to this metric.

As shown below, the number of performance shares actually paid was 110% of the target number of shares, based on performance results for both ROIC and TSR. The realized value of executive officer long-term compensation also includes the impact of changes in stock price (which also impacts our stockholders), making their final performance share payout 150% of the target grant values, as shown below.

2010 Performance Share Grant and Payout Values
(Half of the Long-Term Grants Awarded to Executive Officers in 2010)

Name	Performance Measure(s)	Value at Grant ($)	Performance Payout %	% Change in Stock Price (1)	Value at Payout ($)	Approx. % of Grant Value Realized
Stephenson	75% ROIC 25% TSR	6,375,000	110%	36%	9,552,249	150%
de la Vega		2,000,000			2,996,807	
Stankey		2,175,000			3,259,026	
Watts		2,000,000			2,996,807	
Stephens (2)	100% ROIC	380,000	113%	36%	584,934	154%

1. *From the date of grant (January 28, 2010) through the date the distribution is approved (January 31, 2013).*
2. *Mr. Stephens' 2010-2012 grant was made prior to his being appointed an executive officer and 100% of his shares was subject to the ROIC metric.*

Deferral Opportunities, Pensions and Other Benefits

Deferral Opportunities

We believe that in order to remain competitive in the employment market, it is appropriate to offer deferral plans and other benefits. Our tax-qualified 401(k) plans offer substantially all employees the opportunity to defer income and, at the same time, invest in AT&T stock. We match 80% of the employee contributions, limited to the first 6% of compensation (only base salary is matched for officers).

Our nonqualified deferral plans provide retention incentives by allowing mid-level and above managers the opportunity for tax-advantaged savings. We use our deferral plans as a way to encourage our managers to invest in and hold AT&T stock on a tax-deferred basis.

Our principal nonqualified deferral program is the Stock Purchase and Deferral Plan. Under that plan, mid-level managers and above may annually elect to defer, through payroll deductions, up to 30% of their salary and annual bonus (officers, including the Named Executive Officers, may defer up to 95% of their short-term award, which is similar to, and paid in lieu of, the annual bonus paid to other management employees) to purchase AT&T deferred share units at fair market value on a tax-deferred basis. Participants receive a 20% match on their deferrals in the form of additional deferred share units. Participants also receive makeup matching deferred share units to replace the match that would not be available in the 401(k) because of their participation in AT&T's nonqualified deferral plans or because they exceeded the IRS compensation limits for 401(k) plans. Officers do not receive the make-up match on the contribution of their short-term awards. For salary deferrals prior to 2011 and bonus deferrals prior to 2012, in lieu of the 20% match, participants received two stock options for each share unit acquired. The stock options had an exercise price equal to the fair market value of the stock at grant.

Eligible managers may also defer cash compensation in the form of salaries and bonuses through the Cash Deferral Plan. The Cash Deferral Plan pays interest at the Moody's Long-Term Corporate Bond Yield Average, reset annually, which is a common index used by companies for deferral plans. The SEC requires disclosure in the "Summary Compensation Table" of any earnings on deferred compensation that exceed an amount set by the SEC.

These plans are described more fully under the "Nonqualified Deferred Compensation" table, on page 72.

Personal Benefits

We provide our executive officers with personal benefits, including an automobile allowance and maintenance, which is an important recruiting and retention tool; club memberships (we allow Company-owned memberships, but do not pay country club fees and dues for executive officers), which afford our executives the opportunity to conduct business in a more informal environment; home security for the safety and security of our executives; tax preparation, estate planning, and financial counseling, which allow our executives to focus more on business responsibilities; and executive disability benefits. The financial counseling benefit provides financial counselors to executives, which helps the Company by ensuring that our executives understand and comply with plan requirements. We provide our executives communications, broadband/TV and related products and services, which are offered by AT&T at little or no incremental cost. We permit our executives to use Company aircraft for personal reasons, which allows for the efficient use of their time and for them to privately conduct Company business at any time. However, beginning in 2013, the CEO will be required to reimburse the incremental Company cost of all such personal usage. Other Executive Officers are also required to reimburse the incremental cost of their personal usage unless the CEO decides otherwise on a case-by-case basis. Reimbursements will not be made where prohibited by law. We also provide executive death benefits. More information on death benefits may be found on pages 70 and 71 in the narrative following the "Pension Benefits" table.

Officers promoted or hired after March 23, 2010, are eligible for an annual executive physical, subject to certain limits. We provide other officers, including our current executive officers with a supplemental health plan for which they pay a portion of the premiums. The plan acts in conjunction with the Company's management health plan, a consumer-driven plan that encourages all employees to be cost-conscious consumers of health care services.

Certain of these benefits are also offered as post-retirement benefits to persons who meet age and service requirements. Additional information on these post-retirement benefits can be found on pages 70 and 71, in the narrative following the "Pension Benefits" table.

Pensions

We offer a tax-qualified group pension plan to substantially all employees. We also provide supplemental retirement benefits under nonqualified pension plans to a frozen group of officers, including our current executive officers. We believe these benefits act as retention tools. Additional information on these pension benefits may be found beginning on page 67, in the narrative following the "Pension Benefits" table.

Equity Retention and Hedging Policy

Stock Ownership Guidelines

The Committee has established stock ownership guidelines for the CEO, other executive officers, and all other officers. The guideline for the CEO is a minimum ownership requirement of six times base salary. The guidelines are the lesser of three times base salary or 50,000 shares for other executive officers and the lesser of one times base salary or 25,000 shares for all other officers. Newly appointed officers are expected to be in compliance with the ownership guidelines within five years of their appointments. We also include vested shares held in Company benefit plans. Holdings of the Named Executive Officers as of December 31, 2012, can be found in the "Common Stock Ownership" section on page 13.

Retention of Awards

Executive officers are required to hold 25% of the AT&T shares they receive (after taxes and exercise costs) from an incentive, equity, or option award granted to them after January 1, 2012, until one year after they leave the Company.

Hedging Policy

Executive officers are prohibited from hedging their AT&T stock and awards. The prohibition will continue to apply to stock issued from Company awards for one year after they leave the Company.

Limit on Deductibility of Certain Compensation

Federal income tax law prohibits publicly held companies, such as AT&T, from deducting certain compensation paid to a Named Executive Officer that exceeds $1 million during the tax year. To the extent that compensation is based upon the attainment of performance goals set by the Committee pursuant to plans approved by the stockholders, the compensation is not included in the limit. The Committee intends, to the extent feasible and where it believes it is in the best interests of AT&T and its stockholders, to attempt to qualify executive compensation as tax deductible where it does not adversely affect the Committee's development and execution of effective compensation plans. For example, to enable short- and long-term compensation to be deductible, the Committee strives to make these awards under stockholder-approved incentive plans.

Similarly, gains on stock option exercises may be deductible if granted under a stockholder-approved plan since they are tied to the performance of the Company's stock price. Salaries and other compensation that are not tied to performance are not deductible to the extent they exceed the $1 million limit.

Clawback Policy

The Company intends, in appropriate circumstances, to seek restitution of any bonus, commission, or other compensation received by an employee as a result of such employee's intentional or knowing fraudulent or illegal conduct, including the making of a material misrepresentation contained in the Company's financial statements.

Employment Contracts and Change in Control Severance Plan

We have an employment contract with Mr. de la Vega. The material provisions of this contract are discussed following the "Grants of Plan-Based Awards" table, on page 62.

Our executive officers are eligible to participate in the Change in Control Severance Plan, which is more fully described on page 74. We believe this type of plan is necessary to ensure that participants receive certain double-trigger benefits in the event of a change in control of the Company, and to allow the participating officers to focus on their duties during an acquisition. The plan is not intended to replace other compensation elements.

Compensation Committee Report

The Human Resources Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussions, the Human Resources Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in AT&T's Annual Report on Form 10-K and Proxy Statement for filing with the SEC.

February 11, 2013 The Human Resources Committee:

Gilbert F. Amelio, Chairman
James H. Blanchard
John B. McCoy
Matthew K. Rose

Executive Compensation Tables

The table below contains information concerning the compensation provided to the Chief Executive Officer, the Chief Financial Officer, and the three other most highly compensated executive officers of AT&T (the ***Named Executive Officers***). Compensation information is provided for the years each person in the table was a Named Executive Officer since 2010.

Summary Compensation Table

Name and Principal Position	Year	Salary (2) ($)	Bonus ($)	Stock Awards (3) ($)	Option Awards (3) ($)	Non-Equity Incentive Plan Compen-sation (2) ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (4) ($)	All Other Compen-sation (5) ($)	Total ($)
R. Stephenson (1)	2012	1,550,000	0	12,586,590	0	6,060,000	1,234,805	803,308	22,234,703
Chairman, CEO and President	2011	1,550,000	0	12,749,979	45,543	3,787,500	3,329,959	555,353	22,018,334
	2010	1,533,333	0	12,749,977	494,731	5,050,000	7,096,177	417,410	27,341,628
J. Stephens Sr. Exec. Vice	2012	675,000	0	3,277,459	2,769	1,650,000	3,156,095	307,415	9,068,738
Pres. and CFO	2011	614,167	0	1,561,534	79,131	681,250	1,498,090	171,523	4,605,695
R. de la Vega	2012	872,500	0	4,417,625	1,246	1,974,000	4,488,817	172,141	11,926,329
Pres. and CEO, AT&T Mobility	2011	854,167	0	4,350,023	39,438	1,600,000	2,925,527	129,387	9,898,542
	2010	820,833	0	4,000,024	36,513	1,700,000	4,240,450	96,850	10,894,670
J. Stankey Group Pres. and	2012	872,500	0	4,417,625	0	2,000,000	5,470,375	221,508	12,982,008
Chief Strategy	2011	857,500	0	4,350,023	3,610	1,600,000	4,445,904	202,922	11,459,959
Officer	2010	842,500	0	4,350,024	5,596	1,475,000	2,439,970	387,242	9,500,332
W. Watts Sr. Exec. VP	2012	762,500	0	3,405,785	0	1,578,000	1,679,803	254,260	7,680,348
and General	2011	745,000	0	3,400,017	7,672	1,020,000	3,125,160	207,524	8,505,373
Counsel	2010	706,667	0	4,000,024	10,996	1,570,000	2,748,351	208,776	9,244,814

1. *Mr. Stephenson did not receive a salary increase in 2011 or 2012. The difference in salaries for 2010 and 2011 results from Mr. Stephenson's 2010 salary increase being effective March 1st. The 2010 amount represents 2 months of the 2009 salary rate and 10 months of the 2010 salary rate.*

2. *Each of the Named Executive Officers deferred portions of their 2012 salary and/or non-equity incentive awards into the Stock Purchase and Deferral Plan to make monthly purchases of Company stock in the form of stock units based on the price of the underlying AT&T stock as follows: Mr. Stephenson—$465,000, Mr. Stephens—$1,769,625, Mr. de la Vega—$2,136,863, Mr. Stankey—$52,313, and Mr. Watts—$114,281. Each unit that the employee purchases is paid out in the form of a share of AT&T stock at the time elected by the employee, along with certain matching shares. The value of the matching contributions is included under "All Other Compensation." A description of the Stock Purchase and Deferral Plan may be found on pages 72 and 73.*

3. *Represents the grant date valuation of the awards under FASB ASC Topic 718. Assumptions used for determining the value of the stock and option awards reported in these columns are set forth in the relevant AT&T Annual Report to Stockholders in Note 12 to Consolidated Financial Statements, "Share-Based Payment." Options were issued under the Stock Purchase and Deferral Plan in connection with reinvested dividends paid on 2011 share unit deferrals. Options are not currently offered under the plan. The plan is described on pages 72 and 73.*

   Included in the Stock Awards column are the grant date values of performance shares and restricted stock units granted in 2012. The grant date values of the performance shares (which approximate the target awards) included in the table for 2012 were: Mr. Stephenson—$6,211,578, Mr. Stephens—$1,617,451, Mr. de la Vega—$2,180,131, Mr. Stankey—$2,180,131, and Mr. Watts—$1,680,781. The number of performance shares distributed at the end of the performance period is dependent upon the achievement of performance goals. Depending upon such achievement, the potential payouts *run from 0% of the target number of performance shares to a maximum payout of 162.5% of the target number of performance shares. The value of the awards (performance shares and restricted stock) will be further affected by the price of AT&T stock at the time of distribution.*

4. *Under this column, we report earnings on deferrals of salary and incentive awards to the extent the earnings exceed a market rate specified by SEC rules. For the Named Executive Officers, these amounts are as follows for 2012: Mr. Stephenson—$11,145, Mr. Stephens—$0, Mr. de la Vega—$87,684, Mr. Stankey—$1,096, and Mr. Watts—$1,008. All other amounts reported under this heading represent an increase in pension actuarial value during the reporting period. We are required to calculate this amount by using the same discount rate assumption used for financial reporting purposes. A portion of the increase in pension actuarial values reported for 2012 in this column was the result of a reduction in the assumed discount rate from 5.3% to 4.3%. Approximately 13% of Mr. Stephenson's increase, and from 15% to 52% of the other Named Executive Officers' increases in pension value, resulted from this adjustment. The increase in pension actuarial value for each executive (and the corresponding estimated increase attributable to the reduction in the discount rate) was: Mr. Stephenson—$1,223,660 ($152,996), Mr. Stephens—$3,156,095 ($1,127,586), Mr. de la Vega—$4,401,133 ($183,655), Mr. Stankey—$5,469,279 ($2,847,503), and Mr. Watts—$1,678,795 ($151,824).*

5. *This column includes personal benefits, Company-paid life insurance premiums, and Company matching contributions to deferral plans for 2012. AT&T does not provide tax reimbursements to executive officers for these benefits. In valuing personal benefits, AT&T uses the incremental cost to the Company of the benefit. To determine the incremental cost of aircraft usage, we multiply the number of hours of personal flight usage (including "deadhead" flights) by the hourly cost of fuel (Company average) and the hourly cost of maintenance (where such cost is based on hours of use), and we add per flight fees such as landing, ramp and hangar fees, catering, and crew travel costs.*

   The aggregate incremental cost of personal benefits in 2012 provided to the Named Executive Officers was: Mr. Stephenson—$457,409, Mr. Stephens—$55,436, Mr. de la Vega—$44,813, Mr. Stankey—$87,141, and Mr. Watts—$81,651. Included in the above personal benefits amounts are (1) financial counseling, including tax preparation and estate planning: Mr. Stephenson—$20,192, each of Messrs. Stephens and Stankey—$24,000, and each of Messrs. de la Vega and Watts—$14,000, (2) auto benefits: Mr. Stephenson—$27,359, Mr. Stephens—$15,719, Mr. de la Vega—$14,723, Mr. Stankey—$15,143, and Mr. Watts—$19,145, (3) personal use of company aircraft: Mr. Stephenson—$276,391, Mr. Stephens—$0, Mr. de la Vega—$0, Mr. Stankey—$30,687, and Mr. Watts—$5,882, (4) supplemental health insurance premiums: each of Messrs. Stephenson and de la Vega—$12,936, and each of Messrs. Stephens, Stankey and Watts—$12,300, (5) club memberships: Mr. Stephenson—$4,081, each of Messrs Stephens and de la Vega—$0, and each of Messrs. Stankey and Watts—$2,533, (6) communications: Mr. Stephenson—$14,527, Mr. Stephens—$937, Mr. de la Vega—$2,448, Mr. Stankey—$1,751, and Mr. Watts—$20,369, and (7) home security: Mr. Stephenson—$101,923, Mr. Stephens—$2,480, Mr. de la Vega—$706, Mr. Stankey—$727, and Mr. Watts—$7,422.

   Company-paid premiums on supplemental life insurance in 2012 were: Mr. Stephenson—$178,707, Mr. Stephens—$49,776, Mr. de la Vega—$13,965, Mr. Stankey—$82,215, and Mr. Watts—$113,512.

   The Company provides a matching contribution in the 401(k) plan and certain "makeup" matching contributions in the Stock Purchase and Deferral Plan, discussed in detail on pages 72 and 73. Total matching contributions in 2012 were: Mr. Stephenson—$167,192, Mr. Stephens—$202,203, Mr. de la Vega—$113,363, Mr. Stankey—$52,152, and Mr. Watts—$59,097.

Grants of Plan-Based Awards

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (3) (#)	All Other Option Awards: Number of Securities Underlying Options (4) (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
Stephenson	1/26/12	0	5,050,000	10,100,000	108,235	216,469	351,762	216,469	—	—	12,586,590
Stephens	1/26/12	0	1,375,000	2,750,000	28,184	56,367	91,596	56,367	—	—	3,277,459
	2/15/12	—	—	—	—	—	—	—	2,373	29.87	2,769
de la Vega	1/26/12	0	1,645,000	3,290,000	37,988	75,976	123,461	75,976	—	—	4,417,625
	2/15/12	—	—	—	—	—	—	—	1,068	29.87	1,246
Stankey	1/26/12	0	1,645,000	3,290,000	37,988	75,976	123,461	75,976	—	—	4,417,625
Watts	1/26/12	0	1,315,000	2,630,000	29,287	58,574	95,183	58,574	—	—	3,405,785

1. *Under these awards (discussed beginning on page 50), the Committee establishes a target award together with a maximum award equaling 200% of the target award. If the performance condition is met, the Committee reviews the overall performance of the Company (including the three key measures), business unit results, and the individual performance of each officer to determine the appropriate payouts, not to exceed the maximum award. If the performance condition is not met, no award may be paid.*
2. *Represents performance share awards discussed beginning on page 54.*
3. *Represents restricted stock unit grants discussed on page 55. The 2012 units vest and distribute in January 2016. Additionally, units vest upon an employee becoming retirement eligible, but do not distribute until the established distribution date. Messrs. Stephenson, de la Vega, and Watts were retirement eligible as of the grant date. Mr. Stankey became retirement eligible on December 19, 2012. Mr. Stephens is not retirement eligible.*
4. *Represents stock options granted under the Stock Purchase and Deferral Plan, which is described in the narrative following the "Nonqualified Deferred Compensation" table. Stock options are not currently offered under the plan. Company matching shares issued under that plan are reported in the "Nonqualified Deferred Compensation" table and under "All Other Compensation" in the "Summary Compensation Table."*

Employment Contracts

There are no employment agreements with any of the Named Executive Officers, except for the following:

Rafael de la Vega

Mr. de la Vega has an employment contract that provides for his continued participation in the BellSouth Corporation Supplemental Executive Retirement Plan (***BellSouth SERP***) while he is employed by AT&T Mobility (formerly Cingular) and provides for certain benefits in the event of his termination of employment with AT&T Mobility. In connection with his transfer from BellSouth to what was then Cingular in 2003, BellSouth agreed to maintain Mr. de la Vega in the BellSouth SERP (described on pages 69 and 70) while Mr. de la Vega was employed by Cingular. In addition, if Mr. de la Vega was terminated from Cingular for any reason, BellSouth would hire him back. If BellSouth failed to rehire Mr. de la Vega in a comparable position, or in the event Mr. de la Vega died or terminated employment because of disability before returning to BellSouth, Mr. de la Vega or his beneficiary, as applicable, would receive a lump sum payment equal to two times his salary and target bonus. See discussion on page 69 regarding his accrual of future benefits in the AT&T SERP.

Outstanding Equity Awards at December 31, 2012

Name	Option Awards (1)				Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexer-cisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (2) (#)	Market Value of Shares or Units of Stock That Have Not Vested (2) ($)	Equity Incentive Plans Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (3) (#)	Equity Incentive Plans Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (3) ($)
Stephenson	16,085	—	23.9200	1/30/15				
	89,320*	—	24.0100	6/15/15				
	19,405*	—	28.3200	2/15/16				
	105,081*	—	27.7300	6/15/16				
	15,102*	—	37.2300	2/15/17				
	98,764*	—	40.2800	6/15/17				
	14,720*	—	37.8800	2/15/18				
	230,102*	—	36.1700	6/16/18				
	30,472*	—	23.2200	2/17/19				
	14,627*	—	24.6300	6/15/19				
	20,664*	—	25.3200	2/16/20				
	379,336*	—	25.5400	6/15/20				
	29,345*	—	28.2400	2/15/21				
2011-2013 Perf. Sh.					—	—	226,626	7,639,562
2012-2014 Perf. Sh.					—	—	297,645	10,033,613
Stephens	4,686	—	26.4600	1/31/14				
	12,478	—	23.7400	5/30/14				
	5,044	—	23.9200	1/30/15				
	17,378*	—	24.0100	6/15/15				
	5,342*	—	28.3200	2/15/16				
	17,656*	—	27.7300	6/15/16				
	4,026*	—	37.2300	2/15/17				
	14,589*	—	40.2800	6/15/17				
	3,348*	—	37.8800	2/15/18				
	16,241*	—	36.1700	6/16/18				
	6,656*	—	23.2200	2/17/19				
	16,973*	—	24.6300	6/15/19				
	8,454*	—	25.3200	2/16/20				
	38,069*	—	25.5400	6/15/20				
	9,730*	—	28.2400	2/15/21				
	39,919*	—	30.3500	6/15/21				
		2,373	29.8700	2/15/22				
2011-2013 Perf. Sh.					—	—	13,509	455,388
2011-2013 Perf. Sh.					—	—	14,042	473,356
2012-2014 Perf. Sh.					—	—	77,505	2,612,694
2010 Restricted Stock Units					14,879	501,571	—	—
2011 Restricted Stock Units					13,509	455,388	—	—
2011 Restricted Stock Units					14,042	473,356	—	—
2012 Restricted Stock Units					56,367	1,900,132	—	—

* *Stock Options issued under the Stock Purchase and Deferral Plan*

Outstanding Equity Awards at December 31, 2012

Name	Option Awards (1)				Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexer-cisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (2) (#)	Market Value of Shares or Units of Stock That Have Not Vested (2) ($)	Equity Incentive Plans Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (3) (#)	Equity Incentive Plans Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (3) ($)
de la Vega	77,512	—	16.4200	3/3/13				
	5,464	—	18.3000	4/28/13				
	12,397*	—	24.6300	6/15/19				
	6,251*	—	25.3200	2/16/20				
	22,160*	—	25.5400	6/15/20				
	6,838*	—	28.2400	2/15/21				
	17,971*	—	30.3500	6/15/21				
		1,068	29.8700	2/15/22				
2011-2013 Perf. Sh.					—	—	77,320	2,606,457
2012-2014 Perf. Sh.					—	—	104,467	3,521,583
Stankey	1,439	—	26.4600	1/31/14				
	7,993	—	23.7400	5/30/14				
	4,168	—	23.9200	1/30/15				
	1,059*	—	24.0100	6/15/15				
	1,661*	—	28.3200	2/15/16				
	934*	—	27.7300	6/15/16				
	1,337*	—	37.2300	2/15/17				
	794*	—	40.2800	6/15/17				
	1,234*	—	37.8800	2/15/18				
	1,073*	—	36.1700	6/16/18				
	2,073*	—	23.2200	2/17/19				
	1,675*	—	24.6300	6/15/19				
	2,366*	—	25.3200	2/16/20				
	1,658*	—	25.5400	6/15/20				
	2,326*	—	28.2400	2/15/21				
2011-2013 Perf. Sh.					—	—	77,320	2,606,457
2012-2014 Perf. Sh.					—	—	104,467	3,521,583
2009 Restricted Stock					153,198	5,164,305	—	—
Watts	3,797	—	26.4600	1/31/14				
	437	—	23.7400	5/30/14				
	961	—	23.9200	1/30/15				
	4,648*	—	24.0100	6/15/15				
	1,281*	—	28.3200	2/15/16				
	564*	—	27.7300	6/15/16				
	774*	—	37.2300	2/15/17				
	470*	—	40.2800	6/15/17				
	1,010*	—	37.8800	2/15/18				
	803*	—	36.1700	6/16/18				
	1,597*	—	23.2200	2/17/19				
	3,228*	—	24.6300	6/15/19				
	4,561*	—	25.3200	2/16/20				
	3,366*	—	25.5400	6/15/20				
	4,943*	—	28.2400	2/15/21				
2011-2013 Perf. Sh.					—	—	60,434	2,037,230
2012-2014 Perf. Sh.					—	—	80,539	2,714,970

* *Stock Options issued under the Stock Purchase and Deferral Plan*

1. *Options expire ten years after the grant date; however, option terms may be shortened due to termination of employment of the holder. Options in the table vest as follows:*

Option Expiration Date	Vesting
1/31/14, 5/30/14, 1/30/15, 6/15/15, 2/15/16, 6/15/16, 2/15/17, 6/15/17, 2/15/18, 6/16/18, 2/17/19, 6/15/19, 2/16/20, 6/15/20, 2/15/21, 6/15/21, 2/15/22	These options are vested at issuance, but may not be exercised until the earlier of the first anniversary of the grant or the termination of employment of the option holder. These options are granted based upon the amount of stock purchased by mid-level and above managers in the Stock Purchase and Deferral Plan (described in the "Grants of Plan-Based Awards Table") and its predecessor plan, which has substantially the same terms.
4/28/13	These options vested 6 months after the grant date.
3/3/13	These options vested 3 years after the grant date.

2. *Mr. Stankey's 2009 restricted stock grant vests in 2014. Mr. Stephens' 2010, 2011 and 2012 Restricted Stock Units (**RSUs**) vest the earlier of his becoming retirement eligible or upon each award's scheduled vesting dates as follows: 2010 RSUs—2013 (50% of the award) and 2014 (50% of the award), 2011 RSUs—2015 and 2012 RSUs—2016. The Named Executive Officers become retirement eligible when they either (1) reach age 55 and have at least five years of service or (2) satisfy the "modified rule of 75," which requires certain combinations of age and service that total at least 75. Only Mr. Stephens was not retirement eligible as of December 31, 2012. The 2012 RSU grants to the other Named Executive Officers are included in the "Option Exercises and Stock Vested" table below.*

3. *Performance shares are paid after the end of the performance period shown for each award. The actual number of shares paid out is dependent upon the achievement of the related performance objectives and approval of the Human Resources Committee. In this column, we report the number of outstanding performance shares and their theoretical value based on the price of AT&T stock on December 31, 2012. In calculating the number of performance shares and their value, we are required by SEC rules to compare the Company's performance through 2012 under each outstanding performance share grant against the threshold, target, and maximum performance levels for the grant and report in this column the applicable potential payout amount. If the performance is between levels, we are required to report the potential payout at the next highest level. For example, if the previous fiscal year's performance exceeded target, even if it is by a small amount and even if it is highly unlikely that we will pay the maximum amount, we are required by SEC rules to report the awards using the maximum potential payouts. For Mr. Stephens' 2011 grant of 13,509 shares (made prior to his promotion to CFO), the performance measure is Return on Invested Capital (**ROIC**). For all other Named Executive Officer performance share grants, the performance measure for 75% of shares in each grant is ROIC, and for the remaining 25%, the performance measure is Total Stockholder Return (**TSR**). As of the end of 2011, because both the ROIC achievement and the TSR achievement for the 2011 grant were at the target level, we reported these grants at their target award values. For the 2012 grants, the ROIC and TSR achievements were above and at the target level, respectively, requiring the ROIC portion of these grants to be reported at their maximum award value and the TSR portion of these grants to be reported at their target award values.*

Option Exercises and Stock Vested During 2012

	Option Awards		Stock Awards (1)	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
Stephenson	288,702	2,900,842	491,038	15,927,261
Stephens	6,530	2,481	59,949	2,208,573
de la Vega	216,443	718,201	365,090	12,177,029
Stankey	59,879	288,256	381,910	13,106,676
Watts	27,613	136,502	144,714	4,721,811

1. *Included in the above amounts are restricted stock unit grants that vested in 2012 but are not yet distributable. Units vest at the earlier of the scheduled vesting date or upon the employee becoming retirement eligible; in each case, the units are not distributed until the scheduled vesting dates. Restricted stock units that vested in 2012 but will not be distributed until the scheduled vesting dates are as follows: Mr. Stephenson—216,469, Mr. de la Vega—75,976, Mr. Stankey—238,457, and Mr. Watts—58,574. Mr. Stephens was not retirement eligible as of December 31, 2012, and did not vest in the restricted stock units granted in 2012. Mr. Stankey became retirement eligible in 2012.*

Pension Benefits (Estimated for 12/31/12)

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefits (1) ($)	Payments During Last Fiscal Year ($)
Stephenson	Pension Benefit Plan—Nonbargained Program	30	1,226,482	0
	Pension Benefit Make Up Plan	30	7,607	0
	SRIP	30	2,219,212	0
	SERP	30	39,291,053	0
Stephens	Pension Benefit Plan—Nonbargained Program	20	979,929	0
	Pension Benefit Make Up Plan	20	46,961	0
	SRIP	20	301,744	0
	SERP	20	6,442,081	0
de la Vega (2)	Pension Benefit Plan—Mobility Program	38	118,959	0
	BellSouth SERP	38	17,106,072	0
	SERP	38	5,988,642	0
Stankey	Pension Benefit Plan—Nonbargained Program	27	1,045,806	0
	SRIP	27	407,368	0
	SERP	27	20,076,884	0
Watts	Pension Benefit Plan—Nonbargained Program	29	1,325,220	0
	Pension Benefit Make Up Plan	29	195,271	0
	SRIP	29	1,054,648	0
	SERP	29	12,520,360	0

1. *Pension benefits reflected in the above table were determined using the methodology and material assumptions set forth in the 2012 AT&T Annual Report to Stockholders in Note 11 to Consolidated Financial Statements, "Pension and Postretirement Benefits," except that, as required by SEC regulations, the assumed retirement age is the specified normal retirement age in the plan unless the plan provides a younger age at which benefits may be received without a discount based on age, in which case the younger age is used. For the Nonbargained Program under the Pension Benefit Plan and the Pension Benefit Make Up Plan, the assumed retirement age is the date a participant is at least age 55 and meets the "modified rule of 75," which requires certain combinations of age and service that total at least 75. For the Mobility Program under the Pension Benefit Plan (Mobility Program), the assumed retirement age for the cash balance formula is age 65. For the AT&T SRIP/SERP, the assumed retirement age is the earlier of the date the participant reaches age 60 or has 30 years of service (the age at which an employee may retire without discounts for age). For the BellSouth SERP, the assumed retirement age is the date the participant reaches age 62. If a participant has already surpassed the earlier of these dates, then the assumed retirement age used for purposes of this table is determined as of December 31, 2012.*

   For each of the Named Executive Officers, SRIP/SERP benefits in the table have been reduced for benefits available under the qualified plans and by a specified amount that approximates benefits available under other nonqualified plans included in the table.

2. *Mr. de la Vega took a total distribution of his qualified benefit in the BellSouth Personal Retirement Account when he transferred to AT&T Mobility in 2003 (then known as Cingular) and began accruing benefits under what is now the Mobility Program. The benefit received under the BellSouth Personal Retirement Account and amounts in the Mobility Program offset amounts accrued under his BellSouth SERP benefit. Mr. de la Vega continued to earn benefits under the BellSouth SERP until March 1, 2011, when he became vested in the AT&T SERP. The AT&T SERP provides him with a nonqualified benefit equal to the greater of the AT&T SERP formula or the BellSouth SERP formula (excluding pay and service credits after March 1, 2011, but allowing the early retirement discount to decrease until age 62). His benefits under the AT&T SERP will be reduced for benefits available under the qualified pensions and by a specified amount that approximates benefits available under the BellSouth SERP.*

Qualified Pension Plan

We offer post-retirement benefits, in various forms, to nearly all our managers. The AT&T Pension Benefit Plan, a "qualified pension plan" under the Internal Revenue Code, covers nearly all of our employees and each of the Named Executive Officers. The applicable benefit accrual formula depends on the subsidiaries that have employed the participant.

Nonbargained Program

Each of the Named Executive Officers, except for Mr. de la Vega, is covered by the Nonbargained Program. Participants receive the greater of the benefit determined under the Career Average Minimum (***CAM***) formula or the cash balance formula, each of which is described below.

CAM Formula

The CAM formula applicable to the Named Executive Officers (other than Mr. de la Vega) covers AT&T managers other than persons that were employed by AT&T Corp., BellSouth, or AT&T Mobility (and their respective subsidiaries) prior to our respective acquisitions of those companies. This formula provides an annual benefit equal to 1.6% of the participant's average pension-eligible compensation (generally, base pay, commissions, and annual bonuses, but not officer bonuses paid to individuals promoted to officer level before January 1, 2009) for the five years ended December 31, 1999, multiplied by the number of years of service through the end of the December 31, 1999, averaging period, plus 1.6% of the participant's pension-eligible compensation thereafter. Employees who meet the "modified rule of 75" and are at least age 55 are eligible to retire without age or service discounts. The "modified rule of 75" establishes retirement eligibility when certain combinations of age and service total at least 75.

Cash Balance Formula

The cash balance formula was frozen, except for interest credits, on January 14, 2005. The cash balance formula provided an accrual equal to 5% of pension-eligible compensation plus monthly interest credits on the participant's cash balance account. The interest rate is reset quarterly and is equal to the published average annual yield for the 30-year Treasury Bond as of the middle month of the preceding quarter.

The plan permits participants to take the benefit in various actuarially equivalent forms, including a regular annuity or, to a limited extent, a lump sum calculated as the present value of the annuity. For individuals hired on or after January 1, 2007 (January 1, 2006, for our principal wireless subsidiaries), the qualified pension benefits described above have been replaced by an age-graded cash balance formula. To the extent the Internal Revenue Code places limits on the amounts that may be earned under a qualified pension plan, these amounts are paid under the nonqualified Pension Benefit Make Up Plan but only for periods prior to the person becoming a participant in the SRIP/SERP below. The Pension Benefit Make Up Plan benefit is paid in the form of a 10-year annuity or in a lump sum if the value of the annuity is less than $50,000.

Mobility Program

Mr. de la Vega is covered by the Mobility Program, which is part of the tax-qualified AT&T Pension Benefit Plan. This program covers employees of our principal wireless subsidiaries that were hired prior to 2006. The Mobility Program is the qualified pension plan previously offered by AT&T Mobility that was merged into the AT&T Pension Benefit Plan. Participants in the Mobility Program are generally entitled to receive a cash balance benefit equal to the monthly basic benefit credits of 5% of the participant's pension-eligible compensation (generally, base pay, commissions, and group incentive awards, but not individual awards) plus monthly interest credits on the participant's cash balance account. The interest rate for cash balance credits is reset quarterly and is equal to the published average annual yield for the 30-year Treasury Bond as of the middle month of the preceding quarter. The plan permits participants to take the benefit in various actuarially equivalent forms, including an annuity or a lump sum calculated as the present value of the annuity.

Nonqualified Pension Plans

Employees are limited by tax law in the amount of benefit they may receive under a qualified pension plan. We offer our executive officers and other officers (who became officers prior to 2005) supplemental retirement benefits under the Supplemental Retirement Income Plan (***SRIP***) and, for those serving as officers between 2005-2008, its successor, the 2005 Supplemental Employee Retirement Plan (***SERP***), as additional retention tools. As a result of changes in the tax laws, beginning December 31, 2004, participants ceased accruing benefits under the SRIP, the original supplemental plan. After December 31, 2004, benefits are earned under the SERP. Participants make separate distribution elections (annuity or lump sum) for benefits earned and vested before 2005 (under the SRIP) and for benefits accrued during and after 2005 (under the SERP). Elections for the portion of the pension that accrued in and after 2005, however, must have been made when the officer first participates in the SERP. Vesting in the SERP requires five years of service (including four years of participation in the SERP). Each of the Named Executive Officers is vested in the SERP. Regardless of the payment form, no benefits under the SERP are payable until six months after termination of employment. An officer's benefits under these nonqualified pension plans are reduced by: (1) benefits due under qualified AT&T pension plans and (2) a specific amount that approximates the value of the officer's benefit under other nonqualified pension plans, determined generally as of December 31, 2008. *These supplemental benefits are neither funded by nor are a part of the qualified pension plan.*

Each of the Named Executive Officers is eligible to receive these benefits. *However, the Human Resources Committee has determined to no longer allow new officers to participate in these supplemental retirement benefits, but may do so if it deems it necessary to attract or retain key talent or for other appropriate business reasons.* Instead, new officers may be granted restricted stock generally equal in value to one-year's salary with a five year vesting period. If appropriate, new grants will be made during the officer's employment.

Calculation of Benefit

Under the SRIP/SERP, the target annual retirement benefit is stated as a percentage of a participant's annual salary and annual incentive bonus averaged over a specified period described below. The percentage is increased by 0.715% for each year of actual service in excess of, or decreased by 1.43% (0.715% for mid-career hires) for each year of actual service below, 30 years of service. In the event the participant retires before reaching age 60, a discount of 0.5% for each month remaining until the participant attains age 60 is applied to reduce the amount payable under this plan, except for officers who have 30 years or more of service at the time of retirement. Of the Named Executive Officers currently employed by the Company, only Messrs. Stephenson and de la Vega are eligible to retire without either an age or service discount under this plan. These benefits are also reduced by any amounts participants receive under a qualified pension plan and by a frozen, specific amount that approximates the amount they receive under our other nonqualified pension plans, calculated as if the benefits under these plans were paid in the form of an immediate annuity for life.

For all but Mr. Stephenson (see below), the salary and bonus used to determine their SRIP/SERP amount is the average of the participant's salary and actual annual incentive bonuses earned during the

36-consecutive-month period that results in the highest average earnings that occurs during the 120 months preceding retirement. In some cases, the Human Resources Committee may require the use of the target bonus, or a portion of the actual or target bonus, if it believes the actual bonus is not appropriate. The target annual retirement percentage for the Chief Executive Officer is 60%, and for other Named Executive Officers the target percentage ranges from 50% to 60%. Beginning in 2006, the target percentage was limited to 50% for all new participants (see note above on limiting new participants after 2008). If a benefit payment under the plan is delayed by the Company to comply with Federal tax rules, the delayed amounts will earn interest at the rate the Company uses to accrue the present value of the liability, and the interest will be included in the appropriate column(s) in the "Pension Benefits" table.

Forms of Payment

Annuity

Participants may receive benefits as an annuity payable for the greater of the life of the participant or ten years. If the participant dies within ten years after leaving the Company, then payments for the balance of the ten years will be paid to the participant's beneficiary. Alternatively, the participant may elect to have the annuity payable for life with 100% or 50% payable upon his or her death to his or her beneficiary for the beneficiary's life. The amounts paid under each alternative (and the lump sum alternative described below) are actuarially equivalent. As noted above, separate distribution elections are made for pre-2005 benefits and 2005 and later benefits.

Lump Sum

Participants may elect that upon retirement at age 55 or later to receive the actuarially determined net present value of the benefit as a lump sum, rather than in the form of an annuity. To determine the net present value, we use the discount rate used for determining the projected benefit obligation at December 31 of the second calendar year prior to the year of retirement. Participants may also elect to take all or part of the net present value over a fixed period of years elected by the participant, not to exceed 20 years, earning interest at the same discount rate. A participant is not permitted to receive more than 30% of the net present value of the benefit before the third anniversary of the termination of employment, unless he or she is at least 60 years old at termination, in which case the participant may receive 100% of the net present value of the benefit as early as six months after the termination of employment. Eligible participants electing to receive more than 30% of the net present value of the benefit within 36 months of their termination must enter into a written noncompetition agreement with us and agree to forfeit and repay the lump sum if they breach that agreement.

Randall Stephenson's Benefit

Mr. Stephenson's SERP benefit was modified in 2010. For purposes of calculating his SERP benefit, the Company froze his compensation as of June 30, 2010. He stopped accruing age and service credits as of December 31, 2012, at which time his benefit was determined as a lump sum amount, which thereafter earns interest. The discount rate for calculating the lump sum as well as the interest rate is 5.8%.

Rafael de la Vega's Benefit

Mr. de la Vega vested in the AT&T SERP on March 1, 2011. At that time, benefits to be paid from the BellSouth SERP were frozen. The AT&T SERP benefit will be reduced by a specified amount that approximates his BellSouth SERP benefit. The AT&T SERP provides a nonqualified pension benefit equal to the greater of (1) the AT&T SERP formula applicable to other plan participants, or (2) the amount he would have received under the BellSouth SERP (excluding pay and service credits after March 1, 2011, but allowing the early retirement discount factor of the BellSouth SERP to decrease based on his age and service at retirement). The BellSouth SERP provides an annual benefit equal to a percentage of eligible earnings under the BellSouth SERP, which earnings are determined by taking Mr. de la Vega's annual average of the sum of his salary and bonuses paid during the 60-month period ending February 28, 2011. The applicable percentage is 2% for each year of service for the first 20 years of service, 1.5% for each of the next ten years, and 1% for each additional year of service. Mr. de la Vega's BellSouth SERP benefit is reduced by his qualified pension benefits and primary Social Security benefits. For participants with more than 30 years of service, the applicable percentage is reduced 3% for each year benefits commence prior to age 62. (These benefits are reduced by 6% for each such year if the participant has less than 30 years of service.) Mr. de la Vega has more than 30 years of service, but is not yet age 62. Participants elect to receive benefits as an actuarially determined lump sum, life annuity or ten-year certain form of payment. For purposes of determining BellSouth SERP benefits, Mr. de la Vega's service calculation will include his service with AT&T Mobility (as provided by his contract), where he currently is employed, as well as his service with BellSouth Corporation. In addition, under the BellSouth SERP, in the event of the death of a participant, the spouse would receive the same BellSouth SERP benefit the participant would have received had he survived and terminated employment on the date of death. The BellSouth SERP also provides a lump sum death benefit payable to the participant's beneficiaries equal to his annual base pay rate as of December 31, 2005, plus two times his standard target bonus as of December 31, 2005. Mr. de la Vega's death benefit will be paid in the amount of $1.86 million.

Other Post-Retirement Benefits

Named Executive Officers who retire after age 55 with at least five years of service or who are retirement-eligible under the "modified rule of 75" continue to receive the benefits shown in the following table after retirement, except that only Mr. Stephenson is entitled to receive supplemental health benefits after retirement. Benefits that are available generally to managers are omitted. All other Named Executive Officers, except Mr. Stephens, are currently retirement eligible.

Financial counseling benefits will be made available to the executive officers for 36 months following retirement. We do not reimburse taxes on personal benefits for executive officers, other than certain non-deductible relocation costs, which along with the tax reimbursement, we make available to nearly all management employees. The supplemental health benefit is in addition to the group health plan and is provided to Mr. Stephenson for life. During their employment, officers are subject to an annual deductible on health benefits, co-insurance, and a portion of the premium. Officers who are eligible to receive the benefit in retirement have no annual deductible or co-insurance, but they must pay larger premiums. In addition, we also provide communications, broadband/TV and related services and products for life; however, to the extent the service is provided by AT&T, it is typically provided at little or no incremental cost. These benefits are subject to amendment.

Other Post-Retirement Benefits

Personal Benefit	Estimated Amount (valued at our incremental cost)
Financial counseling	Maximum of $14,000 per year for 36 months
Financial counseling provided in connection with retirement	Up to $20,000
Estate planning	Up to $10,000 per year for 36 months
Other (communications)	Average of $2,400 annually
Supplemental health insurance premiums (Mr. Stephenson only)	Approximately $4,100 annually, above required contributions from employee

In the event of the officer's termination of employment due to death, the officer's unvested restricted stock units and restricted stock, if any, will vest, and outstanding performance shares will pay out at 100% of target. As a result, if a Named Executive Officer had died at the end of 2012, performance shares, restricted stock units, and restricted stock would have vested and been distributed as follows: Mr. Stephenson—$14,936,732, Mr. Stephens—$6,159,323, Mr. de la Vega—$5,167,608, Mr. Stankey—$10,331,913, and Mr. Watts—$4,011,760.

In the event of termination of employment due to disability, unvested restricted stock units and restricted stock, if any, will vest; however, the restricted stock units will not pay out until their scheduled vesting times. Performance shares granted in 2011 would be paid at 100% of target in the January following termination; however, later granted performance shares will not be accelerated but will be paid solely based on the achievement of the pre-determined performance goals without forfeiture due to such termination (other than for cause). As a result, if such an event had occurred to a Named Executive Officer at the end of 2012, the following performance shares, restricted stock units, and restricted stock would have vested: Mr. Stephenson—$7,639,562, Mr. Stephens—$4,259,191, Mr. de la Vega—$2,606,457, Mr. Stankey—$7,770,762, and Mr. Watts—$2,037,230.

We pay recoverable premiums on split-dollar life insurance that provides a specified death benefit to beneficiaries of each Named Executive Officer equal to one times salary during his or her employment. After retirement, the death benefit remains one times salary until he or she reaches age 66; the benefit is then reduced by 10% each year until age 70, when the benefit becomes one-half of his or her final salary. However, Mr. Stephenson receives a basic death benefit of three times salary while employed, which is reduced to two times salary after his retirement; Mr. Stephens receives a death benefit of two times salary while employed and after retirement. Of the Named Executive Officers, only Mr. Stephens is not yet retirement eligible.

In addition to the foregoing, Mr. Stephenson, Mr. Stephens, Mr. Stankey, and Mr. Watts purchase optional additional split-dollar life insurance coverage equal to two times salary, which is subsidized by the Company. If the policies are not fully funded upon the retirement of the officer, we continue to pay our portion of the premiums until they are fully funded.

Basic death benefits payable to Mr. de la Vega under the AT&T plan are reduced by $900,000, which represents the sum of death benefits provided by (1) a BellSouth policy with a face amount of $400,000 that was transferred to Mr. de la Vega in 2007, and (2) two BellSouth policies with a combined face amount of $500,000 owned by Mr. de la Vega. Under the latter policies, the Company and Mr. de la Vega share the payment of premiums, and the policies provide either a death benefit to Mr. de la Vega's beneficiary(ies) or an accumulated cash value available to Mr. de la Vega. The Company does not recover any of its premium payments under Mr. de la Vega's policies. Currently, the $900,000 of coverage from BellSouth policies completely offsets any basic death benefit provided by the AT&T plan.

We also provide death benefits in connection with Mr. de la Vega's BellSouth SERP (described on pages 69 and 70) and Mr. Watts' Senior Management Deferred Compensation Plan of 1988 (described on page 74).

Nonqualified Deferred Compensation

Name	Plan (1)	Executive Contributions in Last FY (2) ($)	Registrant Contributions in Last FY (2) ($)	Aggregate Earnings in Last FY (2)(3) $)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE (2) ($)
Stephenson	Stock Purchase and Deferral Plan	465,000	155,400	826,120	683,999	5,892,241
	Cash Deferral Plan	3,030,000	—	136,736	—	3,515,724
	Comp. Deferral Plan (4-Yr Units)	—	—	27	2,192	—
Stephens	Stock Purchase and Deferral Plan	849,313	190,203	203,892	926,348	1,426,913
de la Vega	Stock Purchase and Deferral Plan	357,563	104,993	234,333	—	1,914,570
	Cash Deferral Plan	1,395,938	—	150,518	—	3,728,177
	BellSouth Nonqualified Deferred Income Plan	—	—	45,860	33,685	352,409
	AT&T Mobility Cash Deferral Plan	—	—	29,817	—	678,008
	AT&T Mobility 2005 Cash Deferral Plan	—	—	385,783	—	8,772,360
Stankey	Stock Purchase and Deferral Plan	52,313	40,312	236,659	40,417	1,670,648
	Cash Deferral Plan	—	—	13,409	—	299,912
Watts	Stock Purchase and Deferral Plan	114,281	47,426	124,711	164,397	935,663
	Cash Deferral Plan	—	—	9,455	425,253	125,745
	Sr Mgmt Deferred Comp. Plan of 1988 (4-Yr Units)	—	—	3,689	—	83,879

1. *Amounts attributed to the Stock Purchase and Deferral Plan or to the Cash Deferral Plan also include amounts from their predecessor plans. No further contributions are permitted under the predecessor plans.*

2. *Of the amounts reported in the contributions and earnings columns and also included in the aggregate balance column in the table above, the following amounts are reported as compensation for 2012 in the "Summary Compensation Table": Mr. Stephenson—$631,544, Mr. Stephens—$392,328, Mr. de la Vega—$890,177, Mr. Stankey—$93,721, and Mr. Watts—$162,408. Of the amounts reported in the aggregate balance column, the following aggregate amounts were previously reported in the "Summary Compensation Table" for 2011 and 2010, combined: Mr. Stephenson—$3,033,878, Mr. Stephens—$647,188, Mr. de la Vega—$2,628,126, Mr. Stankey—$173,411, and Mr. Watts—$159,886.*

3. *Aggregate Earnings include interest, dividend equivalents, and stock price appreciation/depreciation. The "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the "Summary Compensation Table" includes only the interest that exceeds the SEC market rate, as shown in footnote 4 to the "Summary Compensation Table".*

Stock Purchase and Deferral Plan (SPDP)

Under the SPDP and its predecessor plan, mid-level managers and above may annually elect to defer up to 30% of their salary and annual bonus. Officers, including the Named Executive Officers, may defer up to 95% of their short-term award, which is similar to, and paid in lieu of, the annual bonus paid to other management employees. In addition, the Human Resources Committee may approve other contributions to the plan. These contributions are used to purchase through payroll deductions AT&T deferred share units (each representing the right to receive a share of AT&T stock) at fair market value on a tax-deferred basis.

Participants receive a 20% match in the form of additional deferred share units; however, with respect to short-term awards, officer level participants receive the 20% match only on the purchase of deferred share units that represent no more than their target awards. In addition, the Company provides "makeup" matching contributions in the form of additional deferred share units in order to generally offset the loss of match in the 401(k) plan caused by participation in the SPDP and the CDP, and to provide match on compensation that exceeds Federal compensation limits for 401(k) plans. The makeup match is an 80% match on contributions from the first 6% of salary and bonus (the same rate as used in the Company's principal 401(k) plan), *reduced* by the amount of matching contributions the employee is eligible to receive (regardless of actual participation) in the Company's 401(k) plan. Officer level employees do not receive a makeup match on the contribution of their short-term awards. Deferrals are distributed in AT&T stock at times elected by the participant. For salary deferrals prior to 2011 and bonus deferrals prior to 2012, in lieu of the 20% match, participants received two stock options for each deferred share unit acquired. Each stock option had an exercise price equal to the fair market value of the stock on the date of grant.

Cash Deferral Plan (CDP)

Managers who defer at least 6% of salary in the SPDP may also defer up to 50% (25% in the case of mid-level managers) of salary into the CDP. Similarly, managers that defer 6% of bonuses in the SPDP may also defer bonuses in the CDP, subject to the same deferral limits as for salary; however officer level managers may defer up to 95% of their short-term award into the CDP without a corresponding SPDP deferral. In addition, the Human Resources Committee may approve other contributions to the plan. We pay interest at the Moody's Long-Term Corporate Bond Yield Average for the preceding September (the ***Moody's rate***), a common index used by companies. Pursuant to the rules of the SEC, we include in the "Summary Compensation Table" under "Change in Pension Value and Nonqualified Deferred Compensation Earnings" any earnings on deferred compensation that exceed a rate determined in accordance with SEC rules. The Moody's rate, over time, approximates this SEC rate. Deferrals are distributed at times elected by the participant. Similarly, under its predecessor plan, managers could defer salary and incentive compensation to be paid at times selected by the participant. No deferrals were permitted under the prior plan after 2004. Account balances in the prior plan are credited with interest at a rate determined annually by the Company, which will be no less than the prior September Moody's rate.

Other Nonqualified Deferred Compensation Plans

Certain of the Named Executive Officers also participated in deferred compensation plans that are now closed to additional contributions and are described below.

AT&T Mobility Cash Deferral Plan

Mr. de la Vega has a balance in the AT&T Mobility Cash Deferral Plan, a nonqualified, executive deferred compensation plan. The plan permitted officers and senior managers to defer between 6% and 50% of their base pay and between 6% and 75% of their annual bonus and long-term compensation awards into the plan. The Company provided a match equal to 80% of 6% of the salary and annual bonus deferred by the participant. The plan also provided an additional match when a participant's salary and annual bonus exceeded Internal Revenue Code qualified plan limits. Benefits under the plan are unfunded. Account balances earn an interest rate of return based on the Moody's rate for the prior September. This rate is reset each year. Distributions occur according to employee elections. AT&T Mobility adopted a successor plan, known as the AT&T Mobility 2005 Cash Deferral Plan, having substantially the same terms as the original plan except with respect to the timing of deferral and distribution elections. No new deferrals were permitted after 2008.

BellSouth Nonqualified Deferred Income Plan

Mr. de la Vega also made contributions from his BellSouth compensation to this nonqualified deferred compensation plan. Under Schedule A of the plan, senior managers were permitted to make up to two annual deferrals of up to 25% of their salary and bonus. Beginning with the 7th year after the deferral, the plan returned the original deferral to the participant in one to three annual installments, depending on the year of the deferral. Mr. de la Vega's deferrals under Schedule A receive fixed rates of 17.0% and 17.5% for his 1991 and 1993 deferrals, respectively. The balance is paid in 15 annual installments beginning at age 65. Under Schedule B, participants were able to defer up to 10% of their salary and bonus; distributions are made at the election of the participant. Mr. de la Vega's deferrals under Schedule B receive fixed rates of 11.0% for his 1994 deferral and 10% for his 1995 deferral. No new deferrals were permitted under this plan after 1998.

Senior Management Deferred Compensation Plan of 1988 and Compensation Deferral Plan

Eligible managers were permitted to make elections under these plans to defer, over four-year deferral periods, between 6% and 30% of their eligible compensation. No new deferral periods could be started after 1990. Participant contributions may be matched in this plan at the same rate that applied under the 401(k) plan in lieu of match in the 401(k) plan. Account balances are credited with interest during the calendar year at a rate determined annually by the Company, which may not be less than the Moody's rate for the prior September. Distributions occur according to employee elections. Of the Named Executive Officers, only Mr. Stephenson has a balance in the Compensation Deferral Plan and only Mr. Watts has a balance in the Senior Management Deferred Compensation Plan of 1988.

Under the Senior Management Deferred Compensation Plan of 1988, after the participant dies, an additional benefit is payable to the surviving spouse for the duration of his or her life in an amount equal to two-thirds of the participant's standard retirement benefit, beginning once the standard retirement benefit payments have ended or upon the participant's death, if later. If Mr. Watts had died at the end of 2012, his surviving spouse would have received monthly benefits of $487 beginning in December 2027.

Potential Payments Upon Change in Control

Change in Control

An acquisition in our industry can take a year or more to complete, and during that time it is critical that the Company have continuity of its leadership. If we are in the process of being acquired, our officers may have concerns about their employment with the new company. Our Change in Control Severance Plan offers benefits so that our officers may focus on the Company's business without the distraction of searching for new employment. The Change in Control Severance Plan covers our officers, including each of the Named Executive Officers. Amounts under this plan payable to Mr. de la Vega would be offset by any payments Mr. de la Vega would receive under his agreement described on page 62, providing for the payment of benefits upon his termination of employment.

Description of Change in Control Severance Plan

The Change in Control Severance Plan offers benefits to an officer who is terminated or otherwise leaves our Company for "good reason" after a change in control. These benefits include a payment equal to 2.99 times the sum of the executive's most recent salary and target bonus. The Company is not responsible for the payment of excise taxes (or taxes on such payments).

In the event of a change in control and termination of employment, each covered officer will also be provided, at no cost to him or her, with financial counseling and life and health benefits, including supplemental medical, vision, and dental benefits, substantially similar to those benefits provided prior to termination, for three years after the executive's employment ends or until the end of the year he or she turns 65, whichever is earlier; provided, however, if the medical benefits cannot be provided on a non-taxable basis without penalty, these benefits would be provided on a taxable basis only for the applicable COBRA continuation period. We believe that these benefits are competitive with the benefits offered by comparable companies. Retirement eligible officers are eligible for certain of these benefits as part of their post-employment benefits (see Other Post-Retirement Benefits following the "Pension Benefits" table for more information). The estimated annual incremental costs of these benefits that would have been provided if the continuing Named Executive Officers had left for "good reason" under the plan at the end of 2012, in excess of any amounts that would have been incurred as post-retirement benefits outside of the applicable plan, are outlined in the table below.

Additional Costs of Potential Benefits Under the Change in Control Severance Plan

Name	Health Benefits ($)	Life Insurance ($)	Financial Counseling ($)
Stephenson	12,074	18,612	0
Stephens	34,260	13,500	24,000
de la Vega	16,742	10,848	0
Stankey	24,439	13,182	0
Watts	24,439	11,582	0

"Good reason" means, in general, assignment of duties inconsistent with the executive's title or status; a substantial adverse change in the nature or status of the executive's responsibilities; a reduction in pay; or failure to pay compensation or continue benefits. For the CEO, we eliminated a provision that defined "good reason" to include a good faith determination by the executive within 90 days of the change in control that he or she is not able to discharge his or her duties effectively.

Under the plan, a change in control occurs if: (a) anyone (other than one of our employee benefit plans) acquires more than 20% of AT&T's common stock, (b) within a two-year period, the Directors at the beginning of the period (together with any new Directors elected or nominated for election by a two-thirds majority of Directors then in office who were Directors at the beginning of the period or whose election or nomination for election was previously so approved) cease to constitute a majority of the Board, (c) upon consummation of a merger where AT&T Inc. is one of the merging entities and where persons other than the AT&T stockholders immediately before the merger hold more than 50% of the voting power of the surviving entity, or (d) upon our stockholders' approval of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

If a change in control and a subsequent termination of employment of the Named Executive Officers had occurred at the end of 2012 in accordance with the Change in Control Severance Plan, the following estimated severance payments would have been paid in a lump sum:

Potential Change in Control Severance Payments

Name	Severance ($)
Stephenson	19,734,000
Stephens	6,144,450
de la Vega	7,534,800
Stankey	7,534,800
Watts	6,219,200

In addition, under the 2011 Incentive Plan and its predecessor plan, the 2006 Incentive Plan (***Incentive Plans***), as applicable, unvested restricted stock units (Mr. Stephens, only) or unvested restricted stock (Mr. Stankey, only) will vest if the grantee's employment is terminated by the Company within two years following a change in control, or if the grantee terminates employment for good reason. A change in control under the Incentive Plans has substantially the same meaning as that in the Change in Control Severance Plan. "Good reason" for the Incentive Plans means within two years after the change in control, the employee's position or responsibilities are adversely altered, the employee's salary or target annual bonus is reduced, or the employee is relocated more than 50 miles from his former employment. If the employment of these officers was terminated under these conditions at the end of 2012, the Named Executive Officers would be entitled to the vesting of restricted stock and units (if not already vested) that were valued as of December 31, 2012 as follows: Mr. Stephens—$3,330,447 and Mr. Stankey—$5,164,305.

Performance shares granted under the Incentive Plans do not vest in connection with a change in control or a subsequent termination of employment. After a change in control, the payout of the performance shares is based solely on the achievement of the pre-determined performance goals.